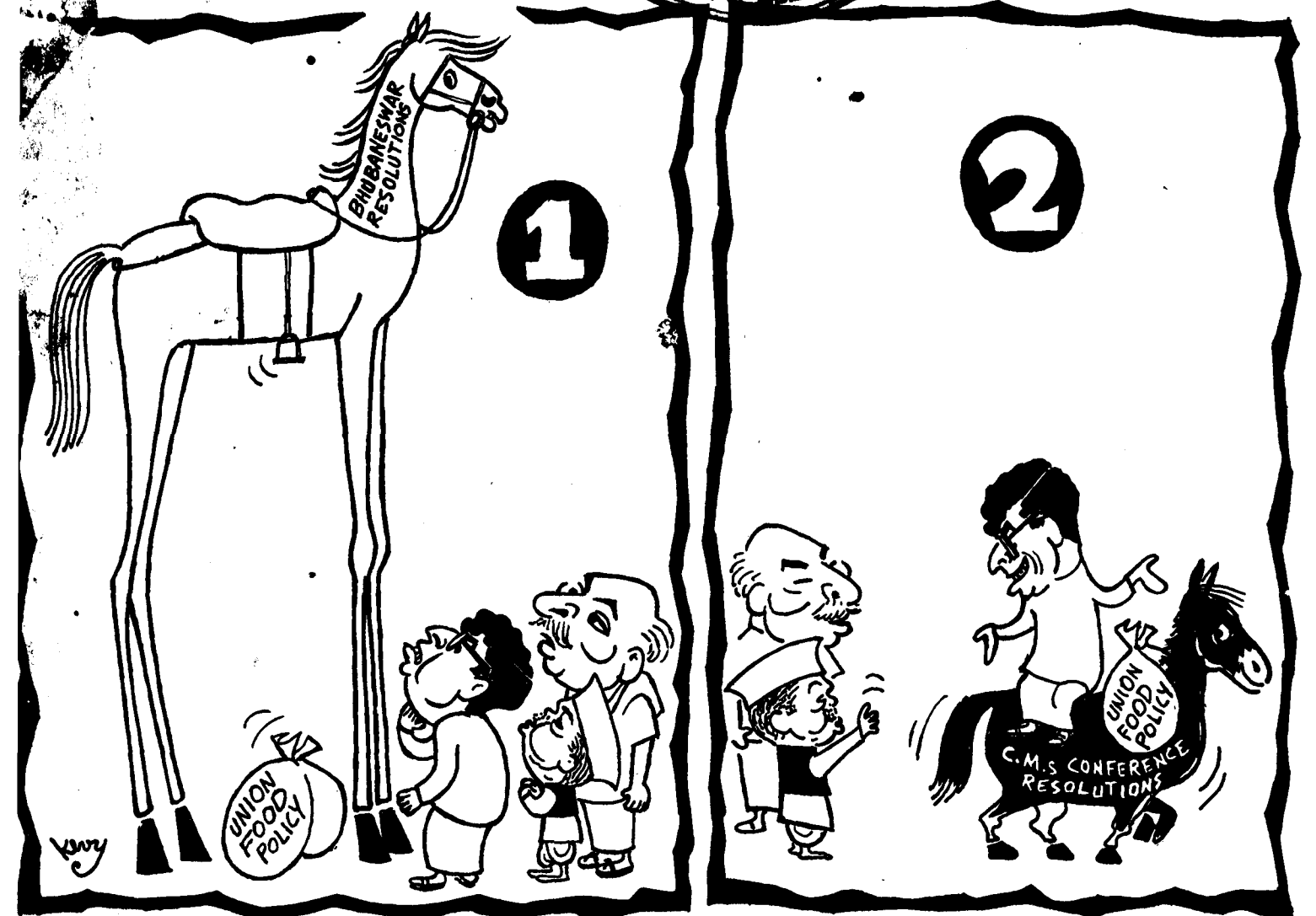
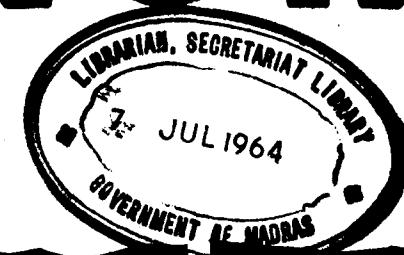


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JULY 3, 1964

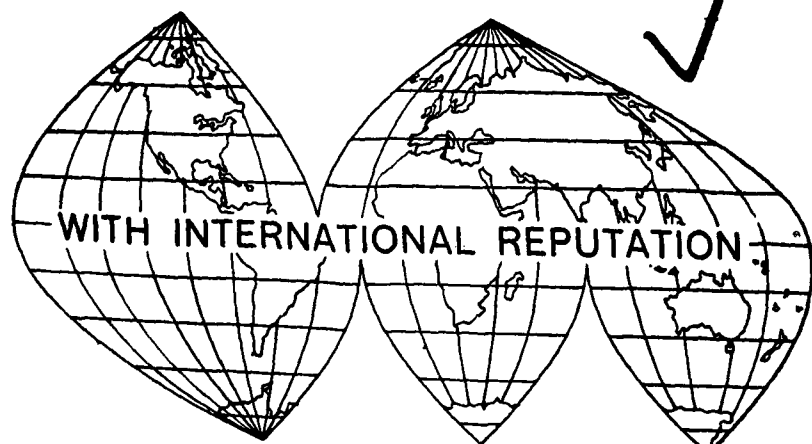
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Food Without Fads

THE SENSIBLE manner in which that tricky matter, Food, or rather Food Controls, was handled at the Chief Ministers' conference last week is a happy augury for the Lal Bahadur Government. But the omens for the conference itself were far from auspicious. Only recently, Mr. T. T. Krishnamachari, delivering one of his Delphic utterances, had declared state trading in foodgrains to be inevitable. As was to be expected, the Leftist Press and politicians were quick to take the cue and to work up a propaganda for dragooning, if not demolishing, normal trade channels. The view was sedulously propagated that if food prices were high, it was simply because there were too many sinners and not enough saints in the foodgrains trade. The cry went out for the blood of speculators, hoarders and profiteers who, it was alleged, were mainly responsible for the absence of ample food at reasonable prices. Thus an attempt was made to work up an atmosphere of crisis for the conference, the object being to hustle that assembly into extensive state intervention in the distribution of foodgrains.

Luckily for the nation, those pressure tactics failed, or were foiled. The luck was in the recent replacement of Mr. Swaran Singh by Mr. C. Subramaniam in the portfolio of Food and Agriculture. It is more than likely that had Mr. Swaran Singh continued he would have yielded to the clamour for more controls. But his successor has rightly chosen to deny himself as well as others the luxury of playing politics with the people's food. Mr. Subramaniam has had the courage, in the first place, to recognise the fact that it is just not possible to push down food prices in the present circumstances. This is because if food prices have risen, or are rising, it is less due to the misdemeanour of merchants than to such a basic factor as the failure of agricultural planning and production in the context of inflationary government spending, including much of the expenditure on the Plan. With lean months lying ahead, until it is time for the kharif crop to reach the markets, the utmost that can be realistically aimed at is the avoidance of any further increase in prices for the time being. This may be a modest purpose, but it is the only honest purpose that the Government could place before itself or the people. The Chief Ministers' conference under the leadership of the Union Minister for Food and Agriculture had done precisely this. Its limited objective was to halt the rising trend in prices through a series of short-time remedies pending the formulation of long-term programmes.

The virtue of the scheme of short-term remedies adopted at the conference is that it has countered the cry for more controls by stoutly recommending that what is really needed is fewer controls, better administered. The problem here is essentially that of restoring confidence among the public. In the past many months the prices of essential articles have been rising steadily thereby causing discontent and disquiet. In the circumstances, the Government has to demonstrate here and now its capacity to make foodgrains move more freely into deficit pockets. Hence the abolition all over the country of all inter-State restrictions on the movement of coarse grains and the restoration of freedom in movement of rice in the Southern States. Mr. Subramaniam had earlier wanted to go farther. But his proposal for the lifting of restrictions on the movement of rice from Madhya Pradesh to neighbouring Gujarat and Maharashtra had to be withdrawn at the instance of the Madhya Pradesh Government which successfully insisted on the continuance for the present of the existing system of exports by licence-holders under a quota system.

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But the accommodation shown to the Madhya Pradesh Government is perhaps a temporary one, to be reconsidered later in the year when new crop movements are about to begin. In the same manner the abolition of inter-State restrictions on the movement of wheat has been deferred too. Although Gujarat particularly was keen on the zonal system being ended, the Central Food Minister has bought its patience with a promise of liberal releases of wheat from Punjab, pending consideration of abolition of wheat zones when the next rabi crops will be getting ready for the market. Restrictions on inter-State movements of gram are also to remain for the present. It may be that such small liberalizations as there have been in food movements will not dramatically improve the situation either in respect of supplies or with regard to prices. But it is just possible that there could be some improvement, arising largely from the gain to public morale, and in any case, these relaxations will not cause a deterioration in the situation, a risk which was clearly present in the contrary nostrum of more controls.

To the extent, however, a marginal insufficiency of strategic food stocks has considerably prejudiced the Government's attempt to control food prices, it is clear that no short-term programme for relief could ignore the desirability of arranging for more and immediate imports. It is in this sense that Mr. Subramaniam's announcement that some rice is being procured from the United States and Pakistan is welcome. It is not a pleasant thing, however, for this country to look for succour thus in all directions. Nevertheless, confronted with a difficult situation even at the very beginning of his tenure, the present Food Minister had obviously not been left with much choice in the matter. But having arranged for additional imports of foodgrains, it has become all the more necessary for the Government of India to ensure that food policy is competently administered in the States so that the public gets the full benefit of the larger imports. Hence the emphasis which the Union Minister for Food and Agriculture has rightly laid on the responsibility of Chief Ministers to secure the proper enforcement of existing regulations and controls. While avoiding the histrionics of the Union Home Minister, who has set himself a two-year timetable for eradicating corruption in the public services, Mr. Subramaniam has soberly stressed the direct responsibility which the Food and Agriculture Minister at the Centre and the Chief Ministers in the States should assume for the proper implementation of food policy, including administration of food controls.

The need for realism is great since in matters of food policy especially what appear as highly plausible propositions could begin to lose their substance rapidly when scrutinized in detail. This has happened, for instance, with the Bhubaneswar slogan that the Government should take over rice mills as a step in state trading. The Minister for Food and Agriculture has pointed

out the snags in this proposition. As he told us, the bulk of the rice mill industry is scattered over small and uneconomic units with obsolete equipment and that it will not be in the public interest for the State to acquire or otherwise operate such units. But his own modified scheme for the Government itself setting up a number of large modern rice milling units is not free from objections. We are all for modernization of equipment and the replacement of uneconomic units by units of economic size in any industry, including rice milling. But it is difficult to see why public funds, which are not by any means abundant, should be invested, of all things, in the rice milling industry. Even a large rice mill with modern equipment does not cost so much money that it cannot be set up by private financing. If the rice mill industry has not taken sufficient interest so far in modernizing its equipment or in organizing itself into economic units, it is essentially because of the vagaries of the Government's food control policy. Given the present ideological uncertainties and political manoeuvring, rice milling is not a reasonable investment risk. But once the Government has settled on a pragmatic and stable policy for the regulation of the trade in foodgrains, the rice mill industry ought to be able to find its own finance for setting up large and modern units.

Disappointment has been expressed in some quarters over the failure of the Chief Ministers' conference to endorse proposals for the establishment of a government foodgrains trading corporation. We do not share this sentiment. To decide on a corporation of the kind proposed even before the broad outlines for the Government's long-term food policy are settled would surely be putting the cart before the horse. The proposal for the trading corporation, therefore, would be considered along with the long-term food policy. This apart, despite the oft-quoted pronouncement of the Foodgrains Inquiry Committee in 1957, we are not convinced that, given the largely subsistence and essentially marginal nature of food farming in this country, a government trading corporation can function to advantage. The examples of Australia and Canada have been cited, but the analogy is false since the problems of food trading in countries where agriculture is commercially organized for export are quite different from those of Indian food production. It would be a different matter if it were the Government's agricultural policy to aim at organizing our food production on the basis of farms of sufficient size for profitable production of foodgrains for the market. But so long as our agricultural policy continues to think in terms of subsistence farming or petty peasant farming, the utility of elaborate state trading would be negligible. In any case, to the extent that one of the main purposes of the State trading corporation would be to operate an all-India price policy for foodgrains, it is surely necessary that, in the first instance, there should be some broad agreement on the nature of that price policy. That there is no such agreement at present is only too obvious and the decision at the Chief Ministers' conference that, to

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begin with, expert inquiries should be conducted into the economics of food production costs and prices is a necessary caution.

It is possible that the foregoing discussion might create the impression that we have argued either that nothing need be done or nothing much could be done to hold food prices. We hasten to dispel any such impression. We are as firmly persuaded as anybody else that it is dangerous to allow food prices, or indeed prices generally, to rise as steadily and as fast as they have lately been doing and we have no hesitation in affirming that it is an immediate and important claim on public policy that the increases in food prices or prices in general should be restrained. But as we had argued in the last issue of *Eastern Economist* in the article on the "Truth About Prices", the current spiralling of prices is only a symptom of a deep phase of inflation induced primarily by excessive, wasteful and unproductive public expenditure. This government expenditure is the fuel which feeds the pressures on the people's cost of living. Unless this fuel is withdrawn, the pressures cannot be brought under control. That is why we had pleaded that any attempt to deal with rising prices in the absence of an effort to curb government spending would be an exercise in self-deception. We are, therefore, glad indeed that the Finance Minister, addressing the Chief Ministers' conference, had conceded the inflationary role of government spending and undertaken to reduce Central Government expenditure by Rs. 70 crores. The Finance Minister's critics may, no doubt, query how this economy has suddenly become possible. There may, of course, be substance in the argument that if Rs. 70 crores could be saved now, it should not have

been included at all in the budget only a few months ago. The unfortunate fact, of course, is that over the years the Government has got accustomed to equating extravagance in its spending with enthusiasm for development. It is a mercy that at least at this stage there is an awakening desire for greater responsibility in spending. It must, however, be appreciated at this point that the Rs. 70 crores of which the Finance Minister spoke, have not yet been saved. What he has expressed is an intention and whether the intention is actually carried out time alone will show. The test will be whether deficit financing has been entirely avoided in the current budget year and budgetary surpluses shown. In fairness to the Finance Minister, it must be said here that he can make good his pledge only if there is ardent co-operation within the Central Government as well as the State Governments who have been exhorted by Mr. Krishnamachari to play their part.

It has been said often enough that the only real and permanent solution of the food problem is increased production. While this is true, we must face the fact that in the matter of essential commodities prices are necessarily susceptible to the state of aggregate demand in the economy. Increased production may remove scarcities, but it may not necessarily restrain prices, except to the extent that it might take away the famine element in prices. So long as the aggregate demand in the economy continues to be boosted by inflationary spending, with a large element of wasteful or unproductive expenditure in it, the price level will continue to be the arbiter of who consumes what or how much. This, in a country of mass poverty, could be a cruel tyranny.

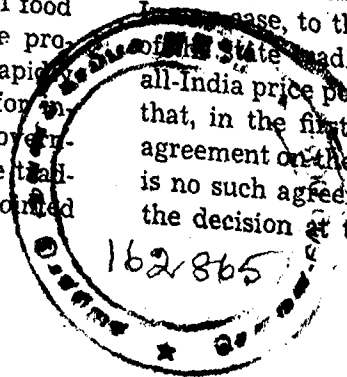
The Indian Middle Classes

WHAT IS the truth in the oft-repeated statement that the increasing pressure of prices has eroded the level of living of the middle classes in this country much more than that of any other section of society? That the pattern of living of the middle classes is different from that of the working classes or the agriculturists or the upper classes is acknowledged, but no analytical attempt has hitherto been made to know the conditions of living of the middle class population. A measurement of the impact of rising prices is possible only if the cost of living indices relating to this class of people are regularly computed. There has, in fact, been a great demand from the corporate sector in particular for the cost of living indices applicable to the white-collar classes in the urban areas, but, except for a solitary non-official index relating to the middle classes in Calcutta, no such attempt has been made at official or non-official level. In order to fill this gap in our knowledge about the middle classes, the Central Statistical Organisation, in association with the National Sample Survey and the Indian Statistical Institute, Calcutta, conducted in 1958-59 a survey of the middle class families in 45 towns and

cities. The detailed findings of the enquiry were reproduced last week in the 'Records and Statistics' section of this journal.

The survey had two broad objectives in view. The basic aim was to evolve a machinery for computing an all-India middle class cost of living index and the corresponding indices for the major cities and towns; the Central Statistical Organisation also tagged an additional objective of determining the way of living of the middle classes. It collected information relating not only to income, expenditure and the components of the consumer expenditure, but also regarding employment, service conditions of the employees, etc. By and large the survey is a praiseworthy attempt at getting at the true facts of life among the middle classes, though the inherent defects of the survey method do produce some anomalies.

The definition of the middle class adopted in the survey under report is a restricted one. It neither covers the middle classes in the rural areas nor does it



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cover all the middle classes in the urban areas. The enquiry relates to the employees only, the self-employed having been kept out completely. Because of the over-riding aim of collecting the basic data for calculating cost of living indices applicable to the white-collar workers in the urban areas, the survey had limited its scope. The findings of the enquiry, therefore, do not apply to the totality of the middle classes in this country, but only to a part of it. It might be argued that the scope of the enquiry could have been widened so as to give a comprehensive picture of all the middle classes in this country, but the manner in which the survey was conducted and the time that it has taken in finalising the report shows that as against the time lag of six years for this limited survey, the comprehensive enquiry would have taken the C.S.O. at least a dozen years.

In financial terms, the average monthly expenditure of the middle classes in 1958-59 was significantly above the all-India average for all classes. The figures for the middle classes collected in the enquiry showed, however, wide variations between the 45 centres where the enquiry was conducted. At the top of the list was Bombay with a per capita expenditure of Rs. 88 — about four times the all-India average for all classes. At the other end of the scale was Jammu with per capita monthly expenditure at Rs. 36 — only 50 per cent more than that of the all-India average for all classes. There are a number of centres in between these two extremes. These figures are only a rough guide of the level of living because in 1958-59 (as at present) the purchasing power of the rupee in these cities was not uniform. This point can be explained with particular reference to house rents which vary violently between towns. Whereas a decent room with bath and kitchen in Jammu may be available at Rs. 20 per month, the same may not be available in Bombay at double that cost. This also applies to certain other consumer goods such as foodgrains, vegetables, fruits etc. Again, in bigger cities like Bombay, Calcutta, Madras, Delhi, etc. there is a big element of cost on transport which is almost non-existent in smaller towns.

The survey has provided evidence to prove the Engle's Law which states that with rising income, the percentage of miscellaneous expenditure also rises. In the case of the working classes, for example, the miscellaneous expenditure constitutes hardly 5 to 10 per cent of the total consumer expenditure. In the case of the working class cost of living for Bombay, the percentage of consumer expenditure on miscellaneous items was not more than 16. The present survey has indicated that it was more than 20 per cent among the middle class people in the urban areas. In the Western region it was as high as 29.92 per cent followed by 25.50 per cent in the Eastern region, 28 per cent in the Northern region and 24.90 per cent in the Southern region. These high percentages — equivalent to almost one fourth of the total expenditure — have great relevance in the present economic context when the inflationary spiral is threatening to assume alarming proportions.

The usual attempt — in the absence of the required data — to measure the effect of prices on the middle classes through the working class cost of living indices fails to measure the true impact because whereas the working class cost of living indices are highly sensitive to changes in food prices (expenditure on food in the case of the working classes varies from 50 to 70 per cent) the expenditure of the middle classes is influenced in a larger measure by the variations in the prices of the miscellaneous items. Food does play an important part, but its share ranges between 40 and 45 per cent against 50 and 70 per cent in the case of the working classes.

It is a fallacy to think that the middle classes are uniformly enjoying better standards of living than the working classes or the agriculturists. The survey has demonstrated that there is a sizable percentage of middle class families with low income — income lower than that of certain sections amongst the working classes. In a city such as Agra, there were 12.3 per cent of the sampled families which had a monthly income of less than Rs. 75. There were similarly many other towns such as Meerut, Sambalpur, Patna etc., where the percentage of sampled families in the lowest income group varied from 8 per cent to 12 per cent. A majority of the families was in the income group Rs. 200-250 per month, though even in this group the level of living was not superior to certain sections amongst the working classes. Because they belong to the group of white-collar workers, they had to maintain appearances. That in itself caused an additional burden, reducing the consumption of good "quality" foods.

For the sociologist the survey has provided useful facts regarding the working hours of the middle classes and leisure time that they have at their disposal, but what is of great urgency is the early computation of the middle class cost of living indices for these 45 towns and cities. How long will the Organization need for starting these operations? Now that the basic facts about the consumer expenditure are known, machinery needs to be devised for collecting week-end prices of all the commodities which go to constitute the consumer basket of the middle classes. Once the machinery for collecting prices is established, the calculation of indices is only a matter of organising arithmetical work in the Labour Bureaus of the State Governments.

A piece of information thrown up by the survey is that the middle classes at the higher levels of income (i.e., the upper middle classes) tend to spend more than their earnings. The enquiry has, however, qualified this finding by saying that "in family budget studies, based on the interview method, expenditures are usually exaggerated, while incomes are somewhat under-stated". Again, in this survey, no estimates were made about savings. There is a common belief that the savings potential of the urban middle classes is larger than that of the agricultural or the urban working classes, an assumption which still remains to be scientifically considered.

Highlights of the Week

CHIEF MINISTERS' CONFERENCE

A NUMBER of steps have been decided at the last week's State Chief Ministers' Conference for checking further rise in foodgrain prices. Contrary to earlier expectations, the Conference, however, did not take any decision on the long-term measures to bring down food prices, although it did devote considerable time to this aspect of the problem also.

The State Governments have been asked to immediately set up adequate machinery for the proper enforcement of control measures and to prevent profiteering, black marketing, hoarding and other anti-social practices in the foodgrains trade. It has also been agreed to sponsor a scientific study to fix economic prices for rice and wheat in different States.

The Conference endorsed the decision of the Union Ministry of Food and Agriculture to abolish procurement of rice in Andhra Pradesh and Madras and to restore free movement of this commodity in the four Southern States — Andhra Pradesh, Madras, Mysore and Kerala. A similar step in regard to movement of rice from Madhya Pradesh to Maharashtra and Gujarat, however, did not find favour. The existing arrangements under which exports of rice from Madhya Pradesh to Maharashtra and Gujarat are undertaken on Government-to-Government account on a quota system is to continue. The wheat zones, as constituted at present, are also to be maintained. So also the maximum control prices and the modified system of foodgrains distribution in West Bengal.

There, however, would be no restriction of any kind, formal or informal, on the movement of coarse grains or pulses, except gram, from one State to another or within a State. All such restrictions that might have been imposed by any State Government would be withdrawn immediately. The movement of gram will continue to be regulated.

For reducing money supply, the Union Finance Minister, Mr. T. T. Krishnamachari, announced at the Conference his decision to cut Union Government's expenditure by Rs. 70 crores. The State Governments were advised to follow suit.

Two other important announcements made at the Conference were: (i) the plan of the Union Ministry for Food and Agriculture to set up modern mechanised rice mills in the public sector, including the co-operative sector; and (ii) establishment of two funds — called the Relief Guarantee Fund and Credit Stabilization Fund — for the benefit of the agriculturists.

Explaining the decision on rice mills, the Food and Agriculture Minister, Mr. C. Subramaniam, stated that it was considered better to set up new modern rice mills in the public sector, instead of taking over the existing ones, most of which were primitive and uneconomic. The modern units would produce better quality rice and in a more economic manner. A 3-tonne modern rice mill, capable of processing 20,000 tonnes of paddy a year, he said, could yield an output of 13,200 tonnes of rice, as against only 11,600 tonnes from the same quality of paddy by the existing units. Each new unit, he estimated, would help in saving approximately Rs. 11.2 lakhs in foreign exchange, whereas the foreign exchange component of the cost of setting up such a unit would be about Rs. 1.62 lakhs. Initially, efforts are proposed to be concentrated for installing modern rice mills in the package programme areas. It is felt that setting up of these rice mills would give the Government control over supply and distribution of rice.

The States of Madras, Kerala, Mysore and West Bengal asked for more supplies of rice from the Centre. Arrangements are being made to import more rice from the United States, Pakistan and Thailand.

Among the long-term measures to bring down foodgrain prices, Mr. Subramaniam suggested setting up of a high-level

technical agency for determining fair and economic prices for the producer and reasonable prices for the consumer, and establishment of a State-owned Foodgrains Trading Corporation. Although, both these proposals received general welcome from the Conference, the decision on them was deferred, presumably in deference to the desire of the Congress Working Committee to consider all long-term measures before they were finalised. The Chief Ministers expressed the view that State representatives should be associated with the high-level technical agency for determining foodgrain prices. In regard to the proposal for setting up the Government Foodgrains Trading Corporation, some Chief Ministers opined that such corporations should be established by the State Governments and there should be a Central Corporation to act as the apex body.

ACCENT ON SMALL PROJECTS

IN AN informal meeting with the members of the Planning Commission on June 23, the Prime Minister, Mr. Lal Bahadur, spelt out some broad considerations to be taken into account while drafting the fourth five-year Plan. Most of the points made by him were old and well-known; they have already received some attention at the hands of the planners. Mr. Lal Bahadur made a fervent plea for the eradication of unemployment and poverty from the country, stressed urgency of hastening the pace of agricultural development and early provision of "food, clothing and housing" for all. What was new in his rendering of the case was that in view of the paucity of resources, it was essential that the country should concentrate on small projects such as the building of wells and tanks instead of gigantic dams, which in addition to consuming vast financial outlays, had long gestation periods. Benefits from the dams flowed long after actual investment had taken place. The Prime Minister exhorted the planners to lay more stress on small projects because the results could be had without loss of much time. Again, the problem of agricultural production was an urgent and immediate one; it could not be postponed indefinitely. If enough chemical fertilisers were not produced within the country and the deficiency could not be covered through imports because of the shortage of foreign exchange, efforts needed to be made to fill this gap by compost and green manures.

There was no indication in Mr. Lal Bahadur's speech regarding the priorities in the Plan. If eradication of unemployment was to be put at the top of the list, it meant initiation of labour-intensive programmes and projects. While he wanted small and village industries to prosper, he also hastened to state that he was not against the basic industries. Unless there is a clear directive regarding the approach to the fourth five-year Plan, and the priorities are fixed, the Plan may suffer from the same defects which plagued the earlier ones. Mr. Lal Bahadur urged the Planning Commission to be "eyes and ears of the Government and not one of its departments." In these words, he defined the role of the Planning Commission as an enlightened body which kept the Chairman informed about economic trends and the possible solutions for the various problems. He was, thus, keen that the Planning Commission should play its rightful role in framing the long-term economic policies of the country and should not degenerate into a lifeless department of the Government. The suggestion of the Deputy Chairman, Mr. Asoka Mehta, that Mr. Lal Bahadur should give more time and energy to the Planning Commission, was a sincere plea, but his remark that "creative elements concerning formulation and implementation of plans would only come from the Prime Minister", perhaps, was said out of regard and respect for Mr. Lal Bahadur. In fact, it is the Planning Commission which should have cultivated (it is an unfortunate fact that it has not done so) in Yojana Bhavan the instruments of creative planning which are vital for the

formulation and implementation of the future plans on which depends the prosperity of the country.

LAND REFORMS

REDISTRIBUTION OF land ownership, sought in this country during the last one and a half decades, did not have a healthy impact on the agricultural economy in the sense that instead of assisting in increasing agricultural output, it has acted as a hindrance. The States have, however, continued to further land reforms with the ostensible objective of giving to the tiller his rightful due. Last week, the Land Reforms Implementation Committee, which had been set up by the National Development Council, decided to organise high-level committees in all States which would be asked to review the progress of implementation of land reforms twice a year. The Committee met under the Chairmanship of Mr. G. L. Nanda, the Home Minister, and was attended by some of the State Chief Ministers. It was suggested at this meeting that each State Government should appoint a special officer and other necessary staff in order to see that the land reforms programmes worked according to a time schedule.

A decision of great importance taken at this meeting was to provide to the tenant-cultivator financial assistance so as to enable him to carry through the production programme. In most of the States, a large number of tenants are cultivating lands on lease but tenancy is oral and not documented; the tenants are not in a position to assert their rights as they are not in a position to prove their tenancy. It will be the task of these committees to take steps whereby a record of tenancies is prepared and a revision in the record takes place at the earliest possible moment so as to benefit the tenants. In such cases, unfortunately, the tenants failed to obtain all the privileges granted by the Government; the absentee landlords enjoyed all the benefits.

Since agricultural production has come to occupy a pivotal place in the economy, it is essential that all cultivators should conform to certain "norms". It was suggested at the meeting that those who do not pay attention to their land with the result that output therefrom is highly deficient due to lack of interest, the State should take over such land; it was, however, decided that this scheme should be tried only in a few selected areas. It should be implemented on a wider scale only after sufficient experience in this regard has been gained. It was also decided that a technical committee should examine the entire question and submit its recommendations by August 1, 1964. Another suggestion put forward was that share-cropping should also be abolished and rents in kind should be converted into cash-rents. Then only the tenant-cultivator will be able to obtain an adequate return on his own contribution and that of the State.

UNUTILIZED CAPACITY

"THERE IS a good deal of slack in the Indian economy in terms of unutilised capacity and potentials which, if taken up, would immediately result in a considerable surge in production", says a columnist in a daily contemporary. One does not have to go very far for an illustration of such unutilised capacity. Take, for example, the small tool industry in the country. How important it is to every industry, be it in the public or the private sector, is common knowledge. Even the authorities are not unaware of it. Nor are they unappreciative of the unenviable plight of the manufacturer of small tools. They would fain help him, if they could, but are unable to do it. Why? All because of the procedure being followed for importing high speed steel, and essential raw material that is not made in India.

Under the prevailing practice, tool manufacturers are given a licence, of course, after long waiting, to import from a rupee payment country — Czechoslovakia in this case. This

licence has to be channelled through the State Trading Corporation, which is another time-consuming process. For, the STC has first to earn the foreign exchange and then to import its indentors' requirements, or effect a barter deal for the purpose. But, as things stand, this pre-supposes the availability in Czechoslovakia of all the quantity required to be imported, and that, unfortunately, is not the case. In the result, the import tends to get spread over an indefinite period necessitating more delay again.

It is not surprising, therefore, that, of late, complaints about inadequate supplies of high speed steel from manufacturers of small tools have grown in volume, and there does not seem to be an early prospect of the position improving, unless the authorities wholly reorientate the existing procedure. They must allow manufacturers of tools to import from other countries, besides Czechoslovakia, which are in a position to effect adequate and immediate deliveries. This no doubt entails the use of foreign exchange that is not freely or readily available, but it seems not only imperative but also desirable to find this foreign exchange for a number of reasons. In the first place, our small tool manufacturing units have already attained internationally acceptable standards. America, it may not be known to many, has begun to evince an interest in these tools (samples of small tools manufactured by Indian Tool Manufacturing Co. of Bombay, for example, were sent to the USA and were very well received, we are told). Secondly, the internal demand for small tools has increased enormously and bids fair to spurt further. Thirdly, with so assured a potential demand, it would be almost criminal to allow any installed capacity to remain unutilised, the more so when some of it is additional capacity specifically licensed to meet the rapidly rising demand for these tools. Today, for want of raw materials only 60 per cent of the installed capacity is being utilised. And, very soon, there will be further additions to the present installed capacity, but no manufacturer can be blamed for keeping his installed capacity not utilised fully, if he is not enabled to or does not have adequate raw materials. At least in respect of key industries like the small tool industry, therefore, the authorities must make it a point to ensure adequate, if not plentiful, supplies of raw materials, in particular imported raw materials.

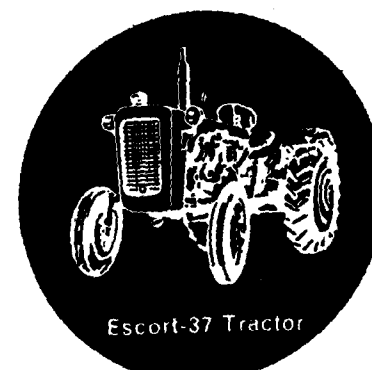
Eastern Economist 20 Years Ago

JUNE 30, 1944

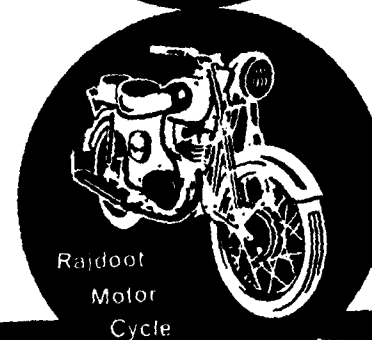
IT IS now some months since the Government of India started publicising their intention of according a high priority to agriculture in their post-war reconstruction plans. But it is no secret that their new-found enthusiasm for agricultural progress has completely failed to elicit any marked popular approbation. On the contrary, their motives are suspect and the fear has been expressed that their real object is to pose agricultural expansion as a counterblast to industrialization and thus confuse the issues. It should not be forgotten, however, that, whatever, may be the Government's strategy, agricultural development is of supreme importance in itself and may even be said to hold the key to all-round economic progress. Agriculture is, therefore, bound to occupy a crucial position in any scheme of national planning and it is desirable that, their unsatisfactory background notwithstanding, agricultural plans prepared by the Government Departments, committees and experts, all of whom have the advantage of vast official facilities and resources, should be considered dispassionately and on their merits and their value assessed and assimilated to a genuine plan of economic development.

ESCORTS Enterprises

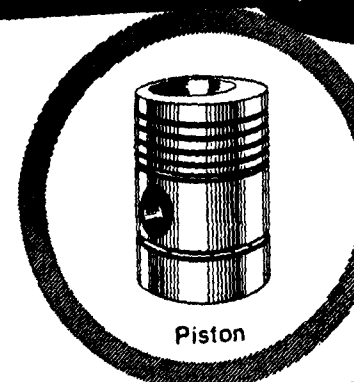
- Serve National Plans
- Save Foreign Exchange
- Accelerate National Economy to goal of Self-Sufficiency



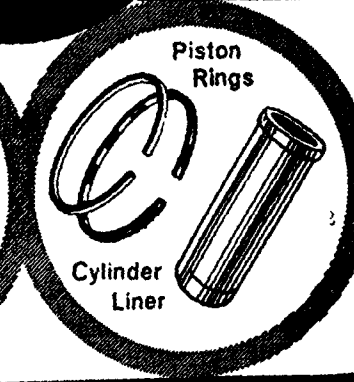
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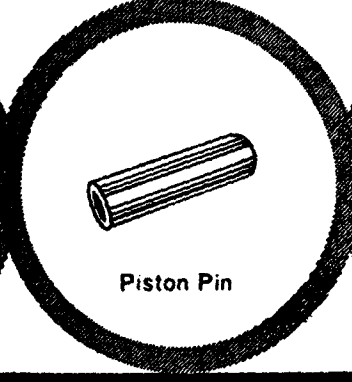
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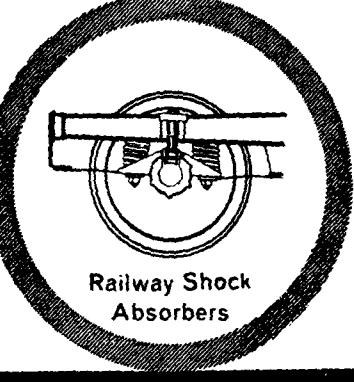
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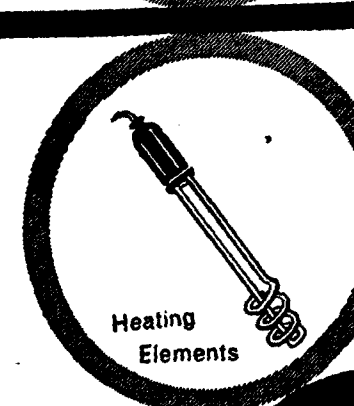
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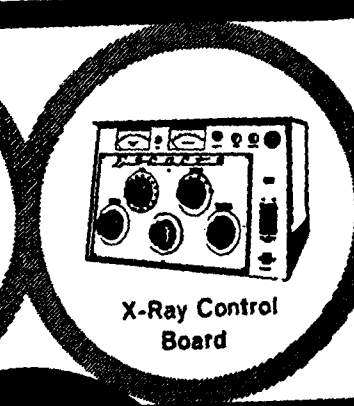
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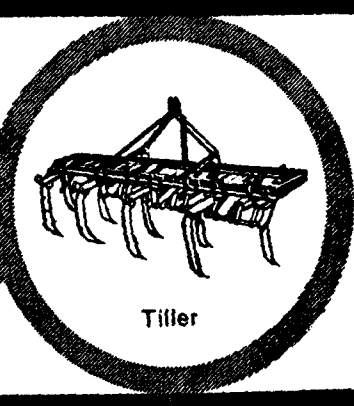
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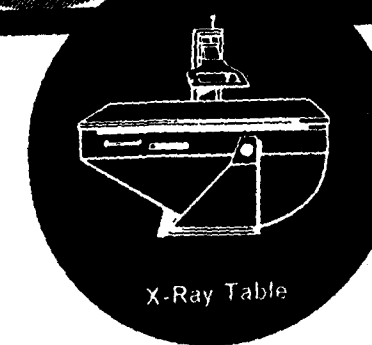
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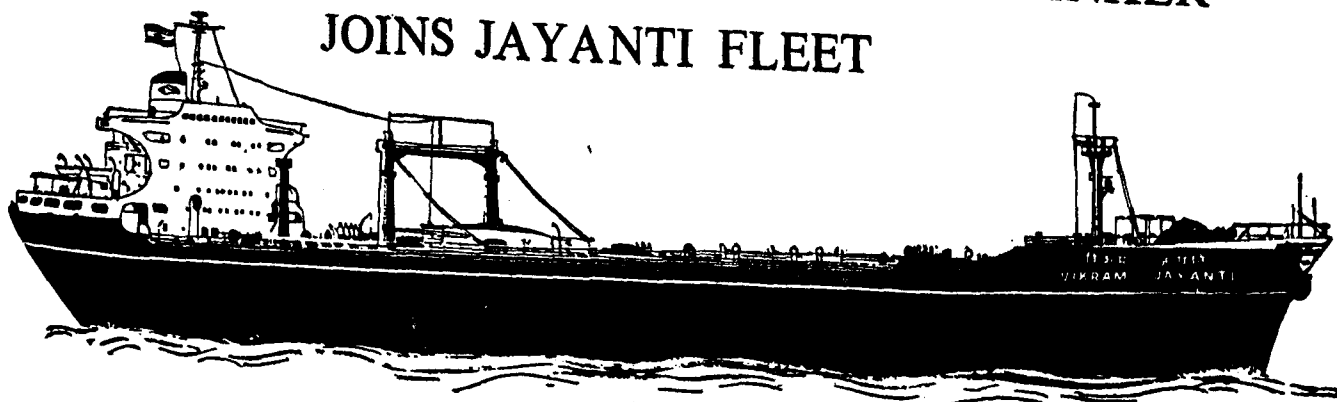
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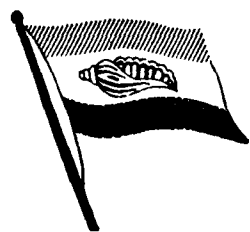
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Strengthening the Nation's Life Lines

NC-39 A

Tanganyika's Five-Year Plan

MADAN M. SAULDIE

TANGANYIKA EMBARKED on its Five-Year Development Plan on July 1. The Plan is the first of the three phases of a 15-year Plan covering the country's economic and social development up to 1980. Zanzibar now being a part of the Republic of Tanganyika-Zanzibar, a separate development plan will be drawn up shortly for that island.

The Plan envisages a total outlay of £246 million of which the Central Government will share £102 million, Local Authorities £10 million, the East African Common Services Organisation £18 million and the private sector £116 million. Of the Central Government's share, £27 million will be spent on ministerial programmes and the remaining £30 million will be allocated to parastatal organisations like the Tanganyika Development Corporation, the National Housing Corporation, the Co-operative and Development Bank and the Tanganyika Electric Supply Corporation.

The Central Government would raise £22 million from domestic savings and £80 million from overseas investment on favourable terms under bilateral and multi-lateral foreign aid agreements. The private sector is envisaged to attract a net capital inflow to the tune of £31 million and favourable social and financial climate will be created and special inducements offered to facilitate foreign investment.

Three main long-term objectives have been outlined in the Plan: To raise annual per capita income from the present low of £19.6 (estimated in 1961) to £45.1 by 1980, to reach a stage of self-sufficiency in trained manpower requirements and to raise life expectancy from the present 30-40 years to 50 years. These are not unachievable targets for a country with Tanganyika's vast resources.

Balanced Growth

To accomplish a balanced agricultural and industrial growth, the Plan places the private and public sectors on equal footing. Agriculture has been the chief occupation of the majority of the more than 9 million Tanganyikans and accounts for nearly 45 per cent of the total domestic product. Sisal, coffee and cotton are the main exportable products which in 1961 constituted 60 per cent of the total export trade. Apart from the need for boosting agricultural production, the Plan lays emphasis on exploring new markets for agricultural products as well as foster the traditional ones. Local markets will also be stimulated through community development programmes. Further, the Plan calls for discouraging subsistence agriculture and urges upon the farmer to concentrate on one or two cash crops so that the targeted 7.5 per cent annual growth rate in monetary agriculture be achieved. This radical "transformation" naturally needs diversification of agriculture, consolidation of fragmented holdings and organisation of village settlements, of which the planners seem to be well aware. Considerable importance has been attached to agricultural research and £500,000 in capital and £1,700,000 in recurrent expenditure have been earmarked for setting up new research centres as well as maintaining the existing ones.

The first task in the industrial field would be the substitution of local manufactures for imported goods, thus opening new vistas of employment. The Plan hopes to achieve an average annual industrial growth of 14.8 per cent and it is expected that the recently-concluded agreement with Uganda

and Kenya would enable this country balance her trade with East African countries by the Plan-end and participate effectively in the East African Common Market both as a buyer as well as a seller as against being at present a buyer only. The equitable distribution of the benefits of Common Market—which have so far been allegedly reaped mainly by Kenya—will create the necessary atmosphere for a future political integration of the three countries into an East African Federation.

The Plan provides for the development of the three sectors of Tanganyika's industry—mining, processing and manufacture—to achieve a desired structural evolution for industrial expansion. £1,800,000 have been allocated to Tanganyika Development Corporation for the development of mineral deposits, geological surveys and improvement of building-material output for a planned expansion of construction activity. A co-ordinated development of co-operative trading—through Governmental agencies—and private trading as provided in the Plan would improve the commercial perspective of the country and achieve an average growth rate of 8 per cent per annum. Till self-sufficiency is achieved in trained manpower requirements the needs of the increased economic and social activity in the country will be met by technical assistance imported from abroad.

It is therefore reasonable to expect that the first phase of the 15-year Plan will achieve considerable measure of economic and social progress and would gain for the country useful experience for the following ten years of planning. Drawn up by the Ministry of Development Planning under the direct supervision and guidance of President Julius Nyerere, the Plan is at once modest and realistic. Moreover, as President Nyerere remarked while presenting the Plan to the Tanganyika National Assembly: "Many of the facts which this Plan has to take into account are outside our control—the Plan is therefore a flexible one and periodically we shall examine progress in the light of the new economic circumstances, making adjustments as required." Dr. Nyerere proudly added: "Britain, for all her wealth, has only said that she will double her income in 25 years. We are aiming at 15—and I believe that we can achieve this objective." There is a 'catch' in this comparison. While Britain is planning to double her national income in 25 years from a sufficiently high base, the same process of doubling in the case of Tanganyika will be from a relatively modest base.

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WINDOW ON THE WORLD

French Plan Changes

From Our Special Correspondent

PARIS:

IN QUARTERS where national economic planning is anathema, an article in the London "Economist" in May has had a certain success. It claimed that under the pressure of liberals like M. Jacques Rueff, the French Plan had been all but abandoned. French economic policy, it was implied, had taken a right turn and the Finance Minister, M. Giscard d'Estaing, was credited with the exclamation, "Le plan, c'est l'inflation". Several New York weeklies have since put this much more definitely: French planning is recognised in Paris to have failed and is to be suppressed. The lesson should be learned, it was added, in places like Rome and Madrid, where French-style plans are being drawn up just as the original model is scrapped as useless if not dangerous.

Discussions about planning are often stultified by the circumstance that people mean different things by the same term. Some of the most passionate anti-planners in the USA and West Germany have never cared to see how planning has worked in France but are content to condemn authoritarian centralisation of the economy — a point on which most people (including Russians) agree, but which is irrelevant. In the present case, too, reports that planning is to be scrapped in France must arise from a similar confusion. If one takes the most important part of planning to be the work of the plan study-groups and specialised commissions, which assemble representatives of all economic agents including the State, then it is not true that planning in France is scheduled for any major change, let alone destined to be abandoned. Indeed, new organisations of that sort are proposed, and they will be entrusted with such tasks as working out and implementing a national revenues policy which will form part of the national plan.

Guaranteeing Stability

Moreover, the Finance Minister said lately that when the present stabilisation operation was over, it would be necessary to "install institutional mechanisms that will guarantee stability". He meant that instead of waiting till prices and wages got out of control, and then resorting to the customary methods of corrective action, one could charge a permanent tripartite commission of the plan with the job of switching on the red lights as soon as disequilibrium started to appear. What this body would be and what powers of instant intervention it would have are subjects that have not yet been discussed publicly, but it is clear that the idea is to extend existing planning mechanisms and to direct their attention to new tasks.

If, on the contrary, one sees the essence of planning not in this attempt at co-ordination but in target-busting — i.e. fixing for various goods production objectives that are so high that they could not be attained in the normal way but require special incentives and disincentives — then it is indeed true that future French plans will contain less and less of it. One needs to note that this trend has been evident for some years, certainly since the writing of an interim plan in 1958-59 to replace the targets of the current plan which had become unattainable. So it is nothing new. In fact, planning as target-busting was limited to the years of post-war reconstruction when, in addition to the role of co-ordination which was and remains basic, the plan was a stimulant and encouragement to greater and greater production. No such stimulation is

needed today, for the problem is just the contrary; the French economy has been running hot, with producers' objectives set too high for the available manpower resources, leading to price-inflation. A stabilisation plan has been in force for ten months and will remain in operation many months more, with the aim of dampening down the pace of economic expansion until price stability (or what passes for it in the modern world: annual price-rises of 1-2 per cent) has been attained and guaranteed. Obviously, this would not be the moment to fix ambitious production targets for various sectors, and the next plan, now being written, will contain few of them.

Problems of Equilibrium

The idea, then, is to apply the tested methods of forecasting and co-ordination less to the problems of maximum production than to the problems of equilibrium. The reason for this change lies in the new circumstances produced by European economic integration in the Common Market and, even more generally, by the freeing of world trade and capital movements. Those developments mean that events abroad now can impinge on the French economy with more force than many of the factors taken into account in a national plan. Planning, of whatever sort, has always pre-supposed taking the national unit as more or less self-contained, in the sense that the planners thought they could foresee and perhaps control the majority of factors at work, leaving foreign trade and capital movements as a fairly substantial but still marginal influence. Fully justified just after the war, liable to occasional upsets in the following decade that as assumption is patently out of season now inside the Common Market. It will remain so, unless a European economic plan is adopted, as most members urge and as the ECM Commission has suggested. In the face of West German opposition to a European plan, the other members have no alternative but to make their own planning more supple.

This is no doubt a transitional phase. It is hard to believe that the six national economic authorities are going to be liquidated by integration, without there appearing some central economic authority with competence extending over the whole Common Market. Uncertainty during this transition shows up in many affairs besides planning. Cartels and monopolies, for instance, escape purely national control as their area of operation becomes that of the six territories, but there does not yet exist an effective regional authority to control them. Monetary policy is less and less under the control of national finance ministers as funds move freely around the region, but there is no central monetary authority to do their job. And so on. Some business men welcome this temporary relapse to 19th-century "freedoms", but in fact it is simply an accident due to the circumstance that political integration is coming behind economic unification. The situation would be intolerable if this lag persisted, and the Europeans will have to face up to the problems of installing some variety of central government soon, whether it be federal, confederal, supranational, inter-governmental or whatever, as long as it has competence over the whole region comparable to that exercised by national governments at home.

As soon as such a central authority appears, it will encounter the questions that France, Holland, Belgium and Italy now seek to solve by their democratic plans. In other words the issue of a European plan will cease to be theoretical and become very live. Till then, it is true, the national plans are

exactly in the position of monetary policy, anti-cartel policy, etc: they are leaking all round the edges, because the Common Market has opened up the national economies and removed many forces from national control (indeed from any control at all, temporarily). This is no more reason to conclude that planning has failed and will be scrapped than to conclude those things of monetary policy and anti-cartel policy. While they await the institution of some form of planning at the six-nation level, national planners will have plenty to do. They will be less concerned with financing investments at any price than they were after the war (and still are in India), and more interested in forecasting the major economic currents in the Atlantic world, inside the Common Market and finally at home.

Critics of planning in France would find better material in the failure of this country to provide adequate housing and adequate educational equipment for its rising population. For these are the most striking weaknesses in France's post-war achievement, and yet they are precisely the fields where provision is simplest. Leaving aside the shock of the return of eight lakhs or so of North African settlers which no one could foresee, demographic movements are known in advance with some precision. The number of young people attaining university age can be foretold with perfect accuracy years ahead. Furthermore, both fields are under almost complete

Government control: Government provides most education and finances one lodging in ten. Yet the upshot is that after decades of economic planning, housing is drastically short, and schools, colleges and universities are grossly overcrowded and under-equipped.

These cases are mentioned to recall that planning does not solve anything whatsoever unless there is the will to make certain options and attain objectives. In France, housing and education were given second place, as much by the planners as the politicians and the general public, to other economic activities whose development, as it turned out, was harder to foresee and control. We have the paradox of French planning neglecting what is most easily planned while tackling cases where international competition and the evolution of consumer-tastes upset every prediction. There is the related paradox that private enterprise co-operated more intelligently with centrally devised plans than did the Government's own departments. It is along these lines that one could develop cogent criticism of the very imperfect French experiments in democratic national planning, rather than by seeking to show that the progress of economic integration in the Common Market means the "failure" of planning. That integration poses new problems that the method of provision and co-ordination will tackle with as much hope of success as the problems of post-war reconstruction.

Euro-Dollars Have Come to Stay

PAUL EINZIG

LONDON:

THE EURO-DOLLAR market is, or ought to be, a matter of considerable interest to India, in spite of the fact that, being a member of the Sterling Area, her residents are not entitled to borrow in terms of foreign currencies in London. For indirectly India stands to benefit by the additional credit facilities. When switched into sterling the Euro-currencies become available to any borrower of the Sterling Area in the same way in which they are available to U.K. borrowers such as local authorities or hire-purchase finance houses. Moreover, in so far as many customers of U.K. banks resident outside the Sterling Area meet their requirements with the aid of Euro-currency deposits instead of conventional sterling bank credits, more facilities remain available for borrowers within the U.K. and the Sterling Area.

The figures on Euro-currencies that appear in the June issue of the Bank of England's 'Quarterly Bulletin' show that in March 1964 the total of Euro-currency deposits lent by UK banks to the Sterling Area was merely £3 million. Presumably this amount represents transactions for which special licence was granted. Euro-currency deposits lent by Sterling Area countries to U.K. banks amounted to £45 million. Presumably most of it belongs to Arab owners, since the oil-producing members of the Sterling Area are in the best position to accumulate dollar deposits.

Had there been any doubts until now about the permanent character of the institutional change represented by the development and expansion of the new facilities, the Bank of England's 'Quarterly Bulletin' and the Annual Report of the Bank for International Settlements have between them effectively disposed of such doubts. We now have it on the authority of both institutions that Euro-dollars have come to stay.

In the May 29 issue of 'Eastern Economist' I predicted

that the Bank for International Settlements in its Annual Report would endorse the view that Euro-dollars now form a permanent part of our international financial system. The text of that Report amply confirms my prediction. It is reassuring about the effects of the new device on the dollar and about its inflationary effects, also about the risk involved in lending Euro-dollars, and it is distinctly favourable to that device. An interesting fact published in the Report is that over 30 per cent of the Euro-currencies is borrowed by residents outside Western Europe and North America.

Prominent Borrower

Japan figures prominently among borrowers of Euro-dollars. The Bank of England's 'Quarterly Bulletin' in its analysis of the figures on the employment of Euro-currency deposits, points out that the published figures of under £100 million representing in March 1964, Japanese borrowing of Euro dollars in London — out of a total borrowing of £1,262 million — is by no means the whole story. Much of the Euro-dollar deposits borrowed by London branches of Japanese banks is lent to the New York branches of the same banks which, in turn, re-lend them in Japan. Such transactions appear under the amount of nearly £400 million lent in London to the United States.

An interesting feature of the statistics published by the Bank of England is that it indicates no noteworthy contraction in the turnover in Euro-currencies as a result of the losses and immobilisations caused by a few failures by borrowers in New York and Germany last autumn. Even though some London banks have, as a reaction to those incidents, discontinued or curtailed their Euro-dollar operations, others must have taken their place, judging by the fact that the decline of Euro-currency deposits borrowed by U.K. banks, compared with their maximum figure in September 1963 was merely £20 million, while the decline of £45 million in the amount lent by UK banks, though more substantial, was rather less than 5 per cent of the total. Although the expan-

sionary trend was interrupted — not for the first time since the origin of the market — there was no real setback.

The 'Quarterly Bulletin' also disposed of the view held in some quarters that switching of foreign currency deposits into sterling had a significant influence on the British credit situation. Its extent had its ups and downs, under the effect of the varying profitability of short-term lendings to local authorities and hire-purchase finance houses (allowing for the cost of covering the forward exchange), and the movements of such funds in and out of sterling area did affect the official dollar reserve. I have always understood that the authorities do not as a rule go out of their way to prevent unwanted movements of such funds by means of intervention in the foreign exchange market. The official policy is merely to neutralise any

unwanted effects of their influx or efflux on the money market, and they achieve that end as a matter of routine control of that market.

In conclusion the Bank of England expressed the view that the Euro-dollar market has shown its capacity to adapt itself to changing conditions. It has emerged as a truly international short-term money market providing attractive opportunities for short-term investment and short-term borrowing. It has stimulated banking competition and has helped to reduce interest rates in the main borrowing countries. It has thus proved that it has a useful part to play. Among other countries, India must have derived indirectly some benefit, even if prevailing conditions have prevented her from deriving direct benefit.

Start of a Productive Process

GUY SIMS FITCH

WASHINGTON:

BEFORE TAKING OFF for Geneva last March as a member of the US delegation to the United Nations Conference on Trade and Development (UNCTAD), a US Government official remarked that the objective was not to score debating points, but to get on with the job at hand. That job, of course, is to find meaningful ways of expanding the trade of less developed countries as an integral part of an accelerated development process. Now that the conference has ended, three months and many arduous sessions later, it is clear that this indeed has been the underlying approach of the United States. With patience and diligence, and with that forthrightness which underlines the respect the US Government has for the legitimate aspirations of developing peoples, the US delegation has sought in co-operation with others — from both developing and developed lands — to find sound and constructive answer to the related trade and development problems posed by UNCTAD. This is evident in the positive proposals the US delegation brought to each of the conference's principal committees.

Positive Proposals

In committee one, dealing with primary commodities, the United States indicated its readiness to enter into commodity arrangements, to help stabilize markets where such arrangements offer practical prospects of success. In committee two, dealing with trade in manufactured and semi-manufactured goods the United States supported improved market access through trade liberalizations, and put forward a broad programme aimed at generating effective export promotion in developing countries. It also supported the formation of regional groupings to stimulate trade among developing countries and provide those countries with a more efficient industrial base. In committee three, on financing for trade expansion, the United States played a leading role in agreements that were reached on a number of important points. These included the principles of economic assistance, the responsibilities of both developed and developing countries in achieving higher growth rates, the means for increasing and improving the flow of financial resources to developing countries and for coping with external debt problems of those countries. In committee four, on institutional arrangements, the United States proposed practical continuing machinery to deal within the United Nations framework with the problems of trade as they relate to development.

Along with committee three's financial recommendations, UNCTAD's most tangible results may well be the construc-

tion of this kind of institutional machinery, to which unresolved substantive issues can be referred. The conference in effect established itself as an organ of the United Nations General Assembly, and created a 55-nation trade and development board to take up on a continuing basis the discussions begun at Geneva. With this new machinery well-bolted into the UN system, the discussions can proceed in a fruitful and reasonable manner. Both the more and the less developed nations can meet one another in pursuit of UNCTAD goals in a continuing process of negotiation, adaptation and growing understanding.

Since a basic purpose of UNCTAD is to produce a consensus on attainable trade policy, its recommendations obviously must have substantial support from countries which bear much of the burden of putting them into realistic practice. It follows that the new machinery should incorporate the kind of special voting arrangement which takes into account adequately this fact of international life. Such an arrangement is in the common interest of all concerned — the developing countries which are in the numerical majority as well as the developed countries which account for more than 80 per cent of the world's trade.

No one could reasonably expect that one conference would automatically supply realistic answers to the many complicated and difficult questions of world trade and development, or that all the 120 participating nations could derive full satisfaction from its proceedings and recommendations. The important thing is that a start has been made in a practical search for those answers. Herein may well lie the basic significance of UNCTAD — as the beginning of a process of productive study and discussion in which all interested nations can co-operate and from which all can benefit. In this process, the United States, with its long-established record of financial and technical assistance and of concern for the advancement of developing countries, is prepared to play its part.

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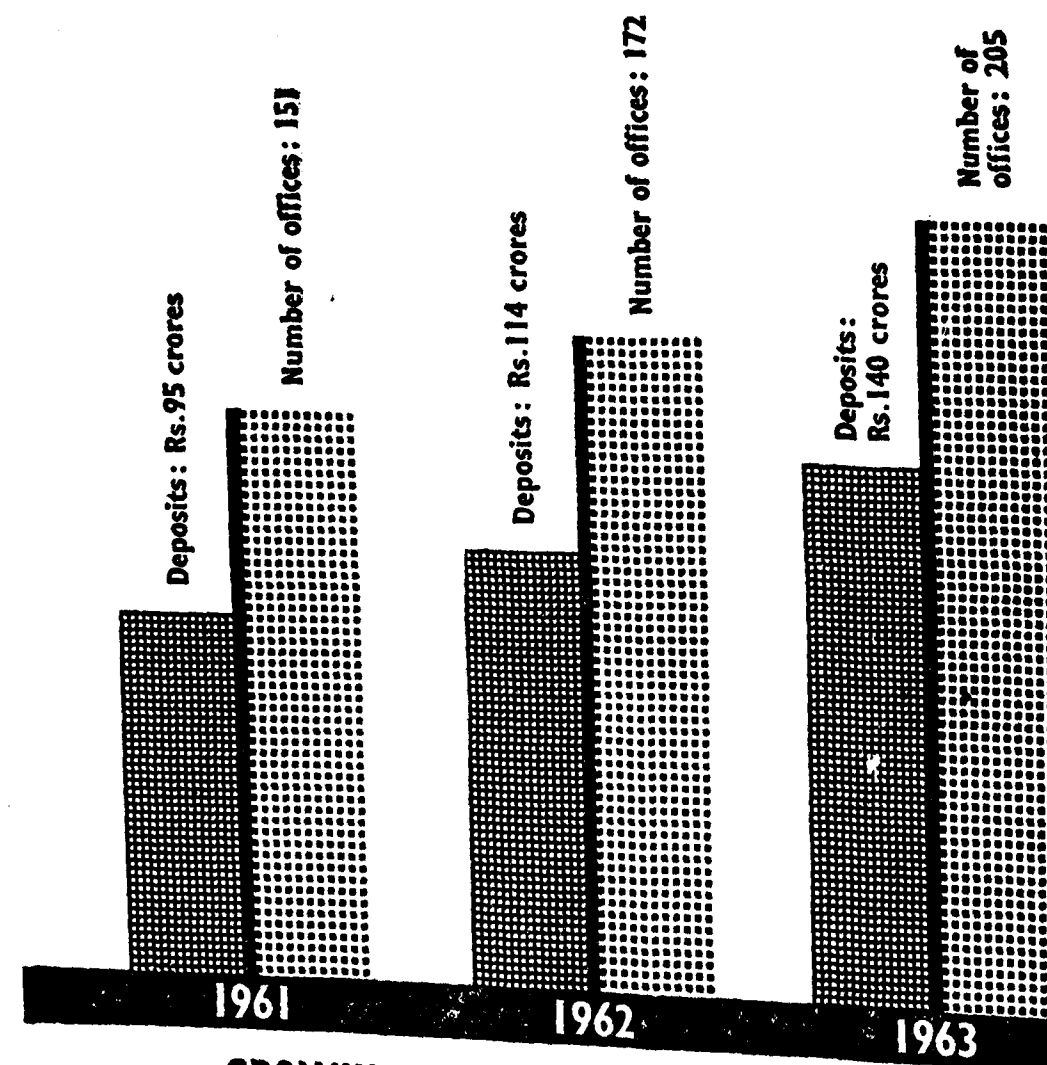
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Shortfalls in Agriculture

By Our Special Correspondent

NEW DELHI:

THE AGRICULTURAL production index (base: 1949-50 = 100), according to the latest assessment of the Planning Commission, is likely to be around 160 in 1965-66, as against the original third Plan estimate of 176. The output of foodgrains at the end of the current Plan may not exceed 92 million tonnes, as against the Plan target of 100 million tonnes. The latest estimates put the likely production of the other principal crops in 1965-66 at : sugarcane 11 million tonnes; oilseeds 7.55 million tonnes; cotton 6.54 million bales; jute 6.20 million bales; mesta 1.79 million bales; tobacco 400,000 tonnes; coconuts 4,713 million numbers; arecanuts 102,000 tonnes; and lac 50,000 tonnes.

The major shortfall in the material input targets in regard to agriculture are expected to be under major irrigation, consumption of chemical fertilisers, plant protection and extension of area under improved seeds. As against the target of extending major irrigation to 12.8 million acres by 1965-66, anticipations are that only 8.6 million acres will be able to benefit from this developmental activity. The consumption of chemical fertilisers at 0.65 million tonnes nitrogen, 0.25 million tonnes P₂O₅ and 0.15 million tonnes K₂O, will fall short of the targets by 0.35 million tonnes, 0.15 million tonnes and 50,000 tonnes, respectively. Plant protection measures, it is now expected, would be able to cover only about 40 million acres, instead of the target of extending them to 50 million acres. The area under improved seeds at the end of the third Plan will be approximately 164 million acres, as against the target of 204 million acres. The targets set for the extension of minor irrigation and soil conservation however, are expected to be exceeded. It is hoped to extend irrigation facilities through minor works to about 13.8 million acres, as against the target of 12.8 million acres and soil conservation programmes to 11.8 million acres as against the target of 11 million acres.

Various Estimates

Four different estimates have been prepared by (i) the Working Group in the Department of Agriculture, (ii) the Perspective Planning Division of the Planning Commission, (iii) the National Council of Applied Economic Research and (iv) the Institute of Agricultural Research and Statistics, of the likely demand for the selected major agricultural products in 1970-71. These are given in the table alongside.

On the basis of these estimates and looking at the problem from the feasibility point of view, a note prepared recently by the Planning Commission suggests that the fourth Plan should aim at the following levels of production in 1970-71: foodgrains 120 million tonnes; sugarcane 13.5 million tonnes; oilseeds 10 million tonnes; cotton 8.5 million bales; jute 8 million bales; mesta 2 million bales; tobacco 480,000 tonnes; coconuts 5,113 million nuts; arecanut 110,350 tonnes and lac 60,000 tonnes.

This assumes that the minimum rate of growth in the agricultural sector during the fourth Plan period has to be 5 per cent per annum. To enthuse the farmers about agricultural development and to make agricultural planning realistic, it has been suggested that the agricultural plans should be built up from the village, block and the district levels. In the long run, the system of preparation of local plans viz., village, block and district plans, will have to be extended to all areas in respect of all schemes falling within the purview of the respective territorial units of Panchayati Raj. It may, however, not be possible to do so for the fourth Plan period without the detailed surveys of techno-economic possibilities in each area and specifying availability of financial, human,

material, technical and institutional resources. So, efforts should be made to go at least up to the block level for the preparation of the fourth Plan. The State Governments may be advised to fix, with due regard to all the relevant factors, the maximum feasible rates of agricultural growth in their areas at not below 5 per cent per annum. If the estimates and targets built up from the block level upwards indicate a lower rate of growth, the State Government should be asked to consider special measures for assuring a minimum 5 per cent annual growth rate in their territories. In the favourably situated States and areas, a higher rate of growth, say 6 or 7 per cent should be aimed at and necessary resources should be provided even if it means curtailment in some other sectors.

Selective Approach

Greater emphasis, it has been further suggested, should be placed on selective approach and concentration of efforts on the most favourable areas with a view to achieving there the saturation point within a specified short period of time. The selection of the areas for concentration of efforts, it has been recommended, should be on the basis of economic considerations and not under political pressures or on other similar criteria. All attempts need to be directed towards increasing agricultural production, especially of foodgrains, in the quickest possible time. The exploitation of the existing potential or the potential which can be easily created should be the over-riding aim of the fourth Plan.

On the basis of 120 million tonnes foodgrains output, it has been suggested that the targets of material inputs should be fixed as follows: irrigation — major 14 million acres, minor 16 million acres; soil conservation and land reclamation 20 million acres; extension of area though double cropping 30 million acres; consumption of nitrogenous fertilisers 2 million tonnes, phosphatic fertilisers one million tonnes, potash fertilisers 0.35 million tonnes, urban compost 5.4 million tonnes, and green manures 64 million tonnes; area under improved seeds 274 million acres; and plant protection 160 million acres. It has been recommended that not only a general assurance should be given that agricultural efforts would not be allowed

Commodities and Unit	Working P.P. Divi- Group in sion of the Deptt. Planning of Agri- Commission culture	N.C.A. E.R. 114.9	I.A.R.S. (from Nutri- tional angle)
Cereals (m. tonnes)	106.2	94.3	93.3
Pulses (m. tonnes)	16.6	20.6	24.1
Foodgrains (m. tonnes)	122.8	122-127	117.4
Cotton (m. bales)	8.95	9.8-10.6	8.1
Jute (m. bales)	8.00	—	—
Oilseeds (m. tonnes)	12.55	—	10.06
Total Oil require- ments (m. tonnes)	—	3.30-3.52	—
Sugarcane (gur) (m. tonnes)	13.50	13.20-14.30	—

- Assumptions:
- Targets of national income postulated in the third five-year Plan implying an average annual increase of about 2½ per cent in per capita personal consumption, and
 - The minimum rate of growth required to ensure, by the end of the fifth Plan, a consumption expenditure of at least Rs. 20 per capita per month to the population.

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to be impeded during the fourth Plan period in any manner for want of financial and other resources, but concerted action will also be taken to implement this assurance. If there is likelihood of occurring a shortfall in making available to the agriculturists various pre-requisites for agricultural production, such as chemical fertilisers and pesticides, from indigenous sources, it has been suggested that import should be stepped up correspondingly.

For providing electricity to the agriculturists at reasonable rates, it has been recommended that adequate provision should be made for this in the power development programme. For ensuring that the agricultural development programmes do not suffer for want of credit facilities, a simplified procedure has been suggested under which loans in the form of material inputs would be provided in kind against the security of crops.

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The selling price of unpacked cement, free on rail destinations, has been refixed at Rs. 99.75 per tonne with effect from July 1, 1964. The price hitherto was Rs. 97.75. The excise duty and the additional surcharge thereon and the packing charges have to be paid separately.

In the Government Resolution of October 31, 1961, on the Report of the Tariff Commission on the revision of fair prices payable to cement producers, it was stated that the prices then fixed would be in force till March 31, 1966, subject to adjustment whenever called for, for variations consequent on governmental action, including escalation for fuel and power.

On a representation from the cement industry, the Government examined the incidence of such variations on the cost of production of cement and granted an increase of Rs. 2.75 per tonne in the ex-works price paid to producers with effect from June 1, 1963. There have since been further increases in the cost of production arising from increases in costs of coal, power and railway freight on coal. After a fresh examination of costs, the Government has decided that with effect from July 1, 1964, the ex-works price to be paid to cement producers should be increased by Rs. 1.25 per tonne.

Besides ex-works cost, the distribution cost of cement has also risen on account of increases in railway freight since June 1, 1963. With a view to minimising the increase payable by the consumer, the Government has reduced remuneration payable to the STC as the sole selling agents. The F.O.R. selling prices has been raised by Rs. 2 per tonne. This will mean an increase of about 10 paise per bag of cement.

With a view to stepping up cement output, the Union Government is also understood to be considering a proposal to import about four or five complete cement plants in the near future, presumably from the rupee payment countries. These plants may be set up both in the public and the private sectors. At present, the new capacity in the cement industry can only be created from the indigenous supply of cement machinery. The relaxation in the present policy is proposed to be effected because supplies of cement machinery from the indigenous manufacturers are inevitably delayed.

The Union Government may as well revise upwards the limit on the standard size of cement plants which currently is 200,000 tonnes per annum capacity. About 400,000 tonnes a year capacity cement plants may be allowed to be set up at places where there are considerable limestone deposits.

★ ★
The fourth Plan for oil, it is understood, contains a provision for setting up 5 lube oil plants, besides the one already planned to be set up at the State-owned Barauni refinery. Negotiations for one of these are being carried on with Esso Standard Eastern. The Esso plant is to be set up, in partnership with the Government of India, at Trombay. It will cost

nearly Rs. 5 crores and will have a capacity to produce 145,000 tonnes of lubricants per annum.

At present, only the Assam Oil Company's Digboi refinery produces some small quantities of lubricants. The establishment of the Barauni and Trombay lube plants will raise lubricants output in India to about 350,000 tonnes. The four other proposed plants are expected to make the country nearly self-sufficient in lube oils by 1970-71, when the requirements are expected to go up to 0.9/1.0 million tonnes.

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An agreement has been reached between the Government of India and the Bechtel International Corporation of San Francisco (United States) for setting an engineering company in India — Indian Engineers Limited — which would provide designing, engineering, construction and management services for a broad range of industrial projects, both in the public and the private sectors. The Government of India, it is understood, will have 51 per cent share in this venture. The remaining 49 per cent share will go to Bechtel International.

For the time being, the services of Indian Engineers Limited are proposed to be utilised for setting up petroleum refineries, development of oil-fields, laying of oil and gas pipe-lines, and creation of facilities for the manufacture of chemical intermediates including petro-chemicals.

Indian Engineers Limited will employ engineers from India as well as the United States. Bechtel International has undertaken to train selected Indian personnel of this company at its offices in the United States and elsewhere.

The US Corporation is engaged on a world-wide basis in performing engineering services for various industrial projects. It will be able to contribute to Indian Engineers Limited a wide range of technical resources and personnel.

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The US Export-Import Bank has extended a new non-project loan of \$25 million (Rs. 11.0 crores) to the Government of India. This credit can be utilised for financing imports of US capital equipment and services required by both the public and private sectors.

The US Exim Bank had earlier made available to India three non-project credits — \$150 million in February, 1958, \$50 million in December, 1960, and \$25 million in August, 1962. These were used for importing from the US such capital goods as mining and construction equipment, transportation and earth-moving machinery, communication equipment and machinery for textile, aluminium, chemical and automobile industries.

The Bank also extended project assistance to a number of Indian enterprises engaged in the manufacture of diesel locomotives, fertilisers, aluminium, rayon, chemicals, plastics and forgings. Air-India, too, has been a beneficiary of the Bank's loans and it purchased its all-jet fleet through finance made available by this source. Including these credits, the total amount of assistance made available by the Bank to India now aggregates \$368 million (Rs. 175 crores).

Unlike the USAID credits, which are long-term and bear no interest, except a service charge of $\frac{1}{2}$ of one per cent, the US Exim Bank's loans are medium-term bearing an interest of 5 $\frac{1}{2}$ per cent per annum. The latest \$25 million credit extended by the Bank is repayable over a period of 12 years. The first instalment falls due in 1967.

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An agreement has been reached during the recent visit of the Union Minister of Transport, Mr. Raj Bahadur, to Japan with the Mitsubishi Group of Industries on the broad heads of the collaboration agreement for the establishment of the second shipyard in India at Cochin. Some minor details still remain to be worked out. A delegation from the Japanese concern is expected here shortly to complete this job.

The project is estimated to cost approximately Rs. 100 crores.

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crores, out of which a sum of Rs. 2.67 crores will have to be spent in foreign exchange. The ship-yard will have a capacity to build two ships of 15,000 tons each and another two of 13,000 tons each by 1970-71. The first ship is expected to sail out in 1967-68.

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The Union Ministry of Finance has decided to repay immediately on demand the deposits made by persons whose contributions under the Compulsory Deposit Scheme do not exceed Rs. 150. According to the provisions of the Scheme, these deposits were to be repaid only at the end of 5 years.

Persons of 70 years in age or above and foreigners who are leaving India with no intention to return have also been allowed premature repayment of their deposits under the CDS irrespective of the amount involved. This facility is as well being extended in cases where the depositor is dead and his/her nominees or heirs want to withdraw the amount deposited.

In all, about 42,00,000 depositors are expected to benefit from these concessions. The amount involved is nearly Rs. 4.5 crores. The concessions have been given in order to provide relief to the lower income groups and to the aged and deserving persons in view of the changed, general economic conditions in the country.

The deposit offices have been authorised to sanction repayment.

Confusion Over Cloth Prices

From Our Correspondent

BOMBAY :

LIKE THE proverbial "Chataka" bird expecting every cloud to bring forth rain, cotton mill interests have been expecting a decision by the Government of India on an alternative to the Voluntary Price Regulation Scheme (VPRS), the old man of the sea that has been sitting pretty on the shoulder of the industry since 1960. They now seem to feel that they will at least be rewarded for their long waiting and that some solution to the cloth price problem will be found at the forthcoming meeting of the Cotton Textile Consultative Board on July 7. However, having faced disappointment after disappointment, at least a section among them must still be nursing misgivings about a definite outcome even on that day. This is understandable, inasmuch as they have waited long enough. They have certainly been very patient. This patience of the millowners is remarkable but the inordinately long time that the Government of India has taken to decide the question is as intriguing as it is indefensible.

Temporary Expedient

Now, the industry has been operating under a VPRS since 1960. According to this scheme, the price of every variety produced by a mill during a given period is to be fixed by a Price Fixation Committee and cannot be changed without reference to the Committee. But the scheme was not only expected to be voluntary but also temporary. No scheme, however, well-conceived — the VPRS was certainly not one such — can be expected to work, if even at the commencement itself it is branded as temporary. We do not know of any temporary expedient anywhere being worked in the way in which the VPRS has been operated, as though it were a permanent solution. It is not surprising, therefore, that it has gone out of alignment completely. This should be obvious even as it is amazing that after being repeatedly appraised of the deterioration in the position, the authorities should have chosen to sleep over the issue.

The VPRS, as stated above, was introduced nearly four years ago as a purely temporary expedient to tide over what was then thought to be a transitory problem of rising prices, but rising prices have not only tended to last long but also

ment of deposits made by the aforementioned categories of persons without any further reference to the Union Government.

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An agreement was signed here last week between the Governments of India and Nepal providing for a direct wireless circuit between Delhi and Kathmandu and a direct radio-telephone link between Calcutta and Kathmandu. The two services are expected to start soon.

The tele-communication contact between Nepal and India at present is through the telegraph office with the Indian Embassy in Kathmandu. The two new services will enable Nepal to have direct access to New Delhi and Calcutta without routing the messages through the Indian Embassy. The Kathmandu-Calcutta radio-telephone service will be connected to the Overseas Communication Service. This will help Nepal to have direct tele-communication links with the world through India.

The equipment for both the Calcutta-Kathmandu radio-telephone service and the Delhi-Kathmandu wireless circuit has been supplied by the United States under a tripartite agreement signed between the Government of India and His Majesty's Government of Nepal and the US Administration in 1958. Some equipment for the Delhi-Kathmandu wireless circuit has also been provided by India.

become more pronounced. Notwithstanding the fact that there has been a notable rise in prices of almost every commodity, the powers-that-be have not persuaded themselves that there should also be a rise in the basic price of cloth initially fixed under the VPRS. Repeated pleas to raise the basic price have gone unheeded. The industry had banked for relief on the findings of the Tariff Commission which began an inquiry into cloth prices in December, 1960 and reported in December, 1962. There was a forced lull then presumably because of the Chinese invasion and the emergency that followed in its wake. Early this year again the industry felt compelled to reopen the question and there were several meetings between the Government and the Planning Commission, on the one hand, and the Indian Cotton Mills' Federation, on the other, in March-April. At these meetings, again the spokesmen of the mill industry impressed upon the Government how, for a variety of reasons, the VPRS had become totally discredited and that it required to be replaced by a scheme which would do justice to the industry and the consumer alike. Three alternatives — statutory control, full decontrol and partial control — were actually discussed and the industry even offered to accept partial control, under which a specified percentage of the output of mill cloth would consist of prescribed qualities to be sold at a fixed price. It is believed the Government promised to make known its decision by the end of May, but, unfortunately for the industry, Prime Minister Nehru passed away and everything was again at a standstill for a time. On June 2, however, Parliament was informed that the industry's representation against the VPRS was "under consideration."

It was with great difficulty, it now seems, that the Federation could make its members work the VPRS until the end of May. Thereafter, it seems to have thrown up its hands and the scheme has virtually ceased to operate, as many mills find it to be hopelessly unworkable. They have long been regarding its operation as a big farce. And yet it is alleged that all mills have already started stamping fantastically higher prices. What has really happened is that only a few of them, having lost all hopes of an early official decision, have adjusted the prices of a few of their varieties, and the total cloth involved in this process of price readjustment is said to

be no more than about 3 to 5 per cent of the total available cloth. In any case, it is nowhere near the region one is led to believe from all the ballyhoo about soaring cloth prices that one hears these days from the public. But without it, it is a moot point whether the authorities would have taken serious view of the question of cloth prices. It is an ill wind that blows no good.

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The problem of food supply to the State has apparently eased due to the measures taken by the Centre. The measures are reinforced by steps to remove delays in the clearance of foodgrains from the docks. Mr. C. Subramaniam, Union Minister for Food, who was here personally to investigate the position, stated in a Press Conference that the Government of India has decided to abolish contract labour engaged in the unloading of imported foodgrains in Bombay docks. In future, the handling of foodgrains in Bombay docks would be done departmentally by the Union Food Ministry through its regional food directorate. This decision has been taken in the interest of better organisation of unloading work in Bombay docks and would be implemented soon. He also said that Government had decided to extend the incentive scheme to "matadi" workers. The Bombay Port Trust authorities would submit a scheme in this regard to the Government of India. So far, this scheme was applicable to dock workers other than the "matadi" workers. He expressed the hope that these decisions would help to speed up the clearance of foodgrains. He pointed out that with the proposed unloading on barges on the other side of the ships for attaining the clearance capacity of 10,000 tons per day, the congestion in Bombay harbour would be removed within three to four weeks. Making a reference to the food position in Maharashtra, the Union Minister said that the Madhya Pradesh Government had assured that it would honour its commitments in regard to the supply of foodgrains on State-to-State account. Under the present arrangement, 20,000 tons of foodgrains would have been moved from Madhya Pradesh to Maharashtra by July 1. Any deficit in supply would be made good by the Centre. The Centre had also agreed to meet the indigenous wheat requirements of Maharashtra to the extent of 2,00,000 tons for the current season.

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According to the latest Census of Manufacturing Establishments, for 1961, now available, Maharashtra ranks as the second biggest in the country in the proportion of workers in the registered factories and has 19.1 workers per 1,000 workers against West Bengal's slightly higher proportion of 19.9 workers per 1,000 workers. In manufacturing, Bombay Division comprising Greater Bombay leads with the total of 505.10 workers per 1,000 workers. In this division are also included the backward Konkan districts. Nagpur follows Bombay with a total of 248.00 workers. Poona division ranks third with its relatively low proportion of 80 workers while Aurangabad's figure, that is 47.10, is the lowest in the State. In Bombay division, Greater Bombay has the predominant figure of 388.15

Will Unit Trust Boost Stock Markets?

From Our Correspondent

CALCUTTA:

DURING HIS brief visit to Calcutta last week, Mr. R. S. Bhatt, chairman of the Unit Trust of India, defined the scope and functions of this new organisation at a meeting with the members of the Calcutta Stock Exchange. Declaring that the Trust is a mutual fund which is meant to pool the savings of small investors and provide them a channel of safe investment, Mr. Bhatt said that the units were meant for long-term investment and not for quick gains. Therefore, transfer would not be generally permitted excepting in genuine cases such as from father to son. The units, however, would be resold to

workers. Greater Bombay alone provides employment to 4,68,101 workers or 38.82 per cent of the total workers; and they are employed in 26,023 or 8.12 per cent of the establishments in the State. Among the other districts of Maharashtra, Bhandara, Nagpur, Sholapur, Poona, Kolhapur and Nasik have various industries, and hence they are significant from the standpoint of industrial growth. The remaining districts have a very small proportion of industries, and whatever industries exist are more or less of servicing type.

Heavy Concentration

According to the census report, there are 3,20,460 factories and work-shops of all types in Maharashtra. Of them, 2,02,508 or 63.19 per cent, are in rural areas while the remaining 1,17,952 or 36.81 per cent are in urban areas. Since large factories of major industries are located in urban areas, of a total of 12,12,210 workers engaged in manufacturing establishments, only 3,76,508 or 31.06 per cent are in rural areas and the remaining 835,702 or 68.94 per cent are in urban areas. Even in urban areas, there is a concentration of factories in the 12 cities which together employ 51.97 per cent of the workers engaged in manufacturing in the State. So far as the major groups of industries in Maharashtra are concerned, the cotton textiles industry with its 38,043 establishments employs 3,31,803 workers. It has also the highest proportion of workers engaged in manufacturing, that is, 273.72 per 1,000 workers. In this industry, urban areas account for 65.13 per cent of establishments and 90.14 per cent of the workers. The tobacco products industry has 39,518 establishments absorbing 1,37,324 workers. Of its establishments 83.27 per cent are located in the rural areas and they absorb 67.26 per cent of workers in the industry.

The industry of basic metals and their products except machinery equipment has 24,055 establishments employing 1,12,950 workers. In this industry, a large proportion, that is, 76.89 per cent of workers is absorbed in 55.81 per cent of the establishments located in urban areas. The census shows that the proportion of industries using no power of any kind in rural areas is 928 per 1,000 establishments while the corresponding proportion is 829 per 1,000 establishments in urban areas. For liquid fuel, the proportion is 829 per 1,000 establishments in rural areas and 26 per 1,000 establishments in urban areas. So far as electricity is concerned, the proportion of establishments using it is low i.e. 7 per 1,000 establishments in rural areas while it is much higher i.e. 145 per 1,000 in urban areas. Establishments using electricity are increasing rapidly as rural electrification is speeded up. The figures of electricity consumed by industries shows that the consumption was 816 million KWH in 1951. It increased to 1,820 million KWH in 1959-60 and further to 1,853 million KWH in 1960-61 and to 2,148 million KWH in 1961-62 — a trend of increased consumption which is bound to be further increased as comparatively cheap electricity from the Koyna hydel and other projects becomes available. Of the electricity consumed in 1957-58, 60 per cent had been consumed in Greater Bombay.

the Trust itself and the refund of the values would be made as soon as possible after complying with certain formalities, including verification of signatures. Another policy declaration which Mr. Bhatt made was that the brokerage would not be raised from 4 per cent to one per cent as this would mean an additional load for the unit-holders. An office of the Trust will be shortly set up in Calcutta and members of the Trust will try to meet in this city at least once in every two months. The sale of the units of the Trust commenced, from July 1. Naturally, its effect on stock market activity is being widely discussed in investment circles. It is felt that its immediate

impact will not be considerable, although it is bound to influence stock market activity greatly in the long run as the operations of the Trust gather volume and strength. In the UK, for example, the total volume of funds invested by the Unit Trusts there at the end of 1963 exceeded Rs. 500 crores. The unit holding accounts in that country today number more than a million. In the United States, the growth of mutual funds has been even more spectacular. At the end of 1963, the total assets of these funds were more than Rs. 12,000 crores. This represents a trebling of the funds in a period of six years. The total number of accounts in that country has already approached 6 million.

Will the units prove popular in India? It is not easy to make a definite prediction, but the substantial tax concessions which this Trust will enjoy could well enhance its appeal for the investors. For example, the initial contributors of capital for Rs. 5 crores will be exempt from super tax on their income from the Trust; dividends up to Rs. 1,000 will be income tax-free and there will be no tax deductions at source by the Trust. The six per cent return may not be considered attractive under the present conditions in the capital market, but the units have the advantages of safety, liquidity, and capital appreciation. The fact that the authorities have fixed the maximum value of a unit at Rs. 100 and may even sell units of a value of Rs. 10 each is likely to attract the new investing classes in the urban areas, although the rural saver may not feel drawn towards it if only because he may not yet know the value of this new medium.

Investment Policy

The attractiveness of the units will also depend on the Trust's investment policy. In one of his recent statements, Mr. Bhatt has given some idea of the type of investment policy the Trust will follow. It will normally buy securities which have an overall yield of more than six per cent but taking into account growth prospects, it may purchase some securities even with a lower yield of, say, five per cent. The Trust will aim at building up a sound and balanced portfolio, maintaining a judicious balance between fixed income bearing securities and variable dividend securities. The latter category will include new issues with growth prospects. At a later stage, the Trust proposes to initiate savings or thrift plans designed to enable a saver of even moderate means to invest in units. Experience of similar bodies abroad shows that savings plans have great appeal to small investors, especially those belonging to the salaried class. There are several types of such plans such as regular savings plans, accumulation plans, providing for automatic reinvestment of income, and plans which are combined with life or endowment assurance.

In making its investments, the Trust will have to go in first-class securities which yield a return of 7 to 7.5 per cent, so that it will be possible for it to ensure a return of 6 per cent for the unit holders. It will choose from the offers of stock brokers, but will not take initiative in placing orders with them. Mr. Bhatt has justified this policy by pointing out that there are at present about 1,500 stockbrokers in the country, and the Trust cannot place orders with all of them. Doing business with only a select few will naturally arouse complaints of discrimination and partiality. Will the stock exchanges be dealing in its units? The Trust does not contemplate such a course at present; the sale and purchase price of the units will be announced by the Trust, but if it is found to be in the interest of unit holders, the matter will be reviewed in due course. How will the unit holders benefit from capital appreciation of their investments? Mr. Bhatt has said that the Trust has no idea of issuing bonus units because such a practice is not followed by similar bodies anywhere. The Trust will also not be distributing capital gains every year,

because the value of units is likely to fluctuate in that case. Rather, the capital gains will be a kind of reserve to cushion the effect of a depreciation in the value of units, when it happens.

This policy is apparently soundly conceived, but much will depend on how it is carried out in practice. One thing, however, needs to be pointed out. The growth of the Trust is interlinked with the prosperity of the private sector, and, therefore, it will have a vested interest in the good health of stock markets and the private sector as a whole. It will be in the interest of the Trust to provide support to stock markets in times of stress. At the moment, the new issues market is depressed, and share offers generally have failed to attract investors. Not that they are intrinsically unsound or lack growth prospects, but because of the adverse conditions in the capital market at present. It will be interesting to see how the operations of the Unit Trust are going to affect them.

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West Bengal's food situation is still as confused as it was before the State Chief Ministers met in New Delhi, but a good deal more confidence is perceptible among officials in dealing with the food crisis. This is because of the success which is being claimed for the State Government's scheme to cater to the food requirements of the entire population of Greater Calcutta area, estimated at some 6 million, since the past two weeks through fair price shops. But what is puzzling is that only 25 per cent of the ration cards registered with the authorities have been used to draw supplies from fair price shops. This is attributed to the existence of a huge number of ghost or bogus ration cards, but surely, the majority of ration cards could not be ghosts. If they were, it would speak very poorly of the official machinery issuing them. It is likely that families inflate the number of their members in order to ensure larger supplies of commodities like sugar than they would otherwise get. But ghost ration cards alone cannot explain why only the minority of families have been drawing their supplies from fair price shops. What looks a more probable reason is that most of the families may have stocked themselves with supplies to last them for a few weeks in anticipation of the difficult situation which was developing. What is also probable is that most retailers are making clandestine sales. However, encouraged by this experiment the Government is now thinking of extending the scheme to as many urban areas as possible. Various estimates of food requirements have been made, but what is not clear yet is whether the Government will have enough stocks to feed the urban population in the State until at least next October. It was reported at one time that the Central Government is disinclined to commit itself to further rice supplies than what it has promised already; it is reported now that the Centre will be giving additional help. Even if the latter report is correct, West Bengal will still need a lot more of Orissa's rice than it has got so far.

The Chief Minister of Orissa is reported to have stated that West Bengal could immediately get a sizable quantity of rice from the mills in that State, provided the latter is

GROW MORE

SAVE MORE

WORK MORE

willing to pay a little more. Rice prices in West Bengal are high, and Orissa is a surplus State where they should normally be lower. But prices in the latter State are said to be even higher than those prevailing in West Bengal. This paradoxical situation has arisen because of the prospects of larger rice exports from Orissa to West Bengal, although exports so far this year have been considerably less than they were at this time last year. Moreover, despite the estimated harvest of 5 million tons of rice in Orissa this year, the State Government puts the exportable surplus at only 250,000 tons because of increased local requirements. West Bengal, however, thinks that Orissa's surplus should be 500,000 tons hence the complaint that West Bengal has not been getting sufficient co-operation from Orissa in getting at least 300,000 tons it wants. Yet West Bengal is unwilling to offer a higher price because it may involve subsidies or a revision of officially fixed prices for the local wholesale and retail trade.

In Orissa itself, prices of rice have been steadily moving up, and according to one reliable estimate, they have risen by as much as 30 per cent during the past three months. Also, supplies of commodities like mustard oil, potato and onion, for all of which Orissa has to depend on outside sources, have become so scarce that the prices fixed for them by the Government under the Defence of India Rules have been only of academic value to consumers. Even vegetables like brinjals which are entirely home-grown are selling at prohibitive prices. The Government there, like State Governments everywhere, is showing itself to be entirely helpless.

In Bihar, the price story is not very different. Moreover, this is a deficit State in food, and stocks there at the moment are said to be low for this time of the year. The State Govern-

ment has been wholly depending on the Centre to come to its rescue, but now complains that the latter's allotment of quota has not only been very inadequate but supplies from that source are not arriving in proper time. According to one report, Bihar had asked for 320,000 tonnes of wheat and 80,000 tonnes of rice during four months from March to June, but the total allotment from the Centre so far is only 155,000 tonnes of wheat and 8,000 tonnes of rice. Consequently, the Government has been hard pressed to meet the supplies demanded by traders. Prices have been steadily going up and between January and June, there have been sharp increases in the prices of rice, wheat, dal, gram and mustard oil.

Assam too is passing through a food crisis. Rice prices, in particular, have soared to an extent which the supply position does not justify. In informed circles, the State Government's procurement policy has been mainly blamed for this. At first, the policy was to entrust only co-operatives with the task of procuring rice, but since they did not fare well, the policy has been revised and mills are now permitted to procure rice side by side with the co-operatives. This apparently has made matters worse. The co-operatives whose procurement drive was a failure — the Government's procurement target is now short of 35,000 tonnes — have withdrawn obviously annoyed by the fact that they have lost their monopoly. The mills are yet to organise their operations. Meanwhile, stocks have vanished from the markets. Even fair price shops complain of shortage of stocks. The State claims to have had a bumper harvest this year, but it has now asked for bigger supplies from the Centre which the latter is reportedly unwilling, or perhaps unable, to provide. The price situation, needless to say, is causing serious anxiety to the State Government.

Southern States Welcome New Food Policy

From Our Correspondent

MADRAS:

THE ANNOUNCEMENT by Mr. C. Subramaniam at the conference of Chief Ministers held in New Delhi last week and the decisions taken subsequently have had a dramatic effect on the rice trade in this part of the country. It had not been expected that the Union Food Minister would be agreeable to a lifting of controls over prices and movement within the zones especially as there was a feeling that buffer stocks were not large and there was uncertainty about further shipments under PL-480 agreement. The State Governments having surplus stocks of foodgrains were also reported to be eager to realise the maximum prices on export sales. There were besides opposing schools of thought regarding State trading. Indeed, it was anticipated that there would be a tightening of controls, instead of relaxation, in order to satisfy the extremists. The decision to dispense with immediate effect procurement and levy in Andhra Pradesh and Madras, therefore, came as a surprise. The compulsory levy was no doubt responsible for pushing up prices in the open market especially as there were restrictions relating to the movement of foodgrains between States. Andhra Pradesh particularly was worried about the distorting effect that prices for export varieties had on prices for qualities of rice consumed by the population within the State. Early this year, there was a ban on exports for a short period which led to a sky-rocketing in prices in Madras and elsewhere.

The restrictions, however, did not have the desired effect as there was a heavy deficit in Mysore and Kerala, the latter State particularly, and traders thrived on smuggling of large quantities of rice at fantastic rates. Meanwhile, the pressure on fair price shops became so great that it was not possible

to meet the demand of consumers standing in long queues, even on a restricted basis.

Under the new policy, free movement of rice has been permitted between the four States in the Southern Zone and the procurement and levy programme in Madras and Andhra Pradesh has been suspended. The significance of this move will be clearly understood only when it is known that the estimates regarding yield of the crop in different regions correspond with actual receipts. It is expected that the Southern Zone will account for a rice crop of 10.52 million tons against 9.84 million tons in the previous year, there being a significant increase in the yield of the crop in Andhra Pradesh. These two account for a crop of 8 million tons. Curiously enough, Andhra has a reputation of having large export surplus though Madras also is growing a large crop. This is due to the fact that Andhra Pradesh, which has a population of 35.9 million, slightly more than the population of 33.6 million of Madras, has a large number of people who eat coarse grains. The per capita consumption in this region is, therefore, less than in Madras. The surplus between the two States can be reckoned at about 1 million tons but Mysore and Kerala produce between themselves only 2.2 million tons for a population of 40.5 million, in the two States combined. Even allowing for a lower per capita consumption in these areas, there will have to be imports of 7,00,000 — 8,00,000 tons of rice from other sources. The difficulty in exporting rice from Madras and Andhra Pradesh when the levy system was in force, was therefore reflected in very high prices in the deficit areas, particularly in Kerala.

The Andhra Pradesh Government, however, has estimated that it would not be possible to export more than 6,00,000 tons to the deficit States as internal consumption has been

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The moving fingerprints

increasing and there is also divergence between the estimates prepared by the State Government and those of the Centre. The validity of the official forecasts will be borne out by the developments in the next weeks.

It is accepted, however, that large stocks have been held back by the growers while there has been hoarding by the trade. This is perhaps responsible for the slump in prices in Nellore varieties by over 15 per cent immediately after the announcement from New Delhi. In Madras State, smaller declines in prices were recorded though in Madras City traders were not inclined to mark down prices immediately as they were carrying large stocks purchased at high prices. The new policy has been generally hailed and consumers are awaiting a further decline in prices. But there is some disappointment that sales through fair price shops will not be made as before and that co-operative societies and fair price shops may henceforth sell only imported rice in restricted quantities at even cheaper rates. If, however, there can be an assurance about regular availability in the open market at prices very much lower than the peak levels touched recently, the new measures would have been worthwhile. The rice millers also are happy that their activities will not be seriously restricted, at least for the time being, and there is no fear of their mills being taken over by the Government in pursuance of the policy of State assuming a dominant position in the foodgrains trade. There is anxiety, however, to know what will be the future policy that will be adopted in regard to procurement at specified price. If through greater encouragement to the cultivators and regular sales of imported foodgrains, a stable price level can be assured with an increase in output, the food problem can be less intractable than it is now.

★ ★
Mr. R. Venkataraman, Minister for Industries of Madras State, has taken advantage of his visit to New Delhi to impress on the Centre about the need for advancing the schedule of some of the projects so that the State grid could be considerably firm up and the recurrence of the power cuts, which have been an annual feature for some years, can be avoided in the future. It has now been accepted that the State Electricity Board should take up the construction of the thermal plant having a capacity of 300 mW near Madras. This thermal station may be based on imported coal or may also use waste gas from the proposed refinery, or both. It is also accepted that, from the technical point of view, it is necessary to have a high-power station in Madras if the intention is to receive power from the thermal station at Kothagudem in Andhra Pradesh that is proposed to be enlarged in pursuance of the plan for developing the southern grid. Mr. Venkataraman has also stated, after his return from New Delhi, that clearance has been given for erecting another thermal station having a capacity of 100 mW at Tuticorin. The Centre has agreed to the early implementation of the atomic power station at Kalpakkam, near Mahabalipuram in Chingleput District. Continuous power will be available from this source. It had been urged that the initial capacity also should be raised to 500 mW. During the next Plan period, thermal power will have to be generated in large volume especially as available water-power that the Neyveli thermal station would have to be expanded in a much bigger way. There will no doubt be regular additions to the capacity of the station in the next few years to 600 mW from 250 mW at present. It should be made sure, however, that following the stepping up of the capacity to 400 mW, there should not be any gap in completing the next stage. The first stage of expansion to 400 mW is expected to be completed by March 1966. As there is sufficient time for planning ahead, it should be the objective to install one set of 100 mW in the two years 1966-67 and 1967-68. The time between now and 1967-68 should be utilised for drawing up the plans for constructing a super station in a different place in the same area.

In that event, this station will be able to ensure regular additions to capacity of 100 mW beginning from 1968-69 so that, during the period of the fourth Plan, Neyveli alone would be able to account for additional capacity of 500 mW taking the total of capacity to 1,100 mW for the two stations together. It is, of course, assumed that the super station will ultimately have a capacity of 1,000 mW.

The importance of thermal power has been greatly appreciated during the present crisis. Even with the power-cut in force daily consumption was of the order of 8 million units of which thermal power constituted 6.6 million units. Neyveli is pumping into the Madras grid 5 million units daily. The position was so precarious that at one stage, it was found difficult to make good the shortfall in power generation when one of the units in Neyveli was out of commission for a few hours due to minor trouble. This difficulty was responsible for the authorities deciding on the imposition of a cent per cent cut in respect of high tension supplies in the hydel areas in the case of non-continuous process industries. Fortunately, the Electricity Board was in a position to step up hydel power generation when a few days later one of the units in Neyveli could not be operated temporarily due to difficulties in receiving supplies of lignite through the conveyor system. These difficulties are bound to be experienced when the various facilities are being utilised at high pressure. These developments only emphasise the need for building up adequate reserve capacity and also for examining the possibility of conservation of water resources in such a way that the cut is not necessitated in the middle or early in June every year. It is now becoming clear that the South-West Monsoon breaks out in the Peninsula after a delay of a few weeks. This may probably turn out to be the future pattern. The State Electricity Board will, however, be in a position to operate the hydel stations on a basis which will enable the conservation of available water resources in Kundah and Pykara because the Mettur Tunnel Scheme, which utilises the irrigation discharge, would have been put into operation by September this year. At Periyar also the extension scheme is expected to be completed before the end of this year. But this flexibility will not exist for more than three years as power consumption will be increasing all the time.

★ ★
In the present context there is naturally some irritation in Madras State over the latest report that the construction of Madras Oil Refinery might be delayed on account of the anxiety of the Central Government to negotiate an agreement with the participating foreign interests on a basis which will permit the use of crude oil purchased by the Central Government itself from sources other than those which the foreign interests might draw upon. This new thinking is certainly to be welcomed as any arrangement that might be made by the Government for purchasing crude oil on a rupee or a deferred payment basis or in pursuance of any other arrangement, would result in a reduced strain on the balance of payments position. But it is not correct to delay the construction of the oil refinery as, even without any arrangement for importing crude supplies on the basis indicated above, there will be considerable saving on refining operations alone. Even with the coming on stream of three refineries in the public sector by the middle of next year, it would be necessary to construct additional refining capacity as by the time the new units at Madras and Haldia are completed the consumption of oil would have risen appreciably. As many other schemes also are dependent on the early execution of the Madras refinery project and no specific advantage will be derived by taking a delayed decision, the Madras Refinery project should be put through immediately. Otherwise, there will be considerable agitation in the minds of the population in Madras State.

I WAS NOT quite happy when Mr. Lal Bahadur, decided to follow precedent and assume the Chairmanship of the Planning Commission. I was inclined to think that the change in the Prime Ministership gave to the Government of India a good opportunity to establish and build up the essentially advisory character of that body. But it is possible that I was mistaken for it is not unlikely that Mr. Lal Bahadur's association with the Planning Commission could inject into the mind and functioning of that body a dose of much needed practical good sense.

Here I must say that Mr. Asoka Mehta's entry into Government planning has not exactly been a success so far either for himself or for the Planning Commission. The trouble with Mr. Asoka Mehta is that he has spent so much of his life trying to make do with words where ideas are required, or with ideas where action is required, that he seems now to have permanently settled down (if "settled down" is the phrase) into some kind of a floating grey eminence, wafted aimlessly on the wind of his own extremely vocal wisdom.

It is becoming increasingly clear that the Deputy Chairman of the Planning Commission has not only not acquired so far any grip over the functioning of that body but also that he is unlikely ever to be able to give effective direction to planning. It must be said in fairness to Mr. Asoka Mehta that the Planning Commission was never a very coherently functioning organism, and it is, of course, tempting to argue that any successor to Mr. G. L. Nanda in the Deputy Chairmanship of the Planning Commission ought to be an improvement in some respects at least, and certainly where clear-headedness matters. But the disagreeable truth remains that the present Deputy Chairman has not been able to provide any very purposive leadership. In the circumstances, it may not be an altogether unsound arrangement for Mr. Lal Bahadur to keep the leadership of the Planning Commission in his own hands.

★ ★
It is, no doubt, true that the Prime Minister, as Chairman of the Planning Commission, cannot devote much time or attention to the organizational problems and the task of administrative streamlining which the Deputy Chairman has so far tended to ignore or evade either because he does not know what is required of him or because he still finds himself temperamentally unsuited to the exertions involved. But the Prime Minister could still make a valuable contribution to the more useful functioning of the Planning Commission by asserting a pragmatic view of development. This precisely is what he seems to have done last week when he took over the Chairmanship at a gathering of the members of the Planning Commission, including its Deputy Chairman. Mr. Lal Bahadur, it appears, has declared certain opinions which seem to have so violently upset prevailing notions that it is actually being said in Yojana Bhawan that some fresh thinking has at last become necessary and cannot altogether be avoided. The last Prime Minister, for instance, has had the courage to suggest that what might matter is not big planning as such but the achievement within a reasonable period of certain practical results in development which could visibly contribute to the economic progress and welfare of the people. Mr. Lal Bahadur is reported to have indicated that he is apt to be less impressed with the financial targets or even with opulent blue prints or prestigious projects than with a series of relatively small

but carefully selected and clearly directed efforts at increasing production and stepping up economic activity at the "medium" and "small" levels.

Incidentally, it is interesting to note that the Prime Minister significantly emphasized more than once the advisory character of the Planning Commission. Mr. Lal Bahadur is reported to have said that the essential function of the Planning Commission was to advise him — that is, the Chairman of the Planning Commission, who is also the Prime Minister — and through him the Cabinet and the Government. Many who heard him recall with wonder that Jawaharlal Nehru, in all his power and glory, never once used the first person singular in that manner, nor ever prescribed that the job of the Planning Commission was to advise him. Now that the quiet and mild-mannered Mr. Lal Bahadur has had the courage to re-define the character of the Planning Commission as an essentially advisory body which must tender its advice to the Government through him, it remains to be seen whether he will have the courage to follow this up by forcing through a process of ruthless reform and reorganization of Yojana Bhawan and thereby carve out of its sprawling bureaucracy a small, compact and purposively activated brains trust for the Government.

★ ★
"The Statesman", ever quick to turn to or turn out a bright phrase, has been having some excellent fun with the Home Minister's Hall of Justice or Diwan-e-Am. If Mr. Nanda chooses to spend an hour or so every morning listening to sundry complaints of corruption or high handedness on the part of government officials, it might possibly be because he believes that he cannot engage himself more usefully. It is, therefore, not for me to question his wisdom. But I must confess that I am nevertheless intrigued by such goings-on. I am tempted to ask, for instance, what has become of the President's durbars for the common man. I am told that this admirable institution continues to make its gracious contribution to the keeping alive of democracy in this country, and that the Wednesday audiences go on. When this is so, where is the necessity for the Home Minister getting into the act? I do not claim to be very imaginative, but at this rate I could easily visualize:

- Mr. Asoke Sen, keen on discharging adequately his newly acquired responsibilities for social security, deciding to let widows and orphans go to him at 4, Hastings Road with their tales of deprivation or distress;
- Mr. S. K. Patil who, whether he liked it or not, has become Railway Minister, trying to make the best of a bad bargain by keeping his house open for India's travelling millions who must surely be tempted to share with him their experiences of ticket troubles, late running trains, crowded compartments, or poor catering;
- Mr. Kamaraj having a "shamiana" put up on the lawn of his residence for the convenience of the Chief Ministers and other Congressmen who have helped him with the "consensus" and who may now be wanting to find out from him whether there is anything in for them; and so on.

V.B.

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FAIR TRADING CODE

THE MINISTRY of International Trade (now the Ministry of Commerce) as well as the Board of Trade have for some time past, been considering the need to evolve principles which should govern all dealings in foreign and internal trade of the country. A code of conduct for exporters which was drafted by the Ministry is now engaging the attention of Export Promotion Councils. Another 3-point Model Code of Fair Trading Practices for internal trade was drafted by the Ministry and sent in April, 1964, to the Federation of Indian Chambers of Commerce and Industry for its comments. After ascertaining the opinion of its member organisations on the 8-point Code, the FICCI has informed (in a letter dated June 24) the Ministry of Commerce that the draft Model Code is generally acceptable to it. The Federation has, however, urged that its adoption should be entirely voluntary. It has also been pointed out that practical difficulties may be encountered by certain trades in implementing the Code in full or in part. For example, it may not be possible for every retail trader in all urban areas to maintain a list of prices of all articles available with him for sale as provided in item IV of the Code. Manufacturers too, in certain lines, may face similar difficulties. While emphasising the need for a flexible rather than rigid approach to the implementation of the Code, and offering its own co-operation, the Federation has suggested that Government should seek the co-operation of the various chambers of commerce and industry and enlist their good offices in the matter of propagating the Code.

The draft of the Model Code of Fair Trading Practices as drawn up by the Ministry says that all manufacturers (i.e. producers and processors) and traders (i.e. wholesalers, retailers and merchants) who have registered themselves with the various Chambers of Commerce, Manufacturers' Associations, Trade Associations, and Commodity Boards, shall adhere to and abide by the Code of Conduct hereinafter prescribing that: (i) it shall be the duty of every manufacturer to develop and promote the industry on a well-organised basis, so as to make it a source of strength to the country's economy, (ii) it shall be the endeavour of every manufacturer or trader to ensure purity of quality of the articles manufactured, processed or sold, (iii) every manufacturer and trader shall maintain accuracy in quality in terms of weights and measures, (iv) every retail trader in all urban areas covering a population of over one lakh, shall maintain, at all times, a list, indicating in the local language the prices of the various articles available with him for sale, and he shall while selling these articles strictly adhere to the price so indicated, (v) besides the price list, every manufacturer and trader shall resort to price stamping, price marking or price tagging, whichever is best suited, in respect of all articles manufactured or sold by him, (vi) manufacturers shall, either jointly or individually, advertise or relashion their existing advertising campaigns, to declare the ex-factory price of the articles manufactured, wherever possible, (vii) no manufacturer or trader shall hoard goods with a view to profiteering by creating artificial scarcity, nor shall he resort to unfair means to eliminate free and healthy competition in the market, and (viii) it shall be the endeavour of every manufacturer and trader to scrupulously maintain business integrity of the highest order in his dealings with customers so as to inspire confidence in their minds.

CASTOR-SEED PRICES

Following the Central Government's decision to ban forward trading in groundnut, groundnut oil, mustard seed, etc., the Forward Markets Commission has been keeping a close watch on

the diversion of speculative activity to the related commodities. As a result of the discussion held by the Commission with the President of the Bombay Oil-seeds and Oil Exchange Ltd., the Board of the Exchange recently took certain steps to ease the pressure in the castor (June 1964) delivery. As the prices of the castor-seed futures September 1964 delivery are showing signs of unnatural rise, the Commission has decided to impose a limit of Rs. 2 per 250 kgs. on the weekly rise in the prices of the castor-seed June and September deliveries, and the limit would come into force whenever their prices rule at or above Rs. 180 per 250 kgs. Similar restrictions have also been imposed at the Ahmedabad Seeds Merchants' Association Limited.

INDIA AT MID-PASSAGE

In an article entitled "India's Trade with Britain" incorporated in a pamphlet "India At Mid-passage" published recently by the Overseas Development Institute, London, Mr. K. B. Lall, India's Ambassador to the Common Market countries, while analysing the trends of Indo-British trade points out that imports into Britain continue to rise, but unhappily, not from India and that India's exports are also rising, but not to Britain. The picture presented by British exports to India is also not particularly pleasing. Imports into India are being maintained at a high level, but Britain does not enjoy a fair share of India's market commensurate with traditional links between the two countries. While British exports to the rest of the world are rising, its sales to India stagnate at a low level. Britain follows a liberal policy in regard to imports from India, and India wishes to increase its imports from Britain. And yet, the quantum of their mutual trade is declining. The reasons for these paradoxes need to be identified. Apparently, some structural changes are called for if the trend is to be reversed. In the case of tea and tobacco, a saturation point in terms of consumer demand seems to have been reached. Despite quota-free and duty-free treatment accorded to India's industrial products, there are no visible signs of significant diversification of its exports. Nor has India been able to claim a fair share of Britain's rising imports of industrial, particularly consumer goods, from third countries.

In the pamphlet referred to above, Mr. William Clark, Director of the Overseas Development Institute, says that the rich countries should accept the responsibility for India's fourth Plan (1966-71) in the same way as the United States had accepted responsibility for Europe's recovery under the Marshall Plan. He opines that Russia and Eastern Europe may well be included in this new initiative which will involve a commitment to support the complete five-year Plan. Details of the amount of aid required will be worked out by Indian planners in association with representatives from the rich countries. Mr. Clark believes that at present just too little is being given with just too little effect and that there is a danger of it all being wasted.

The pamphlet contains papers presented to discussion groups at the Overseas Development Institute, on such subjects as "Population Policy" by Mr. Robert Neil and "Rural Industries" by Mr. E. F. Schumacher. In his paper, Mr. Robert Neil estimates that up to £45 sterling can justifiably be spent from the purely economic point of view on each prevented birth — this being the investment that will be required to produce an average annual income of £18 sterling. In the paper on rural industries, Mr. E. F. Schumacher points out that it costs about £3,000 sterling to create one job in industry in India (for steel the figure being £12,000 sterling). What is therefore needed is intermediate technology that will

create jobs in rural industries at £50 sterling per job. This, he says, calls for new technical devices and the development of new sources of energy — the wind and the sun for example.

PAINT EXPORTS

Orders for the sales of paint worth Rs. 2.5 lakhs have been secured by the six-member Indian paint delegation which returned recently after a tour of West Asian and East African countries. According to the leader of the delegation, Mr. P. C. Chanda, negotiations are currently in progress for further sales to the tune of about Rs. 5 lakhs. The countries visited by the delegation import paints and related products worth Rs. 8 crores annually of which India's share is only Rs. 3 lakhs. There is, therefore, considerable scope for stepping up exports of Indian paints to these countries. The delegation which was sponsored by the Chemicals and Allied Products Export Promotion Council, visited Bahrain, Kuwait, Baghdad, Teheran, Beirut, Damascus, Khartoum, Addis Ababa, Nairobi, Mombasa, Dar-es-Salaam, Kampala, Zanzibar and Aden.

DISTRIBUTION & SALE OF FOODGRAINS

Zonal regulation of movement of foodgrains is at present in force in the country in respect of rice and paddy and wheat and wheat products. The object of the zonal system is to promote regional self-sufficiency by conserving supplies for local consumption, isolate areas of shortages which could be taken care of by the Government, and reduce the cross-movement of foodgrains. There are four multi-State rice zones: (i) Eastern Zone comprising West Bengal and Orissa; (ii) the Western Zone comprising Madhya Pradesh, Maharashtra and Gujarat; (iii) the Southern Zone comprising Andhra Pradesh, Madras, Mysore and Kerala, and (iv) the Northern Zone comprising Punjab, Delhi and Himachal Pradesh. The remaining States are zones by themselves. In respect of wheat, there are eight zones and a residual area. The zones are: (1) Punjab and the Union Territories of Delhi and Himachal Pradesh; (2) Uttar Pradesh; (3) Rajasthan, (4) Madhya Pradesh, (5) Bihar; (6) Maharashtra and Goa; (7) Gujarat, Daman and Diu; and (8) Madras, Andhra Pradesh, Mysore, Kerala and Pondicherry. The residual area comprises Orissa, West Bengal, Assam, Nagaland, Tripura and Manipur. Rice and wheat can move freely within a zone. Inter-zonal movement is permitted with the consent of the Government of India and is restricted to Government or State-sponsored accounts.

FAIR PRICE SHOPS

Fair price shops selling foodgrains at reasonable prices are now functioning in almost all the important cities and towns including district towns. The issue price and the quantum of distribution through fair price shops are determined by the respective State Governments. Supplies to the fair price shops are made from Central stocks which are made up of imported wheat and imported as well as indigenous rice. In the course of the last three years the number of fair price shops in the country has increased from 48,000 to 77,000. The Central stocks for distribution through fair price shops has increased from 1.8 million tons in 1961 to about 2.8 million tons in 1963. During the first five months of 1964, about 2 million tons of foodgrains were supplied from Central stocks for distribution through the fair price shops.

ANOTHER OIL TANKER

'Vikram Jayanti', the 54,350 tons super oil tanker built by Mitsubishi Shipbuilding & Engineering Co. of Japan was delivered to Dr. Jayanti Dharma Teja, Chairman, Jayanti Ship-

ping Co., on June 22, 1964, at Mitsubishi's Shipyard at Nagasaki in Japan. 'Vikram', with its overall length of 754 feet and its breadth of 108 feet, will be the largest vessel on Indian Registry. It has the capacity to carry approximately 52,000 tons of oil when fully loaded and it requires a 36 feet draft. The vessel, which has been built at a cost of Rs. 325 crores, will be manned by an all Indian crew of 77. It will start earning valuable foreign exchange for India the moment it leaves the shipyard as it has already been time-chartered for a period of 12 years to ESSO Standard Eastern Tankers Ltd. 'Vikram' is India's third oil tanker, the first being 'Adi Jayanti', which came under Indian flag some two years ago. With the addition of 'Vikram Jayanti' the Company's tonnage touches the mark of 4,50,000 DWT. Besides the new super tanker, the Company owns twelve 10,000-11,000 DWT cargo vessels, seven bulk carriers (totalling 2,31,000 DWT) and an oil tanker 'Adi Jayanti'. The Company's eighth bulk carrier, 'Samudragupta Jayanti', is also due for delivery this year and its three combined oil/ore carriers each of 21,000 DWT, are expected to be ready for delivery next year.

DRY FISH TO CEYLON

According to Mr. M. P. Alexander, Chairman of Marine Products Export Promotion Council (MPEPC), talks between a three-member delegation of MPEPC and representatives of the Ceylon Co-operative Wholesale Establishment (CWE) — the monopoly organisation dealing with the entire import-export trade in Ceylon — on measures to step up exports of Indian dry fish to Ceylon have ended "satisfactorily". CWE has agreed to speed up payments and simplify cumbersome procedures which stood in the way of boosting exports of dry fish from India to Ceylon. CWE has also agreed to raise prices of five varieties of dry fish by percentages ranging between 15 and 40. The price increase will come into effect on June 21 and will remain in force till September 30, 1964 after which there will be a further revision for the next season commencing in October. The increase in prices will benefit the country to the extent of Rs. 15 to Rs. 20 lakhs over the normal annual exports valued at over Rs. 15 crores. These benefits will be shared by Kerala, Madras and Maharashtra, from where India's dry fish is exported to Ceylon.

India had been exporting various kinds of dry fish to Ceylon for the last many years. These exports, in terms of quantity, were of the order of 20,000 to 25,000 tons, valued at Rs. 3 to Rs. 4 crores every year. But in 1962, the Ceylon Government abolished the system of private import of dry fish into the island and entrusted the entire monopoly of the import trade to CWE and, as a consequence, the export market of Indian dry fish to Ceylon 'almost collapsed'. However, under the Indo-Ceylon trade agreement, concluded towards the end of last year, Ceylon agreed to take 20,000 tons of dry fish every year from India. But in terms of that agreement, Indian exporters had been experiencing some practical difficulties in achieving the target. It was for the removal of these difficulties that the MPEPC delegation visited Ceylon and arrived at a satisfactory agreement with CWE.

KHANDSARI LEVY REDUCED

For the convenience of the manufacturers of Khandsari sugar a procedure of Compounded Levy was introduced by Government in 1960 and suitable rates of compounded levy were fixed. In consideration of the various representations received from the industry the Government of India has reduced the existing rates of compounded levy by one-third, for the period from July 1 to October 31, 1964, through notifications published in the Gazette of India, dated June 27, 1964.

Company Affairs

JAIPUR METALS

MR. R. H. KAMANI, Chairman, Jaipur Metals and Electricals Ltd., pointed out at the annual general meeting held recently that the company had recorded considerable progress so that turnover and profits touched new peaks. The turnover increased from Rs. 2.33 crores to Rs. 2.69 crores and profits, after providing for depreciation, increased from Rs. 23.79 lakhs to Rs. 30.24 lakhs. This 16 per cent increase was the result of well sustained production as well as sales of meters and other metal products. The timely commencement of the production of ACSR and of aluminium conductors, especially at a time when the allocation for copper conductor industry was discontinued, contributed considerably towards this progress. The Chairman was of the opinion that demand of these conductors was quite assured during the period of increasing generation of electricity in the country. In the sphere of meters, however, he seemed to be cautious because the production capacity, at the moment, was higher than the actual demand, with the result that there existed stiff competition in prices. Mr. Kamani informed the shareholders that the company was taking necessary measures to face this situation.

The company has been making efforts to be self-sufficient in the manufacture and procurement of meter components. He expressed satisfaction over the fact that with the exception of jewel bearings, magnet and small percentage of sub-parts of the cyclometer unit, which were presently imported, all other items were either made in the factory or procured indigenously. In fact all the necessary machinery for the manufacture of magnet was already installed and on the arrival of technical experts from its collaborators in Japan, the company will commence its production. It will also be able to manufacture the remaining small percentage of sub-parts for the cyclometer unit during the current year. The company was, therefore, in a positively advantageous position to face the competition which existed in the market. Mr. Kamani indicated that the company was making substantial efforts to carry through expansion and development schemes in other spheres as well. For instance in the near future it will be able to manufacture enamelled copper wires and cotton, silk and paper covered wires and strips. The company was also making efforts to improve the quality of its products as well as reduce the cost of production which was vital for any progressive institution.

Mr. Kamani referred to various taxes and indicated that frequent changes in the fiscal policy of the Government resulted in uncertainty in terms of future planning and development of industries. He, therefore, emphasised the need for stable policy for at least a certain minimum period. While he welcomed a rebate of 10 per cent on income tax and super tax and a rebate of 20 per cent on surtax in case of certain key industries to which this company also belonged, but, by and large he was critical of the introduction of tax on equity dividends which whittled down the reliefs otherwise obtained.

TRAVANCORE RAYONS

Mr. M. Ct. Muthiah, Chairman, the Travancore Rayons Ltd., outlined the factors that caused a comparative decline in the production of rayon yarn from 2.16 million kgs. in 1962 to 1.38 million kgs. in 1963. The production of cellulose film, however, registered a welcome increase from 1.48 million kgs. to 2.57 million kgs. so that total sales during the year were higher at Rs. 3.43 crores against Rs. 3.13 crores last year. Lower output of rayon yarn was the result of the non-co-operation of labour as well as the continuously increasing costs of almost all the raw materials. Crippling excise duty, income-tax and other multifarious levies, higher interest and insurance charges also added to the increasing costs. The provision for depreciation had also to be higher due to addi-

tions to fixed assets, but the real damage was done by the non-co-operation of labour for several months. The relations with labour, especially with the spinners, were strained which resulted in a low quality output causing accumulation of stocks. After protracted negotiations the relations were brought to normal but in the meanwhile considerable damage had been done. It was indeed extremely unfair on the part of the labour leaders to indulge in such wasteful pursuits. The Chairman indicated, however, that at present the relations with labour had shown marked improvement and the quality as well as quantity of rayon production had been quite satisfactory. The company can, therefore, hope to show much better results during the current year.

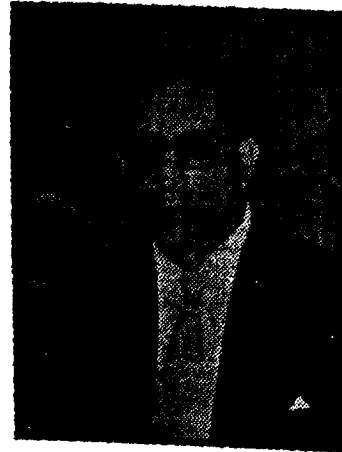
The Chairman pointed out that the company was moving ahead with its programme of expansion and renovation. The new spinning machine ordered sometime back had arrived and will go into production in about two months. This machine utilises the latest developments in the rayon industry and incorporates the technology evolved by the most advanced producers like E.I. duPont de Nemours Inc USA. Its application to import further machines is pending with the Government as the company finds it prudent and advisable to import only the latest types of machinery. Its cotton linter pulp plant, the first of its kind in India, went into commercial production during the year under review. The quality of pulp was considered satisfactory. The full rated production of 10 tonnes per day would be achieved shortly after the installation of some balancing equipment received recently. The company has been in touch with the latest developments in synthetic fibres and all the latest appliances were put into use.

The Chairman made a brief reference to the investment climate and added that the Government seemed to be conscious enough to keep the market sufficiently buoyant. But in practice, he added, the budget for 1964 had not provided any such impetus and in fact several measures like the dividend tax, tax on bonus shares and many other imposts had created considerable nervousness among the investors and entrepreneurs.

DEMAND FOR REFRACTORIES

Mr. J. Dalmia, Chairman, Orissa Cement Ltd., indicated at the annual general meeting held recently that demand for both silica and basic refractories had not increased in line with the creation of excess capacity in the industry. He said that despatches of silica and basic refractories were lower on account of lack of orders. A year before he had emphasised the need for a careful appraisal of the future demand for refractories before planning an increase in the capacity. But now the position had further deteriorated and the industry was facing a crisis. The present production capacity along with that to be implemented by 1965-66 exceeds the demand which was unlikely to move beyond 1963-64 level until 1967-68. He informed the shareholders that at recent discussions at Refractories Panel meetings it was revealed that the installed capacity of refractory industry at the end of 1963 was 828,980 tonnes which at the end of 1965 will rise to 1,291,320 tonnes. planned on the basis of annual production target of 10 million tonnes of steel ingots by the end of the third five-year Plan. Recent forecasts revealed that this target could be achieved only by 1967-68 and ingot production of steel by the end of the third Plan was estimated at 7.16 million tonnes which clearly explained the imbalance that prevailed in the output and demand of refractories. Mr. Dalmia, therefore, warned that during 1964-65 and 1965-66 demand for refractories — fire bricks, silica bricks and basic bricks — would be nearly 54 per cent to 56 per cent of the capacity available with the industry.

These estimates were based on the consumption pattern in 1963. The chairman carried the point further and stated



THE ORIENTAL FIRE AND GENERAL INSURANCE COMPANY LIMITED

Speech delivered by the Chairman, Shri B. K. Kaul, I.C.S., at the Sixteenth Annual General Meeting of the Shareholders on Tuesday, the 30th June, 1964

(1) The Report, Accounts and Balance Sheet for the year ended 31st December, 1963 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) Mr. Jawaharlal Nehru suddenly passed away on Wednesday, 27th May, 1964. Mr. Nehru's death is a stunning blow to the entire nation. An anguished Nation has been mourning the sudden passing of her most beloved son, an illustrious fighter for freedom, an outstanding statesman, a world leader. He occupied a place in the hearts and hopes of hundreds of millions of our countrymen. He was the architect and symbol of modern India. By his death our country in particular and the world in general has suffered a grievous loss. The best tribute we can pay to our departed leader is to work hard and do our duty well so that our country may prosper.

(3) As I mentioned last year, your Company was appointed by the Government as its sole agent in connection with the administration of the Emergency Risks Insurance Schemes (Goods & Factories). During the year 1963 the Company received over 4,24,279 applications under these Schemes at 163 centres all over India. I am glad to say that the Company was able to cope up with the enormous work connected with the applications in a satisfactory manner. The work was done by the Company entirely on a non-profit basis.

(4) In the foreign field, the Governments of Ceylon and Burma restricted the writing of general insurance to State Institutions from 1st January and 1st February, 1964, respec-

tively. In both these territories we had been doing modest but profitable business for a number of years. As the unexpired business is not being taken over, we are required to run off the existing risks and, therefore, have to keep a skeleton staff for some time to come.

In Kuwait a new agency was established in 1963 and its results have been satisfactory.

Whilst our operations in Pakistan gave us cause for concern in earlier years, we have been able to take effective measures to put the business on an even keel by setting up a regional office at Dacca exercising better control on underwriting and claim and by exploring fresh avenues of profitable business.

In Africa, a Union of the Republic of Tanganyika with Zanzibar was recently announced. We have been operating in East Africa including these two territories for a number of years and I have no doubt that the Union shall provide increased opportunities for expansion of our business.

I had stated last year that we were progressing in the matter of expansion of our foreign business with caution. Whilst this policy has continued we have explored the possibilities of expansion in the Middle East and other Arab countries. It may perhaps be possible to make a beginning in some of these areas during this year, as our negotiations in some cases are quite far advanced.

(5) Turning now to the results of the year's working, the net profits for the year of the Company after making provisions for taxation is Rs. 17.11 lakhs as against Rs. 19.40 lakhs for

Freedom is in peril, defend it with all your might

DEFENCE IS YOUR JOB TOO

To equip a jawan at the frontline adequately, fifty to hundred people will have to work on the home front. More and more materials and supplies should flow to meet the growing needs of Defence.

Your job is vital. Work resolutely to eliminate slackness and waste and raise national efficiency.

YOUR DISCIPLINE IS INDIA'S STRENGTH



the year 1962. The slight fall in the net profits has been due to an increase in claims and in the salary and allowances paid to the staff under the revised agreement.

The Gross Premium income of the Company in 1963 was Rs. 1,014.93 lakhs as compared to Rs. 878.62 lakhs in 1962. After fulfilling the statutory obligations and making other cessions the net premium of all departments increased from Rs. 492.29 lakhs for the year 1962 to Rs. 583.88 lakhs for 1963 showing an increase of Rs. 91.59 lakhs i.e. 18.60 per cent over the previous year's figure. This increase is made up of Rs. 74.25 lakhs from business transacted in India and Rs. 17.34 lakhs from business transacted out of India. Considering the market conditions this rise may be considered quite satisfactory.

The overall claims ratio of net claims to net premiums has shown an upward trend i.e. 59.71 per cent for 1963 as against 56.09 per cent for 1962.

In the Fire Department the claims ratio for the year 1963 was 46.31 per cent as compared to 34.83 per cent for the year 1962. The increase in the claims ratio was mainly due to adverse experience on our Foreign acceptances. On the Miscellaneous side the claim ratio has increased from 57.79 per cent for the year 1962 to 61.22 per cent for 1963, largely on account of continued adverse claims experience in Motor Department in India and out of India. On the Marine side the claims ratio for the year 1963 has registered a fall to 90.34 per cent as compared to 93.26 per cent for 1962.

The overall ratio of commission and expenses of management to net premiums is around 32.4 per cent which is considered satisfactory.

As a result of the year's working the Departmental Reserves have shown an impressive increase of Rs. 44.33 lakhs at Rs. 328.69 lakhs for the year 1963 as compared to Rs. 284.16 lakhs for the year 1962 showing an increase of 15.67 per cent over the previous year's figure.

Our Investments as at 31st December, 1963, aggregated to Rs. 457 lakhs and the total depreciation thereon was around Rs. 4.50 lakhs and is more than adequately covered by the Investments Reserve. Considering the magnitude of the total investments and the general fall in the prices of shares and securities, it will be seen that the depreciation of 0.98 per cent is nominal.

(6) Your Directors have recommended dividend at the rate of 8 per cent (subject to deduction of tax at prescribed rates) on the paid up value of shares as compared to 6 per cent for the year 1962.

The General Reserve has been further augmented by an appropriation of Rs. 3.75 lakhs.

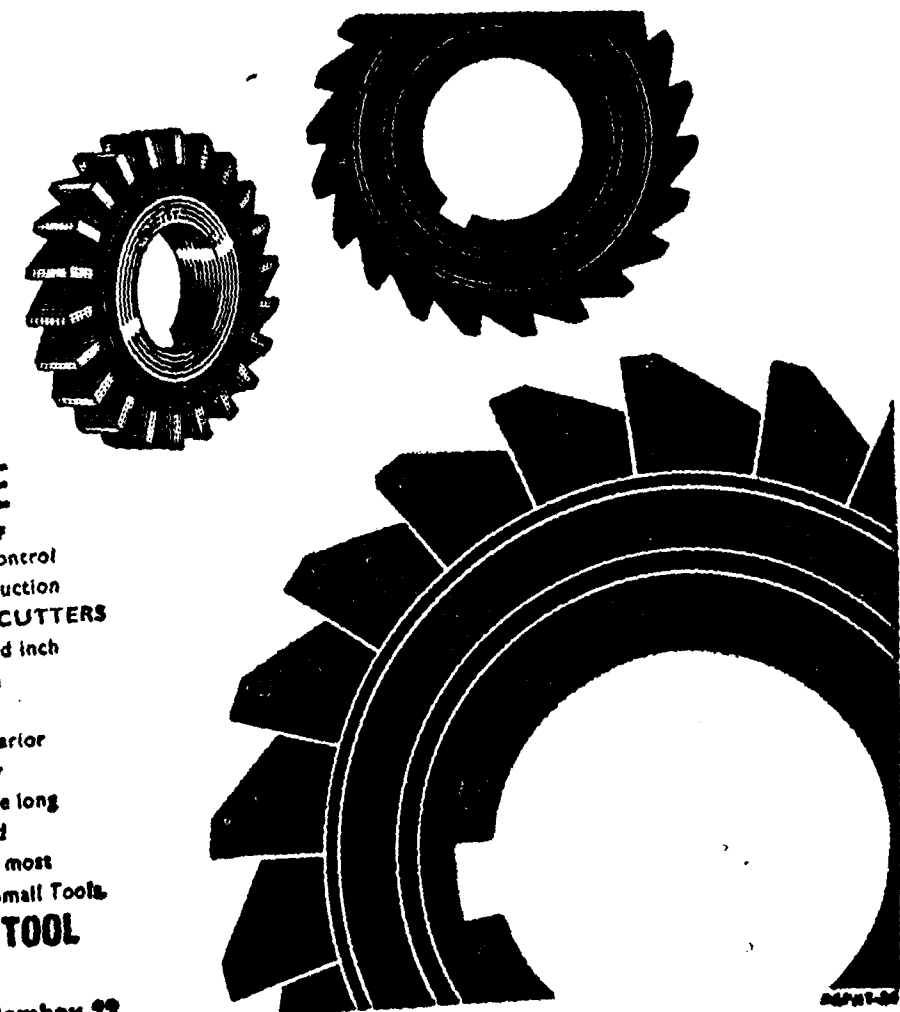
The year's working has resulted in a substantial increase in the funds of the Company from Rs. 454.14 lakhs in 1962 to Rs. 504.60 lakhs in 1963 registering an increase of 11.11 per cent over the previous year's figures.

7) 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.

IT
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ORISSA CEMENT LIMITED

Summary of the Speech of the Chairman, Shri J. Dalmia, delivered at the Fourteenth Annual General Meeting of the Company held at Raigangpur (Orissa State) on 29th June, 1964.

Gentlemen:

I welcome you to the 14th Annual General Meeting of your Company.

Although more than a month has passed since the fateful 27th day of May, we are still burdened with the sense of our heavy loss and great sorrow at the sad and sudden passing away of our great leader, Pandit Jawaharlal Nehru, who, as the first Prime Minister of India, has guided and shaped the destinies of our country since independence. His passing away has been mourned by the world at large for he was not only the architect of modern India but an acclaimed and accepted leader in the international sphere. His devotion to the ideals of peace and brotherhood of man stands out like a beacon to guide the path of mankind through the years ahead. Let us in tribute to his memory, resolve to move forward together to achieve his dream of a peaceful, prosperous and united India.

2. We are indeed fortunate that the leadership of our country is now in the hands of Shri Lal Bahadur Shastri, who took up the onerous burden of the Prime Ministership of the country on the 9th June. Shastriji, as he is commonly and affectionately known throughout the country, can best be described as the great commoner. Of humble birth, he has risen to the leadership of the Nation. A conciliator and negotiator par excellence, he was relied upon by Pandit Jawaharlal Nehru in many a difficult situation. During his tenure as Home Minister, Shastriji amply demonstrated his acumen and firmness. His services to the Nation and to the common man are too wellknown to need repetition. In his devotion to the ideals of the Father of the Nation, Mahatma Gandhi, handed down to him by Panditji, and his pragmatic approach to national and international problems, we must find hope again to move forward to the goal of a prosperous India and a peaceful world. In offering our respectful felicitations to Shastriji, let us also pledge ourselves to strive, each within his own sphere, to help in the immense task of nation building.

3. Your company has suffered a grievous loss in the untimely death on the 27th of April, 1964 of Shri N. C. Roy, who was a member of your Board and also served the company as its Technical Advisor. In the course of his long association with our Organisation extending over 30 years, Shri Roy had rendered dedicated service and was held in high esteem for his deep knowledge of the industries with which he was associated. He made valuable contributions to the work of various Technical committees and the Panels on the cement and refractories industries set up by the Government of India. I was closely associated with Shri N. C. Roy throughout his service with our organisation and his sad demise is a great personal loss to me. I am sure you will join me in placing on record our deep appreciation of his manifold services to the company and expressing our heartfelt sympathies and condolences to the bereaved family.

4. The major reason for the set back to the working results has been the shrinkage in demand for both silica and basic refractories. Last year I had warned against the creation of excess capacity in the refractory industry. My fears have come true and the despatches of Silica and Basic refractories have suffered during the year under review on account of lack of orders. Factors beyond the control of the

producers such as increases in the coal price, surcharge on railway freight etc., have resulted in increases in production costs of cement. The industry has reported the incidence of these various levies to the Government of India and has represented that the retention prices payable to the producers be increased but it is regretted that till date no decision has been taken by the Government. Compensatory increase in the retention prices in respect of actual increase in production cost due to Governmental action had been recommended by the Tariff Commission and agreed to by the Government. It is only fair that these assurances should be implemented and the increase in retention prices expedited.

5. Both in my address in June 1962 and last year I had emphasised the need for a careful appraisal of the future demand for refractories for planning increase in the capacity of the industry. Last year, I also drew attention to the demand for refractories falling short of the growing capacity and consequent increase in idle capacity with the industry. The position has deteriorated further and the industry is faced with a crisis, which is likely to continue for sometime, due to its production capacity, existing and to be implemented by 1965-66, far exceeding the demand which until 1967-68, is unlikely to increase substantially over the 1963-64 requirements.

6. As derived from discussions at recent Refractories Panel meetings, the installed capacity of refractory industry (excluding mortars and dead-burnt magnesite) at the end of 1963 was 8,28,980 tonnes which, at the end of the years 1964 and 1965, will rise to 11,04,330 and 12,81,320 tonnes, respectively. Though additional capacity of 3,26,700 tonnes has been licensed, I am not taking that into consideration for presenting the present plight of the industry, as foreign exchange has not yet been provided for it. The expansion of refractories industry, just mentioned by me, was planned and is being implemented on the basis of annual production target of 10 million tonnes of the steel ingots by the end of Third Five-Year Plan. According to the revised forecast, this target can be achieved only by 1967-68, and ingot steel production for the earlier years is estimated at 5.92, 6.32 and 7.18 million tonnes for 1963-64, 1964-65 and 1965-66, respectively.

7. Based on steel production of 6 million tonnes during 1964-65 and 7 million tonnes during 1965-66, estimated demand of refractories — Firebricks, Silica Bricks and Basic Bricks — during these two years will be about 56 per cent and 54 per cent, respectively, of the capacity available with the industry. This confirms my forecast last year that by 1964-65 about 50 per cent of the industry's capacity would be idle. These figures are based on consumption pattern in 1963. With the introduction of an all basic open hearth furnace, the consumption of Silica refractories has steadily declined and before long the steel industry may consume very little silica bricks, except for the construction of new Coke Oven Batteries. The capacity released will of course be available for the production of other products. But with the switch over to all basic materials, as well as greater operational experience by the steel industry, the consumption of refractories has shown and will show a marked downward trend. As against the estimated Five-Year Plan of 90 Kg. per ingot tonne for open hearth process using Silica roof, the present official estimation is

only 57 Kg. per ingot tonne, comprising of 35 Kg. for firebricks, 14 Kg. for basic and 8 Kg. for silica. The corresponding consumption figures for highly advanced steel producing countries are now approximately 7.5 Kg., 7.3 Kg. and 2.8 Kg. per ingot tonne, respectively. The steel industry will no doubt make efforts to reduce the consumption further due to the emphasis by the Government on cost reduction. This trend cannot, therefore, be ignored by the Refractory Industry in the planning for its future growth. When these factors are taken into consideration, it is conceivable that the refractory industry may find itself with well over half of its capacity idle by the end of Third Five-Year Plan.

8. According to the data furnished to the Panel on Refractories the production pattern in regard to the target of 18 million tonnes of steel by 1970-71 will be — Open Hearth 7.35, L.D. 9.70 and Electric Steel 1 million tonnes, respectively. Thus, ingot steel production by open hearth process by 1970-71 will be only little more than the anticipated production by this process at the end of 1965-66, and bulk of the additional steel production, when the 18 million tonnes target for 1970-71 is achieved, would be by L.D. process in which Dolomite replaces conventional refractories to a large extent. As such, growth of the demand for refractories in relation to the growth of the steel industry will be at a much lower rate than hitherto. In regard to rate of consumption of refractories for the conventional open hearth process and electric steel process there is divergence of opinion even within the steel industry and the studies by the Indian Refractory Makers' Association support the view of those who hold that the consumption will be very much less than that put forward by the protagonists of high consumption. This divergence has been reflected in the discussions of the Refractories Panel where a clear picture has not emerged partly due to want of adequate data from some of the steel plants. We hope they will furnish the required data for which they have been requested.

9. At a recent meeting of the Refractories Panel, revised firebricks consumption at a level of 18 million tonnes of steel production has been placed at 8,61,600 tonnes which, according to the industry, is very much on the higher side. The requirement for repairs for blast furnaces has been placed at too high a figure, while the future offtake of firebricks by non-steel consumers is likely to be around 4th of the total consumption instead of 1/3rd. A more correct estimate would, thus, be 7,26,000 tonnes. By the adoption of continuous casting process by the steel industry and the repairing of the entire blast furnace linings by gunning and not by shaped and fired bricks, the consumption of firebricks will fall further substantially. By 1966 the industry will have a capacity to produce over 10 lakhs tonnes of firebricks, which will be sufficient to cover the demand for such refractories even when the steel production target of 18 million tonnes is achieved. I would refer here to what has been described as steel plant quality brick to support the contention that the entire capacity of the industry is not suitable for the manufacture of refractories for the steel plants. Not all refractories indented by the Steel plants are of this quality as atleast one third of the total plants are of this quality as atleast one third of the total being made by almost every firebrick maker in the country. The remaining demand for high quality bricks can easily be catered to by the major refractory works. The conclusion is inescapable; there is no deficit of firebrick production, nor will there be in 1970-71, when the steel production capacity of 18 million tonnes is targeted for. On the contrary, there may still be even an excess capacity of nearly 2 lakh tonnes.

10. In the case of basic refractories the issue is even more controversial. At the meeting of the Refractories Panel in March last, a total figure of 1,36,103 tonnes of basic bricks was

arrived at for a level of steel production of 18 million tonnes according to open hearth, L.D. and Electric Steel processes. This figure has been questioned not only by the Indian Refractory Makers' Association but by some of the steel producers as being unnecessarily high. As indicated by various steel plants, their consumption of basic bricks by open hearth process per million tonnes of ingot steel is — Rourkela, 6,000, TISCO 7,270, IISCO 9,009, Durgapur 12,000 and Bhilai 20,000 tonnes. An average consumption rate of 13 Kg. per tonne was derived from these figures, which, however, does not give a true picture as four out of the five plants show substantially less consumption and their average comes to about 8.5 Kg. per tonne. The corresponding consumption figures by major steel producing countries in the world ranges from 4 Kg. to 9 Kg. per tonne. Bhilai Steel plant has been requested to furnish details for such a high consumption of refractories in their modern plant for proper assessment of their future requirements. It is felt that if this question is examined properly the consumption rate of basic bricks at Bhilai would not be more than at Durgapur, that is, 12,000 tonnes per million tonnes of ingot steel, which would reduce the total requirement of basic refractories for the open hearth process plant by 20,000 tonnes on Bhilai's projected capacity of 2.5 million tonnes of ingot steel. For the manufacture of electric steel the Panel assumed tentatively a consumption rate of 10 Kg. of basic bricks per tonne of steel. The consumption pattern of existing smaller electric furnace steel units is very much less than this. The authoritative figure of basic brick consumption in electric furnaces given by DEBENHAM of US Steel is only 5 Kg. per tonne. As the new and large electric steel furnaces which are to be put up for the production of one million tonnes of electric steel will doubtless incorporate the latest technological improvements, it would be safe to assess the consumption of basic refractories for such production at 5 Kg. per tonne of steel. Furthermore, in the total figure of basic bricks consumption, arrived at tentatively by the Refractories Panel, there is a provision of 10 per cent of the total consumption of basic bricks by the steel industry for other consumers. In 1963 only about 3.5 per cent of the total despatches of basic bricks went to consumers other than the steel plants. With the doubling of the production of basic bricks over the 1963 level the percentage of supplies to other consumers as against those to the steel plants will fall further and it would be more than adequate if a provision of 3 per cent for other consumers is made instead of 10 per cent. After allowing for these three factors, the total requirement for basic bricks by 1970-71 is placed around 101,700 tonnes, about 30 per cent less than that arrived at by the Refractories Panel. By 1966 the industry will have a capacity of 135,000 tonnes for basic bricks which would be more than adequate to cater to this demand particularly when allowance is made for further reduction in the rate of consumption of basic refractories due to further improvements in the quality of indigenous refractories and due to the increasing experience in steel technology which the Indian steel industry will doubtless have. Introduction of the "gunning" process for repairing of open hearth furnaces instead of by relining with shaped bricks will also reduce basic brick consumption.

11. I have referred earlier to the virtual elimination of silica refractories by the steel industry in future. The silica bricks capacity, a great part of which is already idle, would be available for switching over to basic brick manufacture, should that be necessary. There is therefore already a substantial built-in reserve available to the industry for further production of basic refractories without having to seek any extension in its capacity.

12. I therefore submit that, for the reasons stated earlier, the third Plan target for the refractory industry should be considered as having been converted into the 4th Plan target

to cater for an 18 million tonnes steel industry. Any further expansion of this industry therefore cannot be justified at present and if created must lead to chaotic conditions forcing some of the existing units to the wall with the unhappy consequences of unemployment, industrial unrest and waste of rupee and foreign exchange resources already employed. I believe that government would be glad to utilise the country's limited financial material, and trained man-power resources in other sensitive sectors of the economy instead of permitting further expansion in an industry where such expansion is not only unnecessary but would be injurious to the industry itself. It is pertinent to add here that whereas a new steel plant takes 5 to 6 years to go into operation, much can be accomplished by the refractory industry within a short space of time at a fractional cost. If, therefore, it is found that for any reason the demand for refractories is likely to exceed the forecasts made, additional capacity, as required, can be created well in time to meet the additional demand. This is, therefore, another reason why any proposals for further major expansions of the industry should be deferred for some years until it can be definitely established by pragmatic approach to the problem that there are reasons justifying creation of further capacity.

13. It is a paradox that while the industry today is burdened with idle capacity, imports of Refractories of the type manufactured in the country have been continuing, generally in the guise of package deals, even though Government had informed the Indian Refractory Makers' Association in June 1963 that imports of such Refractories would be allowed only after very careful screening. I would like to refer here to the recommendations of the Rao Committee on the "Utilisation of External Assistance" and Government's decisions thereon. Two of these recommendations which have been accepted are likely to increase the imports of Refractories as items of major plants and particularly by the public sector projects. I would earnestly appeal to Government to ensure that in the implementation of these recommendations the policy restricting the imports of Refractories should be strictly enforced until and as it has been established, in consultation with the industry that suitable material is not available indigenously.

14. With idle capacity as discussed by me, the Refractory industry must explore possibilities for export. Your company alive to this need and, at the invitation of the Government of India, is participating in the New York World Fair as one of the two exhibitors from India of Silica and Fireclay Refractories and the sole exhibitor of Basic Refractories. During 63 the Indian Refractory Makers' Association had suggested the Government of India to include refractories in all their

trade agreements with other countries and in their trade journals as one of the main commodities which can be exported in accordance with international standards. Africa, Middle East and South-East Asia should be natural outlets, but, unfortunately, ocean freight rates discriminate unfavourably against Indian exports. The Association is collecting data regarding the ocean freight rates in comparison to those from European and Japanese ports and will shortly submit to Government their recommendations to enable the Indian refractory industry to meet competition more effectively.

15. I had referred last year to your Company having developed the manufacture of certain special types of refractories such as Silica Coke Oven Bricks, Forsterite Bricks, etc. Efforts continue to be made to achieve further diversification of production as a possible method of meeting to some extent the difficulties arising from over production in the industry. While such diversification will doubtless assist the industry, its salvation must lie in controlling its further growth as the bulk of the requirements and hence of the production is for the conventional types of Refractories which are already produced.

16. Refractory industry continues to face the problem of multiple specifications regarding quality, shape and size adopted by the steel plants. The Indian Standard Specifications formulated with the help of steel industries' representatives still remain unaccepted in many cases. We hope Government will take further action to ensure universal adoption of the Indian Standard Specifications for refractories by the steel plants. This would help to restrict unnecessary imports and facilitate the manufacture and supply of refractories to the steel plants at short notice.

17. Delays continue to be experienced in the disposal of Mining Lease and Prospecting Licence applications, although there are indications of some improvement in this direction. I would like to repeat here the suggestions which I had made last year that rules and regulations should be devised whereby the legitimate claims of manufacturers and actual users of certain raw materials which are extremely scarce are recognised and upheld to prevent good properties, while being evaluated, passing into the hands of speculators thereby making it extremely difficult to programme the manufacture of heavy duty products such as Refractories on a regular basis.

18. Before I conclude, I would like to express our appreciation of the services rendered by the officers, staff and workers of the Company during the Year. **JAI HIND.**

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

THE METAL BOX COMPANY OF INDIA LIMITED

Review by the Chairman, Mr. M. K. Vellodi

The Thirty-first Annual General Meeting of the Metal Box Company of India Ltd. will be held on Wednesday, the 22nd July, 1964 at 59 C, Chowringhee, Calcutta.

The following is a copy of the Review by the Chairman, Mr. M. K. Vellodi, which has already been circulated to members.

SALES

I am glad to be able to report another year of fruitful endeavour particularly as, in my review last year, I struck a somewhat pessimistic note based on the assumption that the greatly increased taxation, both direct and indirect, including such impositions as the compulsory deposit in the last year's budget was bound to curb the purchasing power of the consumer. Happily this assumption proved incorrect, and our Product Sales in the year ended 31st March, 1964, increased by 17 per cent to Rs. 13.85 crores.

Sales in all significant product groups increased, and during the second half of the year the new Paper Group commenced production. The encouraging volume of our order book for paper products at the year end is an indication that this addition to our packaging service will be widely welcomed.

Throughout the year and especially during the second half, the irregularity in the supply of raw material and, with certain products such as tubes, capacity considerations affected the service we were able to give our customers. In spite

FIRST DETONATOR FACTORY IN INDIA



Aerial view of the factory
—Artist's impression

The factory of INDIAN DETONATORS LTD., at Hyderabad is fast coming up. First of its kind in India, it will commence production of Ordinary, Electric and Delay Detonators shortly.

INDIAN DETONATORS LIMITED

"Devakripa", Domalguda, Hyderabad-29.
Grams: Oreidet
Phone: 32485

July 3, 1964



Over 100 Years of Banking in India

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Bankers to the Government in Aden, Kenya, Uganda and Zanzibar.

AUTHORISED CAPITAL ...	£ 9,000,000
ISSUED AND PAID-UP CAPITAL ...	£ 5,703,000
RESERVE FUND ...	£ 5,400,000

HEAD OFFICE: 26, BISHOPSGATE, LONDON, E.C.2.

London Branch:
13, ST. JAMES'S SQUARE, S.W.1.

Branches throughout Aden, Ceylon, India, Kenya, Pakistan, Northern and Southern Rhodesia, Somalia, Tanganyika, Uganda, and Zanzibar.

The Bank conducts all classes of Banking and Exchange Business throughout the world.

Delhi Branches:
Chandni Chowk; Chandni Chowk, (Lloyds Branch); Bhichha Mal Building, Grand Trunk Road, Kamla Nagar; Delhi Cloth Mills Premises, Bara Hindu Rao; 10, Parliament Street, (Lloyds Branch); H Block Connaught Circus; 10-E Block, Connaught Place; 1689, Arya Samaj Road, Karol Bagh; Jeevan Vikas Building, Asaf Ali Road.

NGB/46A

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of these difficulties, ingenuity and good planning by the Company's managers again resulted in increased productivity, and generous long-term credit arrangements with our associates in England are now enabling us to undertake long overdue modernization programmes. The sales of non-tinplate products will be promoted vigorously during the coming year and with Calcutta No. 2's difficulties in tooling up for Defence work largely overcome, the sale of industrial components should be particularly strong. However, the availability of raw materials, especially tin-plate and polyethylene, also capacity to produce certain products will continue to determine the extent to which we can meet this year's strong demand.

Of late, Government has become increasingly aware of the important function of scientific packaging in the preservation of goods packed and the protection of the consumer. This is reflected in current plans for new manufacturing capacity for such essential packaging materials as tinplate, aluminium and polyethylene. A time lag is, however, inevitable before new capacity can be brought on stream. In this interim period the packaging needs of the Third Plan must be serviced without interruption. Failure to do so will have an immediate and severe inflationary effect. In the case of tinplate, for example, Rs. 1 lakh spent on imports generates the distribution of over Rs. 22 lakhs of essential consumer goods. In this connection, it is worthwhile considering the growth of all packaging, over the years of the Third Plan. We reckon that in 1960-61 the production of consumer packages valued at Rs. 107 crores, and employing 100,000 men enabled the distribution of Rs. 2,870 crores of consumer products. This amounts to 12 per cent of the aggregate value of the country's supplies in that year. By 1965-66 it is estimated that the planned growth in production of essential consumer commodities will require packaging materials valued at Rs. 213 crores and made by 150,000 men for the distribution of goods worth Rs. 6,620 crores.

If these statistics have been seldom considered in past Plans, it is perhaps because packaging as a service industry must of necessity operate behind the scenes. Our contact with the public is indirect. It is therefore all too easy for the proper consideration of our contribution and our problems to go by default. The consequence of apathy can be serious. It is, for example, essential that the country maintains an international standard of packaging and presentation if its consumer products are to succeed in world markets. Every well-packaged item of consumer goods may be a potential export; already some Rs. 28 crores of packaged consumer goods are exported annually from India to almost 60 countries all over the globe. The packaging service essential to the effort to diversify India's exports is a specialised one, requiring technology of a very high order. Fortunately, both Government and industry recognise this need. We, therefore, welcome Government's move to establish an institute of packaging in the country to assist Indian exporters with packaging and marketing know-how.

Packaging manufacture the world over is located substantially in the organised section of industry requiring as it does precision mass-production methods; investment in complex machinery; long-term research and development; and close scientific collaboration both with packers and the suppliers of raw material. Export requirements demand that India must have access to the mainstream of world packaging technology. Your Company serves this role and, by maintaining laboratories and development facilities in Calcutta and Bombay, makes sure that new techniques and product improvements are developed in consonance with India's own particular requirements and material availability.

In view of the current interest in the scale of industrial operations, it is relevant to mention that as in the case of your Company, far from being prejudicial to the development of the small-scale sector, large-scale enterprise can be of vital

assistance to its development. Metal Box, for example, establishes research facilities and develops new packages and packaging systems, builds up markets for them, establishes raw material supplies available to all, trains technicians and supplies for unrestricted sale previously imported packing machinery. Whether we like it or not we have in a most effective way brought up competition in our wake. In addition, we provide a direct stimulus to small industry from which our purchases each year exceed Rs. 60 lakhs. More important, the majority of our 1,500 customers belong to the small-scale sector. All of our customers, large and small, have access to our research and technical resources and a fund of technological and marketing know-how particularly valuable to the small packer. To take one example, our precision packages and advisory services have helped enterprising prawn canners on the West Coast — all of them relatively small-scale in comparison with their competitors overseas — to export over Rs. 73 lakhs worth of canned fish last year to markets as competitive as the USA. Our Cochin Factory was established particularly to provide these canners with on-the-spot can service. We also evolved a 'flattened' system of can despatch to reduce the freight cost factor for canners all over the country. For small canners in North and South India, we have set up reforming installations at Delhi and Madras which assembled, at cost price only, flattened Open Top cans made on high-speed lines in Calcutta and Bombay. We have supplied similar equipment to the Uttar Pradesh Government to serve the needs of small-scale canners in the rural areas of the U.P.

DEFENCE

Sales of ordnance supplies were below forecast during the year, owing to unexpected problems in equipping ourselves and in meeting the standards required by the ordnance inspection authorities. Your Company has so far invested more than Rs. 6 lakhs in plant, equipment, tools and dies for Defence work. As our difficulties appear largely to have been resolved, we anticipate a substantial increase in sales during the year ahead.

EXPORTS

After the previous year's setback, export sales went ahead again, increasing by 33 per cent to a new level of Rs. 28 lakhs. Extensive overseas touring by senior sales staff to reinforce the work of our agents secured notable gains in Burma, Ceylon and East Africa in particular. Our exports of domestic hardware and publicity materials increased by approximately 55 per cent and, to our great satisfaction, machinery sales again rose by more than 100 per cent.

Experience last year has made it abundantly clear that in the face of intense international competition it is far from easy to achieve and maintain the extremely high quality standards required in markets abroad. Your Company's efforts will be further intensified during 1964-65 although we anticipate problems arising out of political developments in Burma and in Ceylon.

I have already referred to our main contribution to the country's foreign exchange earning: the provision of packages made to international standards. In the past year our customers have earned more than Rs. 8 crores in foreign exchange through the export of goods packed in our containers.

To stimulate the growing awareness of scientific packaging, both for home and export markets, we organised over the year a series of seminars on consumer packaging for senior executives from amongst our customers, advertising agencies and Government. The seminars aimed at providing a comprehensive background on the subject of packaging to those concerned with the distribution and marketing of consumer products. This effort has been very well received.

RAW MATERIALS

Throughout the past year, and especially during the last four months, the procurement of raw materials presented dif-

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scilities. Owing to delays in licensing procedures and the failure of the Russian authorities to fulfil commitments and a disappointing performance by Rourkela, tinplate stocks were very low during the last quarter.

The unfortunate communal disturbances at both Rourkela and Jamshedpur further reduced your Company's tinplate stocks and although the authorities were reasonably appreciative of our difficulties, arrivals against import licences cannot be expected in time to prevent further difficulty in meeting our customers' requirements. Increasingly we are being directed to import tinplate from sources which involves AID or Government-to-Government trading. While the need for this is accepted, the result for your Company is a loss of control over specifications and an unsatisfactory timing of deliveries through repeated procedural delays; also a general increase in tinplate prices.

The strongest possible representations have been made to persuade Government that India requires a minimum importation of 75,000 tons of tinplate during 1964-65. The demand for tinplate is now rising sharply and to the extent that it is not met a broad range of essential consumer products will not reach the markets. Every effort is being made, and must continue to be made, to develop substitute packs, but the climatic conditions, the rough handling and extended shelf-life to be expected in our country set a severe limit to the use of substitutes. For a long time to come therefore tinplate alone, for a majority of packs, will be able to meet these exacting requirements.

The foreign exchange bill for 75,000 tons of tinplate would be a little more than Rs. 8.60 crores; while the problems of financing importation at this level are not underrated, it is a relatively small price to pay in terms of the health of the consumer economy when set against the fact that this tonnage means the marketing of consumer goods including food-stuffs and many household necessities worth more than Rs. 190 crores at retail prices. Failure to import at this level must mean shortages which can only have a high inflationary impact on retail prices.

Aluminium supply scarcely balanced demand through the past year but availability in 1964-65 is likely to improve and advantage will be taken of this to push sales of non-tinplate products.

Polyethylene supply virtually dried up during the second half of 1963: the national sugar shortage led to an inadequate supply of industrial alcohol to the two polyethylene producers and the situation is not expected to improve much during 1964. Bearing in mind that to an extent polyethylene, either alone or when laminated with other materials, can for certain packs be a substitute for tinplate, it is regrettable that this shortage has been allowed to develop when adequate capacity for indigenous polyethylene production is either available or about to be commissioned.

With the starting of your Company's new Paper Group, we became for the first time buyers of board and paper on a substantial scale. It is clear that the quality of indigenous board leaves a great deal to be desired. However, our buyers, technical staff and research people are co-operating with suppliers in endeavouring to improve the quality available to us.

RESEARCH, DESIGN AND DEVELOPMENT

Paper Group. Modern high speed equipment has been installed at Worli in Bombay for the manufacture of international standards of paper packages: treated and laminated paper and boards, cartons made therefrom, wrap-around labels, labels for cans and punched labels for bottles. The low quality scientific and mechanical problems, but they have not stood in the way of a successful start. We already have a nucleus of highly skilled personnel and the training of staff has continued throughout the year.

Bombay No. 2. The new factory at Deonar was completed on schedule and the entire Open Top operation was transferred from Worli to these new premises. The transfer of tin printing has been slightly delayed due to the late arrival of imported balancing equipment. Deonar has been built to allow room for Paper Group at Worli and to enable the re-laying of our can-making equipment. When the transfer is completed the congestion at Worli will be considerably eased, resulting in the more efficient utilisation of plant and machinery.

Flexible Packing. During the year under review the Government sanctioned the expansion of our manufacture of Flexible Packages. Currently new equipment is being specified which will permit the expansion of our product range. A new laminate has been developed as a tamperproof diaphragm for tinplate containers combining the protective properties of foil, polyethylene and paper. The material has already been introduced for some packs and its functional properties are being examined for a wide range of other products.

Calcutta No. 2. Throughout the year Industrial Components section has been heavily engaged with Ordnance supplies; technical resources have been fully stretched and the Technical Development Division played a major role in the design and manufacture of press tools required for this work. Several heavy presses have been installed and the Factory now has a balanced press shop for a wide range of components for the electrical and automotive industries and components for munitions.

Machinery Building. Our plans for developing the Machinery Building Section of your Company have been affected by the defence requirements. Nevertheless the supply of closing machinery to customers had continued undisturbed. A valuable export order for production equipment was received from our overseas associates and here again the resources of the Technical Development Division were used to complete the project on time. Further export orders for similar equipment are currently under manufacture.

Research Division. A Customer Research Canning Laboratory is being established at Research Division to augment our advisory services to the industry. In this laboratory we will be able to reproduce canning conditions and experiment directly with the canning of new products. Throughout the year the Research laboratories in conjunction with suppliers have continued to develop wholly indigenous materials. Their field of operation has extended to cover the new Paper Group.

VISITS FROM ASSOCIATES

During the year we had the pleasure of welcoming Mr. C. E. Sutton and Mr. A. L. Stuchbery, Directors of The Metal Box Company Limited. Mr. Sutton, who is in charge of the Home Company's Administrative Services, was able to apply to your Company's problems his very considerable experience, particularly that in the field of raw material procurement. Mr. Stuchbery, heading Research and Technical Engineering, apart from being one of the world's leading can-makers, is Chairman both of the Council of the Institution of Production Engineers in the U.K. and the Production Engineering Research Association. He was therefore in an unrivalled position to the development of our Machinery Building and Industrial Component operations. Needless to say we welcome such visits which are both pleasant and useful.

EMPLOYEE RELATIONS

During the year under review, labour relations in the country deteriorated and the cordial atmosphere generated by the Emergency and the Industrial Truce Resolution unhappily began to disappear. This was most evident in the engineering industry of which we are a part: it particularly affected our employee relations in Bombay and North India.

If, as we are asked to believe, we are living in a state of

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emergency, and if the country's paramount needs are increased productivity to strengthen its defence and its export trade and at the same time raising the living standards of the people, then it is essential that there should be on the part of labour an adequate realisation of its responsibilities in this matter and on the part of the Government a determination to ensure that unreasonable demands and indifference to the common weal either by employers or by labour are not given any encouragement.

In Bombay, where over the last 10 years we had successfully negotiated with representative committees elected by our employees, a concerted attempt was made by an outside trade union to create unrest and disturbance. As a consequence our relationship with our employees there during the last few months of the year was under considerable strain. Charters of demands were presented to the Company by three separate unions, all pressing for formal recognition by the Company. Acting in accordance with the Code of Discipline, we have not recognised any union so far. We have, however, concluded an agreement on dearness allowance and gratuity with a union which represents a majority of the monthly-rated staff as certified by the Maharashtra State Labour Commissioner. The demands made by the other unions were taken to conciliation which was infructuous. However, a bipartite agreement was reached with one of the unions representing the daily-rated employees.

Signs of tension were noticed in Faridabad throughout the year, which culminated in a four-day strike in March. This strike was entirely unjustified, since the issue on which it was called was already under investigation by the Conciliation Officer of the Punjab Government. The issue has now been referred to the Labour Tribunal.

After protracted negotiations, a comprehensive agreement covering terms and conditions of service was concluded with the daily-rated employees at Calcutta No. 1, Calcutta No. 2 and Technical Development Division. I am happy to report that with the signing of this agreement (operative till December 31, 1967) the restlessness which I mentioned amongst our daily-rated employees in the Calcutta establishments last year and in 1962 has largely disappeared.

Your Company continued to emphasise training at all levels within the organisation. Five officers and one Research Associate underwent training by Metal Box in the U.K. One senior manager was sent to the Administrative Staff College at Henley-on-Thames, and another attended the Advanced Management Programme organised by the All India Management Association at Bombay. We sponsored a candidate to the nine-month Junior Management Development Course of the Indian Institute of Management, Calcutta. A further thirty-seven managers have undergone the Company's residential Management Course in Calcutta at which we continue to welcome the participation by managers from our Malaysian and Pakistani associates.

Courses for supervisors were organised in the units in management, safety and work study. Forty-one apprentices were recruited under the Apprentices Act, in addition to seventy-three currently receiving training under the Company's apprenticeship schemes.

It is a pleasure for me to record the valuable co-operation of the Company's employees in our widespread activities and I thank them and the Management for yet another year's splendid performance.

BOARD CHANGES

It was only last year that I paid tribute to the services of Mr. K. C. Mahindra who served as Chairman of our Company for five eventful years. Unhappily he was not destined to enjoy for long the rest from all his labours in the interest of the industry in general and our own Company in particular. His death on 31st October, 1963, was deeply mourned by all of us in Metal Box and to his family, who survive him, we sent our

sympathy in their bereavement.

It was with real regret that your Board agreed to release Mr. John Cochrane-Barnett from the Board. His services to the Company during the last seventeen years and more — the last three as Deputy Managing Director — have been most valuable. His drive and determination, backed by his intimate knowledge of production and marketing in India have contributed in a substantial way to the continued growth of your Company's sales. His tactful and painstaking advocacy of our own and the packaging industry's need for raw materials have been as much respected and appreciated by officials in the Government as have his loyalty and breadth of vision by his colleagues on the Board. We shall miss him and I should like on your behalf and also mine to convey our thanks and good wishes to him.

We have lost another valuable colleague by the resignation of Sardar H. S. Malik from the Board. After a very distinguished career in the Indian Civil Service, Sardar Malik joined our Board as a Director in 1957. During the last seven years he has, by his wide experience of men and affairs, and by his ability in presenting our problems to the Government, been of the greatest assistance to the Company. On your behalf and also on mine I should like to convey our thanks and good wishes to him.

CONCLUSION

As a comparative new-comer to your Company I have been doing a certain amount of research into its fortunes. The graphs reproduced at the beginning of this report bear eloquent testimony to the Company's growth and prosperity which have been attained by hard work and by the application of progressive methods of production and management.

The smooth and effective manner in which the Company was able successfully to float in March 1964 a Rights Issue of over two crores of rupees is proof of both the soundness of your Company and the confidence that it enjoys in the country.

The speech of the Chairman at the Annual General Meeting of a company has become an occasion in this country and elsewhere for a review of the important events of the year or for the exposition of one facet or another of industrial philosophy. Sometimes these speeches include criticism — mild or otherwise — of the policy of the Government, and in particular of its Finance Minister. The temptation to join this chorus is great for the simple reason that I find myself in agreement with most of what has been said, and will continue to be said by others in the same position as myself. But I have often wondered what one would do if one were to find oneself in the unenviable position of the Finance Minister of the Government of India. Given the conditions that exist in our country today, namely the need to finance successive five-year Plans of increasing dimensions and defence budgets of staggering proportions, has a Finance Minister much of an alternative? His business is to raise the necessary finance. He cannot do so without hurting someone. All taxes, by whatever name they are called, are an abomination of the Lord: no one likes to pay taxes; but taxation of some kind or another in a civilised and democratic country is the most approved and legitimate means of raising money. All this does not mean that I do not share the views of far more experienced Chairmen of Companies than myself on the Budget and all that it implies; but it is just as well to remind ourselves that all of us — Parliament, Government and Industry — are labourers in the same vineyard; as we sow, so shall we reap.

I cannot conclude this report without referring to the untimely death of our beloved Prime Minister on 27th May, 1964. All our units closed on the afternoon of that day and all the following day in token of our grief. Our management and staff met together to mourn their and the country's loss. We "shall not look upon his like again".

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

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EASTERN ECONOMIST

July 3, 1964

THE TRAVANCORE RAYONS LIMITED

Speech Delivered by Shri M. CT. MUTHIAH at the 18th Annual General Meeting of the Company at Rayonpuram on June 25, 1964.

Gentlemen,

I appreciate the honour done to me in electing me to the Chair for this meeting.

I am glad to welcome you all this evening to this the Eighteenth Annual General Meeting of the Company. The Chairman of the Board, Mr. A.R. Ramanathan, is now away on a tour and is hence unable to be present at this meeting.

Almost a month ago, the entire nation was jolted to hear of the sudden and untimely demise of our beloved Prime Minister, Pandit Jawaharlal Nehru. He was "one of the greatest figures of our generation", a world citizen, "an outstanding statesman whose services to the cause of human freedom can never be forgotten". "As a maker of modern India his services were unparalleled". "It will be difficult to reconcile ourselves to the image of India without Pandit Nehru's active and all-pervasive leadership". "In his death an epoch in our country's history has come to a close". Two qualities in him stand out prominently: he was an indefatigable worker, and sincerely devoted to the people he served. What greater tribute could we in industry pay to his memory than strive to emulate these two qualities: hard work and sincerity in what we do?

In the unanimous election of Shri Lal Bahadur Shastri as Leader of the Congress Parliamentary Party in succession to Pandit Nehru, we have "begun a new political era with dignity and determination". "Few other nations in the independent new world have matched India's political maturity". "Few could have managed such transition so well". The new Prime Minister has qualities which make him eminently fitted to guide the country in the critical years ahead. In the tasks that lie ahead of him, "he undoubtedly carries the widest support and goodwill of the people of the country".

The printed Annual Report and Accounts for the year 1963 have been in your hands for the past few weeks and may I, with your permission, take them as read?

I. WORKING RESULTS

The working for the year 1963 has shown a net profit of Rs. 25.86 lakhs, after providing Rs. 32.20 lakhs for depreciation, Rs. 8.50 lakhs for Development Rebate, and paying Rs. 39.95 lakhs towards excise duty (gross amount: Rs. 84.81 lakhs). You will notice that the profit has declined compared to that of 1962.

II. REASONS FOR DOWNWARD PROFIT TREND

The reduction in rayon production, and the need to provide a higher depreciation on account of additions to fixed assets have, to a large extent, contributed to the decline in profits. Considering depreciation alone the increase is about Rs. 5.45 lakhs and you will see that when this fact is taken into account, the net profit for 1963 will be almost on par with that of 1962. In fact, the results for 1963 would have been far better had the labour extended better co-operation. Protracted labour troubles (to which I shall refer in detail later in my speech), and consequent loss of rayon yarn production, have affected the profits considerably.

Also, a special factor which continued to operate against your Company (and other rayon spinners) was the concessional sales of rayon yarn, at heavy loss, to help export promotion of rayon fabrics. Considering our critical foreign exchange

position, and the long-term need to build up our export potential, I do agree that some sacrifice on our part is inevitable. But, then, care has to be taken to see that the indigenous industries are not throttled in the process. As for the other factors responsible for the lower profit, I can do no better than repeat what Mr. A.R. Ramanathan said last year. Despite increased sales, many reputed companies have, as you would have seen, had to report declining net profits and, consequently, declared lesser dividends than in the past. Generally, this trend has pronounced itself in unmistakable terms. The reasons are obvious: continuously and steeply increasing costs of almost all raw and auxiliary materials; crippling excise duty, income tax and other multifarious fiscal levies (which are growing in geometrical proportions); higher interest, insurance, and freight charges; and the higher incidence of labour costs (without corresponding increase in productivity).

In regard to securing relief from the Export Promotion Scheme, you will be glad to learn that Mr. A.R. Ramanathan, under the auspices of the Association of Man-Made Fibre Industries, led a high-level deputation to the Government, impressed upon them the pressing need to relieve the rayon spinners of the obligation to put up with the sale of yarn at considerable loss, and pleaded for suitable remedies. I am glad to inform you that, effective from May 15, 1964, Government have removed the order regarding sale of yarn at concessional rates to the weavers under the Export Promotion Scheme. The effect of this decision will be seen next year since we have fairly large stocks of pulp purchased, effectively at a higher price, under Export Promotion Scheme.

III. APPROPRIATION

Considering the various factors explained by me, I am sure you will agree that the working results of your Company should be considered satisfactory.

The profits of Rs. 25.86 lakhs, along with the balance of Rs. 0.18 lakhs carried forward from the previous year makes a total of Rs. 26.04 lakhs. Out of this sum, the provisions to be made are:

Development Rebate	Rs. 8.50 lakhs
Taxation	Rs. 4.60 lakhs
Preference Dividend (6.5%)	Rs. 3.25 lakhs

The balance of Rs. 9.69 lakhs only is available for payment of equity dividend. A further cut in the dividend has, thus, become unavoidable. However, with a view to declare a dividend of 12½ per cent on the equity shares, your directors recommend transfer of a sum of Rs. 3.00 lakhs from the Dividend Equalisation Reserve. When this is done, and a sum of Rs. 12.50 lakhs is appropriated for the equity dividend, there will be a balance of Rs. 0.19 lakhs to be carried forward to the next year. I may, however, point out, here, a feature of some consolation, namely, according to the latest Finance Act, the deduction of tax at source stands reduced from 30 per cent to 20 per cent. As a result, the dividend retention in the hands of the shareholders, when the gross dividend is 12½ per cent, will be 10 per cent, as against last year's retention of 10.5 per cent on a gross dividend of 15 per cent.

IV. PRODUCTION

The demand for both rayon yarn and cellulose film was satisfactory. But, due to the non-co-operation of labour, the

COMMUNICATIONS

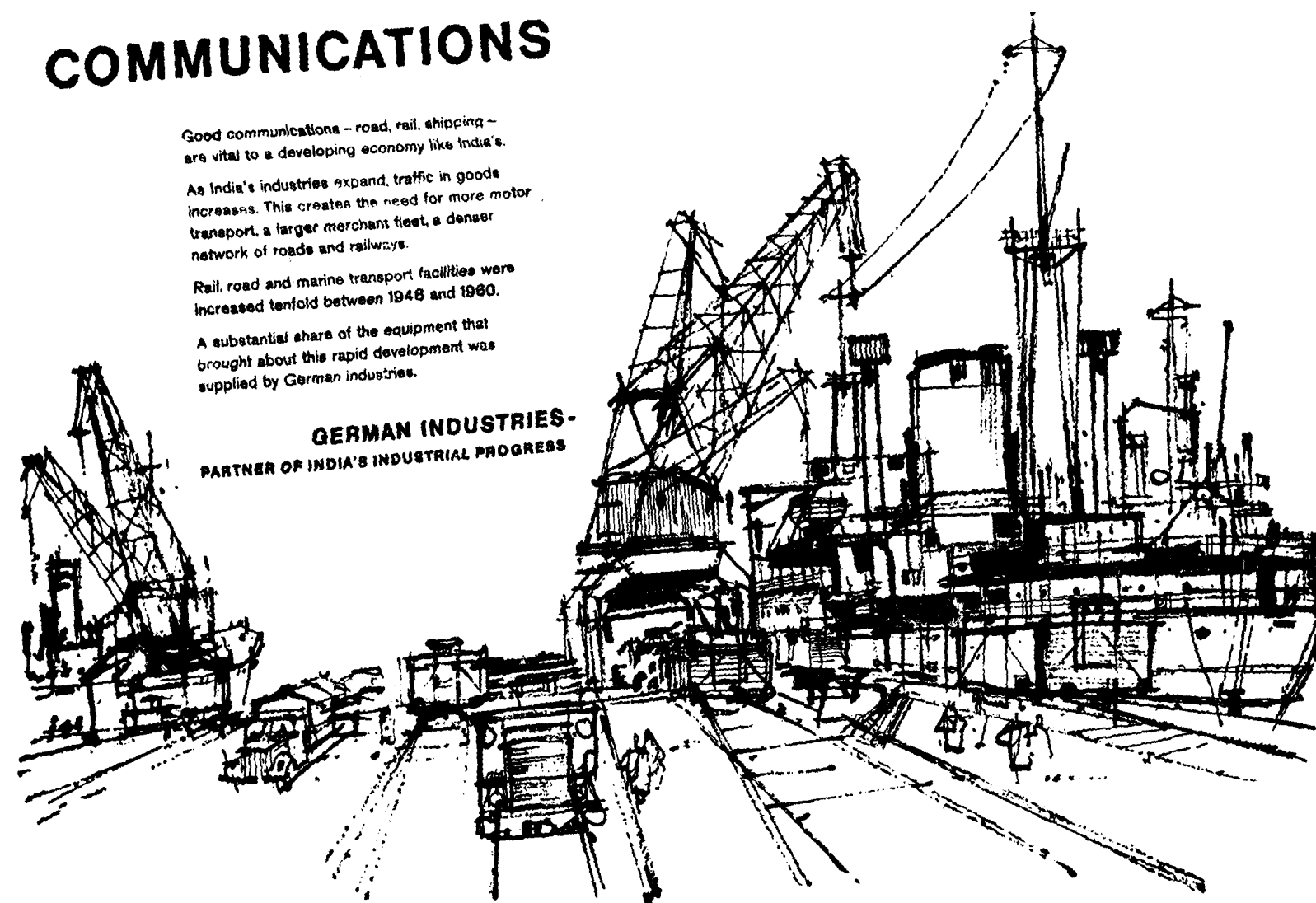
Good communications — road, rail, shipping — are vital to a developing economy like India's.

As India's industries expand, traffic in goods increases. This creates the need for more motor transport, a larger merchant fleet, a denser network of roads and railways.

Rail, road and marine transport facilities were increased tenfold between 1948 and 1960.

A substantial share of the equipment that brought about this rapid development was supplied by German industries.

GERMAN INDUSTRIES —
PARTNER OF INDIA'S INDUSTRIAL PROGRESS



THE AUTOMOBILE INDUSTRY . . .

To rush men and material to threatened frontiers, motor vehicles are the quicker, more flexible, more economical means of transport.

In times of emergency, defence production may call for the mobilisation of suitable factories such as provided by the automobile and ancillary industries. They offer the scope for quick conversion of production to defence needs. They can turn out special types of vehicles to transport the army of men and their equipment more speedily, even to regions unapproachable by other means.

This is not the only way that the automobile industry serves the country's defence.

Each vehicle sold provides the Government with a large share of money in the form of taxes, duties and levies. An Ambassador car, for instance, contributes some 5140 rupees or one third of the "on the road" price of the car in Calcutta to the Government in this form. This revenue and those received from the ancillary industries that are largely dependent for their existence on the automobile industry provide to Government the wherewithal to meet a substantial portion of the cost of defence requirements.

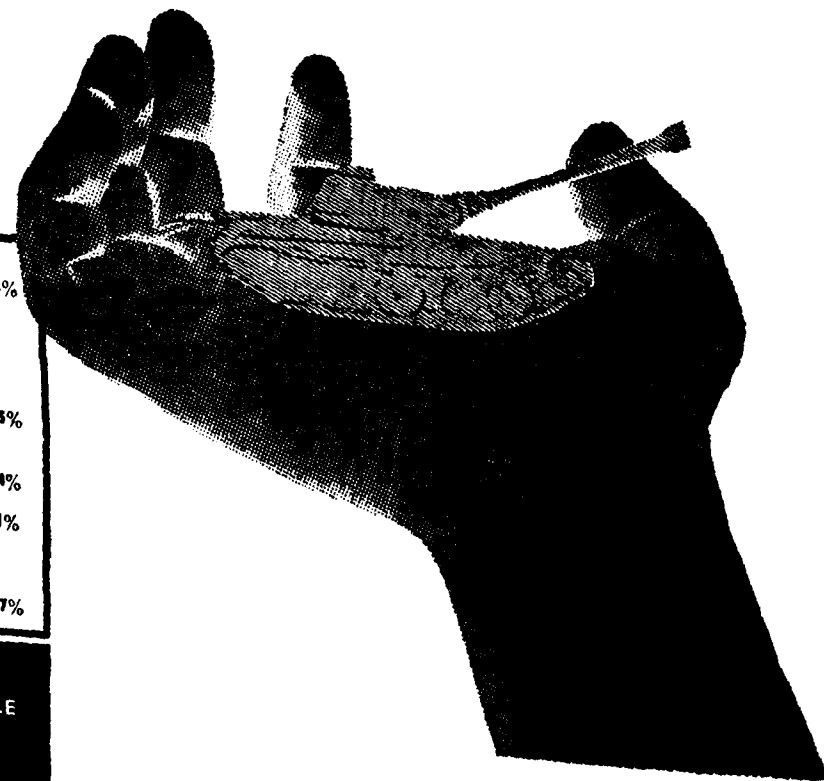
supports national defence

CAR PRICE STRUCTURE :

Government taxes, direct and indirect :	33%
Raw materials, manufacturing and overhead expenses, salaries and wages, depreciation, profit etc. :	25%
Indigenous ancillary components :	24%
Imported components :	11%
Dealer's commission including distribution, service, advertising etc. :	7%

THE AUTOMOBILE
INDUSTRY IS A
KEY INDUSTRY

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production of rayon yarn declined precipitously from 216 million kgms. in 1962 to 1.33 million kgms. in 1963. However, it is gratifying that the production of cellulose film registered a welcome increase from 1.48 million kgms. to 2.57 million kgms. The total sales are higher at Rs. 3.43 crores against Rs. 3.13 crores in 1962. I am also happy to say, that, at present, the labour is acquitting itself satisfactorily, and the quality and quantity of rayon production have shown a marked improvement. If this trend continues — as I hope it will — and we are also able to maintain the cellulose film production and sales at the 1963 level, we can look forward to encouraging working results for the current year. The supply position of raw materials is generally satisfactory; in the case of caustic soda however considerable difficulty is being felt in obtaining adequate supplies from indigenous sources. We are therefore, importing some quantities, taking advantage of the facilities offered by the Government in this connection. You will be pleased to know that the Government have announced that your industry is one of those few which are entitled to priority treatment in regard to import of raw materials and spare parts for maintenance. This will, no doubt, go a long way to help us maintain uninterrupted production and thereby avoid under-utilisation of capacity.

V. FINANCIAL POSITION

The borrowings from Banks at the end of the period under review stood at Rs. 1,44,60,594.09. By far, a major portion of the borrowings is made up of payments towards capital additions. In addition, a sum of Rs. 18,59,784.86, was obtained from the Industrial Finance Corporation of India as dollar sub-loan for financing the purchase of the six new spinning machines.

The financial position of the Company is sound, considering that it has been able to augment its total holdings under fixed assets by utilising the profit and depreciations earnings for further acquisitions. While there is no increase in the paid-up share capital, the present value of gross block is about Rs. 6.82 crores.

VI. EXCISE DUTY

The year under review saw a further steep increase in the levy of excise duty on rayon yarn. The impact of excise duty is felt in a growing measure year by year. This can be seen on a comparison of the gross amount of excise duty paid. Whereas for the years 1961 and 1962 the total amounts of duty paid (on rayon and cellulose film) was Rs. 58.58 lakhs and Rs. 68.04 lakhs, respectively, for 1963 the figure was much higher at Rs. 84.81 lakhs.

The increase in levy on rayon yarn during the year was as high as 33 1/3 per cent, the total incidence amounting to nearly 30 per cent of the selling price. The Finance Act, 1964, has brought in a further rise of 50 per cent over the prevailing rate, thereby imposing a crippling burden on the industry. The excise duty now payable is Rs. 6.00/kgm. for 100 deniers, and Rs. 4.00/kgm. for 120 and 150 deniers, which works out to 39 per cent and 33 per cent, respectively, of the selling prices. Every product has a limit upto which it could be subjected to Central levies. In my opinion, the limit has definitely been reached in our industry; any further increase would only retard the progress of this industry and not go to increase the exchequer receipts to the extent expected. I would earnestly request the Government to take notice of this aspect and take corrective action.

The question of excise duty on nitrocellulose lacquer used in the manufacture of moistureproof cellulose film is being contested. I think it is obviously unfair and unwise to extend the excise net to cover raw materials, intermediate products, and the finished products, all at the same time. This system of multiple levies progressively inflates the cost of production prohibitively. I do hope the Government will give the matter their considered attention and take suitable action.

VII. REPLACEMENT OF MACHINERY

Last year, I referred to having ordered for six new spinning machines through the dollar resources of the Industrial Finance Corporation of India. These machines have since arrived and will be in production before the next two months. They include the latest developments in the rayon industry and incorporate the technology licensed by E.I. duPont de Nemours Inc., USA through Chemtex Inc., USA, and will produce superior quality yarn. Sanction was obtained from the Government to import these machines as part of the replacement programme which we have drawn up; and the import of these six machines constitutes the first phase of this programme. Having been in continuous production for almost fifteen years we have to think of gradual replacement. Our application for import of further machines is pending with the Government. We were asked to look to other sources where foreign exchange will not constitute a problem. We have gone into the matter and made investigations. Considering the technological improvements incorporated, quality and durability of the machines, the resultant quality of the yarn that is produced — which is an important factor to be considered when rayon fabrics are exported to markets where keen competition exists — and for the money that is to be invested, we find it will be prudent and advisable to seriously consider dollar sources. We have accordingly informed the Government and do hope they will appreciate our view and give us the necessary sanction.

VIII. PULP PLANT

Our cotton linter pulp plant — the first of its kind in India — went into commercial production during the year under review. You will be happy to know that in this, too, we have kept up our pioneering spirit. The quality of the pulp is satisfactory and superior to imported wood pulp. Full rated production of 10 tons per day will be achieved shortly, after the installation of some balancing equipment received recently. This plant will save foreign exchange of about Rs. 36.00 lakhs annually.

IX. NEW DEVELOPMENTS

Newer synthetic fibres are being heard of now in the country — polyamides (such as Nylon), polyesters (such as Terylene), and polyacrylonitriles (such as Acrilan), to mention a few. We will be hearing more about them with the establishment of the Petrochemical industry in the country. Your Board has for some time been seized of the recent trends in synthetic fibres, and is applying its attention in this direction. Incidentally, I might mention that the emergence of new synthetic fibres does not mean the decline in importance of viscose rayon yarn. The new fibres are still to match the price of viscose yarn and its ability to absorb moisture which is a very important consideration in a climate such as we have in our country.

X. THE INVESTMENT CLIMATE

At this point, I would like to make a brief reference to the investment climate as it would determine the availability of finance required for expanding a running industry or setting up a new one. I am glad to note that the Government are conscious that an active and vital capital market is a sine qua non for rapid economic and industrial development; and, in fact have taken certain measures in this direction. But, to my mind, generally the Budget for 1964 has not given the necessary impetus for the growth of a buoyant investment climate. The dividend tax; tax on bonus shares; the steep and almost penal rate of estate duty; gift tax; wealth tax; capital gains tax — these measures have created great nervousness among the investors and entrepreneurs, and, thereby sapped their spirit of initiative and enthusiasm. A study of the issues which entered the market after the budget — why, in fact even before the Budget — will indicate this feeling. "Hardly any promoter, irrespective of his reputation, the prospects of the project concerned or the strength of foreign collaboration, has thought it wise to enter the market without

hundred per cent underwriting cover. Apart from this, in almost all cases where subscription lists have already been closed, the underwriters have been obliged to take up an overwhelming part of the issue — anything from 70 to 90 per cent. In fact, the situation has become so uncertain that the head of a prominent financial institution is reported to have quipped that at this rate the underwriters would soon become undertakers. While the pursuit of democratic socialism has, per force, to narrow down vast disparities in incomes and wealth, it must be obvious that drastic levies will not help erase the poverty of the teeming millions. What is really needed is a suitable system of incentives and constructive aids which will give an impetus to productive activity and stimulate the creative energies of the people. Money for the exchequer could be gathered, but I plead, without choking the generation of savings and their investment in industry.

LABOUR RELATIONS

At the last General Meeting, the Chairman had dwelt in detail on the unsettled labour situation which culminated in the dismissal of nearly all the spinners in the rayon division. The unsettled conditions continued into the year under review. Consequent to the dismissal of the spinners, new workers were recruited and trained over several months, resulting in substantial reduction in production, increase in inferior quality yarn and abnormal waste. After prolonged discussions with the Unions and on the intervention of the State Government, the Management overlooked the gross misconduct of the workers and took them back in August, 1963. In spite of the assurances given, their attitude was not helpful, and inferior quality yarn was being produced. Consequently, stocks accumulated, and the workmen had to be laid off in October, 1963. After protracted negotiations with the new Union leaders the lay off was lifted towards the end of January, 1964. Production has, at the time of reporting, stabilised, and, in a way exceeded previous performance. Sales have picked up and should the present conditions continue to prevail, the year 1964 should see promising results.

There are bound to be differences between the outlook of the employer and employees. If, however, the problems are

approached with understanding, reason, and a broad outlook, there should be no reason why mutually satisfactory solutions cannot be found. On the other hand, if an unrelenting stand is taken, throwing understanding and reason to the winds, no one will stand to gain as the year under review has shown us. And, without increase in productivity there will be precious little to give — a fact which is plain and simple to understand, but forgotten and overlooked often. The Company is always willing to be fair and reasonable in its dealings, and is ever ready to objectively look into grievances, if any, and amicably settle them — with the co-operation of the labour. We have started the new year on the right note, and I earnestly look forward to the continuance of the cordial relationship with the Union leaders and the workmen.

Among the latest addition to the features of amenities for the welfare of the employees, I may mention here that your Company has built a most modern and well-equipped industrial canteen, with a wide range of facilities, at a cost of about Rs. 6 lakhs. And for the furtherance of intercommunication with the employees and to foster and develop closer personal touch, your Company is also starting a house magazine called "Trayons".

DIRECTORATE

I am glad to inform you that during the year under review there has been a valuable addition to our Board. Shri C. Ramasubban, ex-Chairman of the Tariff Commission, has been nominated to our Board as a representative of the Industrial Finance Corporation of India. I am sure his inclusion will be an asset to the Board.

GENERAL

The Directors and shareholders would no doubt like to join me in expressing our appreciation to the executives and staff for their services during the year, and look forward to pleasant relations with the labour.

With these words, I now propose that the Directors Report, Balance Sheet and Profit and Loss Account for 1963 be approved and adopted.

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

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JAIPUR METALS & ELECTRICALS LIMITED

Following is the Summary of the Speech of Shri R. H. Kamani, Chairman, Jaipur Metals & Electricals Ltd., Delivered at the 20th Annual General Meeting of the Shareholders on the 25th June, 1964, at the Registered Office of the Company at Jaipur

Extending a cordial welcome to the Shareholders of the Company, Shri R. H. Kamani referred to the great national tragedy created by the passing away of our beloved Prime Minister. In a moving reference he solemnly stated that all-out efforts would be made by the Company to realise the dream of Jawaharlalji for a prosperous India through industrialisation. He prayed for the peace of the departed soul.

Shri Kamani then presented the Directors' Report, Audited Profit and Loss Account and Balance Sheet and proposed them to be adopted.

ACCOUNTS:

The working of the Company, Shri Kamani stated, had shown quite satisfactory progress with the total turnover and the profits touching new heights viz. from Rs. 2,32,76,000 to Rs. 2,69,39,000 and from Rs. 23,79,000 before providing for depreciation and the Managing Agents' remuneration to Rs. 30,24,000 respectively, being 16 per cent higher.

He then recounted the allocation and stated that the amount provided for taxation was less at Rs. 5,65,000 including the dividend tax on last year's equity dividend as against Rs. 6,85,000 in the previous year; while the Managing Agents' remuneration was Rs. 1,72,000 as against Rs. 1,48,000 in the previous year. Depreciation rose from Rs. 7,33,000 to Rs. 10,89,000 as also the Development Rebate from Rs. 3,50,000 to Rs. 4,82,000. He also referred to the abolition of Super Profit Tax and the introduction of Sur Tax and the Dividend Tax calculated at 7.5 per cent on the amount of dividend on Equity Capital distributed by the Company. He stated that while the net effect of the abolition of Super Profit Tax and introduction of Sur Tax was beneficial to the Corporate Sector, the introduction of tax on Equity Dividends has whittled down the reliefs so obtained.

He welcomed a rebate of 10 per cent of Income Tax and Super Tax and a rebate of 20 per cent in Sur Tax in case of certain key industries to which category the Company also belonged, as also the withdrawal of Super Tax on inter Corporate investments. He expressed his opinion that frequent changes in the fiscal policy of the Government was a disturbing factor, which would result in uncertainty of future planning and development of industries. He, therefore, emphasised the need for a stable policy on the part of the Government for at least a certain minimum period.

Shri Kamani then dwelt upon the salient features of newly introduced Companies (Profits) Sur Tax Act, 1964 and emphasised that in order to avail of the full benefits under the Act and to meet the expenses of the development and the expansion schemes, it was very necessary that the Company should have a strong Capital base. He added that it was for this purpose that the Board of Directors recommended Dividends at 6 per cent each for Preference and Ordinary Shares and have recommended to transfer a sum of Rs. 3,61,000 to the General Reserve. By doing this, the Capital resources

of the Company would increase on one hand while on the other, liability on account of Sur-Tax would decrease.

FACTORY WORKING:

The Chairman informed the Company that the production tempo has been maintained and the production and sales — both in the Meter and Metal Divisions — were the highest ever reached. He also expressed satisfaction at the timely commencement of the production of ACSR and All Aluminium Conductors more especially when the allocation of copper for Conductor Industry was discontinued by the Government. He stated that with the ever increasing production of electricity in the country, the prospects for the manufacture of ACSR and All Aluminium Conductors were bright.

In the sphere of Meter production, he cautioned a note of warning that since recently many meter manufacturing units had come into existence in the country, as a result of which there was a very stiff competition in price. The Company was fully conscious of this position and was, therefore, taking all the necessary measures to face the situation.

EXPANSION AND DEVELOPMENT:

Shri Kamani informed the Company that efforts were afoot to make the Company self-sufficient in the manufacture and procurement of meter components. He was happy to state that except for Jewel Bearings, Magnet and a small percentage of sub-parts of the Cyclometer unit which were presently imported, all other parts and components were either made in the factory or indigenously obtained. He stated that all the machineries required for the manufacture of Magnet were installed. The Company was now awaiting the arrival of technical experts from our collaborators in Japan and no time will be lost to commence the production of Magnet. The Company will also be able to manufacture the remaining small percentage of sub parts for the cyclometer unit during the course of the current year.

Shri Kamani sounded a note of optimism that the Company, in the near future, will also be able to manufacture Enamelled Copper Wires and the cotton, silk and paper covered wires and strips.

RESEARCH:

Shri Kamani stated that with a view to improve the quality of products as also to reduce the cost of production, all-out efforts were made by the Company and added that this was very vital for the economical development of the industry.

The Chairman attributed the good working results to the efforts and co-operation of the workers and members of the staff as also to the encouragement and backing of the shareholders received from time to time. He thanked them all.

NOTE: This does not purport to be the proceedings of the Annual General Meeting.

RECORDS AND STATISTICS

Labour Statistics

THE EMPLOYERS' Federation of India has brought out a "Handbook of labour statistics" which, within the compass of 60 pages, sets out salient facts about Indian labour. It provides statistics regarding economically active population, national income and investment, capital investment, cost structure, profitability, wages, earnings, prices, social security, housing, industrial disputes, trade unions, accidents and absenteeism. A few of the useful tables are presented here. All the figures have been culled from official publications.

Table I below gives statistics regarding the average annual earnings of factory workers during 1947-1962. It shows that the average daily employment of factory workers improved from 1.7 million in 1947 to 2.3 million in 1962. The average annual earnings improved from Rs. 737 to Rs. 1,459 per annum, indicating almost 100 per cent rise during the period under review. Table II reduces the money earnings figures into real earnings with the all-India consumer price index as the deflator. It shows that in real terms, the average earnings of factory workers improved by more than 30 per cent between 1947-1962.

Table III discloses the rise in the average daily employment, in all industries in this country. It shows that between 1955-1962, the total employment in all the industries rose from 3.1 million to 4.1 million indicating a rise of one million workers in seven years.

Table IV provides statistics in regard to the breakup of the average daily earnings of active workers in major industries for 1958-59, the latest year for which these figures are available. It gives, in addition to basic wages plus D.A., details regarding the fringe benefits which are enjoyed by the factory workers in this country. Total daily earnings in different industries show a vast dispersion. In coffee industry, for example, the average earning per day was as low as Rs. 1.32 while the highest was in the petroleum refineries at Rs. 6.49.

TABLE I.
AVERAGE ANNUAL EARNINGS OF FACTORY WORKERS
1947-62

Year	Average Daily Employment (in lakhs)	Average Annual Earnings (in Rs.)	Index of Money Earnings (1947=100)
1947	17.18	737	100.0
1948	17.65	833	120.0
1949	18.54	988	134.4
1950	18.07	959	132.0
1951	17.79	1,036	140.9
1952	17.40	1,112	150.9
1953	17.61	1,111	151.8
1954	17.96	1,173	159.4
1955	23.49	1,208	162.6
1956	20.88	1,234	170.2
1957	17.81	1,285	167.4
1958	18.81	1,310	171.5
1959	18.87	1,385	187.9
1960	22.23	1,414	191.8
1961	22.23	1,414	191.8
1962*	23.24	1,459	197.9

Note: Figures of average daily employment and money earnings relate to employees drawing Rs. 200 or less per month as collected under the Payment of Wages Act, 1938.

means that the maximum wage rates were nearly four times the minimum wage rates.

One of the reasons why in 1963 industrial output took an upturn was that the number of man-days lost due to industrial disputes recorded a sharp decline. In the history of the last 13 years, the man-days lost due to industrial disputes were the lowest in 1963 at 29,01,000 as against the highest at 77,97,000 in 1958 (Table V).

TABLE II.
INDEX NUMBERS OF REAL EARNINGS OF FACTORY WORKERS: 1948-62
(ALL-INDIA)

Year	Index Numbers of Money Earnings (Base shifted to 1947=100)	All-India Consumer Price Index No. (Base shifted to 1947=100)	Index of Real Earnings (Base 1947=100)
1948	120.0	111.7	107.4
1949	134.4	115.0	116.9
1950	132.0	115.8	114.0
1951	140.9	120.8	116.6
1952	150.9	116.3	127.6
1953	151.8	121.7	124.7
1954	151.8	115.8	131.1
1955	159.4	110.0	144.9
1956	162.6	120.8	134.6
1957	170.2	127.5	133.5
1958	167.4	133.3	125.6
1959	171.5	139.2	123.2
1960	187.9*	142.5	131.9
1961	191.8*	145.0	132.3
1962	197.9*	149.6	132.3

TABLE III.
AVERAGE DAILY EMPLOYMENT IN INDUSTRIES
(In 000s)

Industry	1955	1957	1959	1962*
1. Gins and Presses (cotton)	149	157	153	143
2. Food (except beverages)	431	487	515	573
3. Tobacco	152	181	178	172
4. Textiles	1,177	1,231	1,186	1,236
(a) Cotton Mills	777	841	806	823
(b) Jute Mills	264	257	230	250
(c) Others	136	133	150	160
5. Paper and Paper Products	30	34	39	47
6. Leather and Leather Products	20	21	20	22
7. Chemical & Chemical Products	102	106	131	158
8. Non-metallic & Mineral Products	126	152	178	205
9. Basic Metal Industries	103	120	153	194
10. Manufacture of Metal Products	88	86	113	151
11. Manufacture of Machinery	142	189	223	345
12. Transport Equipment	245	298	328	377
13. Electricity, Gas & Other Services	56	57	57	66
14. Miscellaneous Industries	132	138	111	132
Total for all industries (including those not covered above)	3,114	3,480	3,635	4,112
Index of Employment (1951=100)	107	119	125	141

*Provisional.

TABLE IV
COMPONENTS OF DAILY AVERAGE EARNINGS OF FACTORY WORKERS IN MAJOR INDUSTRIES IN 1958-59
(In Rupees)

Industry/Centre	Components of Earnings						Total Daily Earnings
	Basic Wages Plus D.A.	Production or Incentive Bonus	Attendance Bonus	Shift Allowance	Overtime Payment	Others	
(A) Textile Group :							
(1) Cotton Textiles :	5.25	—	—	—	—	0.01	5.26
(a) Greater Bombay	4.86	—	—	—	—	—	4.86
(b) Ahmedabad	3.49	0.03	0.01	0.05	—	0.03	3.61
(c) Coimbatore	4.16	—	—	—	—	0.11	4.27
(d) Kanpur	—	—	—	—	—	—	—
All Cotton Textiles	3.89	0.01	—	0.01	—	0.03	3.94
(2) Jute Textiles	3.26	—	—	—	0.01	—	3.27
(3) S I Textiles	3.83	0.01	0.01	—	0.01	0.03	3.89
(4) Woollen Textiles	3.29	0.01	—	0.01	—	0.16	3.47
Textile Group (A) ,	3.74	0.01	—	0.01	—	0.03	3.79
(B) Engineering Group :							
(5) Metal Extracting & Refining	4.51	0.96	0.01	0.01	0.52	0.14	6.15
(6) Metal Rolling	3.17	0.49	—	—	0.03	0.31	4.00
(7) Metal Founding	3.19	0.05	—	—	0.01	0.01	3.26
(8) Mfg. of Machine Tools	3.55	0.20	0.01	—	0.04	0.09	3.89
(9) Mfg. of Electrical Machinery	3.44	0.18	—	0.01	0.04	0.29	3.96
(10) Mfg. of Textile Machinery	4.45	0.01	—	—	0.03	0.01	4.50
(11) Shipbuilding & Repairing	4.89	0.01	0.01	0.03	1.07	0.15	6.16
(12) Railway Workshops	3.77	0.02	—	0.02	0.06	0.30	4.17
(13) Mfg. & Repairs of Motor Vehicles	3.35	—	—	—	0.02	0.12	3.49
Engineering Group (B)	3.82	0.18	—	0.01	0.16	0.20	4.37
(C) Other Industries :							
(14) Cement	3.11	0.01	—	—	0.16	0.10	3.38
(15) Paper & Paper Products	2.96	0.15	0.05	0.01	0.19	0.14	3.50
(16) Sugar	2.24	—	—	—	0.01	0.03	2.28
(17) Heavy & Fine Chemicals	3.18	0.01	—	—	0.04	0.04	3.27
(18) Printing Presses	3.15	—	—	—	0.07	0.13	3.35
(19) Matches	1.32	0.12	—	—	—	0.05	1.49
(20) Petroleum Refineries	5.27	—	—	—	0.36	0.86	6.49
(21) Soap	4.91	0.29	—	0.04	0.04	0.01	5.29
(22) Hydrogenated Oil	3.55	0.08	—	0.02	0.05	0.02	3.72
(23) Artificial Manures	4.57	—	—	—	0.23	0.16	4.96
(24) Cigarette Factories	6.03	0.17	—	—	0.08	0.20	6.46
(25) Electric Light & Power Stations	3.35	—	0.01	—	0.10	0.17	3.63
Other Industries	2.38	0.03	—	—	0.04	0.05	2.50
All Industries	3.34	0.05	—	0.01	0.04	0.07	3.51
(D) Plantations :							
(26) Tea :	1.66	—	—	—	—	—	1.66
(a) North-East	1.52	0.13	—	—	—	0.01	1.66
(b) South India	—	—	—	—	—	—	—
All Tea	1.64	0.02	—	—	—	0.01	1.32
(27) Coffee	1.31	—	—	—	—	0.02	1.33
(28) Rubber	1.73	0.13	—	—	—	—	1.86
Plantations (D)	1.60	0.02	—	—	—	—	1.62
(E) Mines :							
(29) Coal	3.25	—	0.02	—	—	0.05	3.32
(30) Manganese	1.89	—	—	—	—	0.12	1.85
(31) Mica	1.53	—	0.03	—	0.03	0.22	1.81
(32) Iron Ore	1.58	—	—	—	—	—	1.58
All Mines (E)	2.79	—	0.01	—	0.01	0.17	2.98



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Going Places

DISCUSSING the prospects of the emergence of an inner Cabinet in the Government of Mr. Lal Bahadur and speculating on its possible shape and substance, "V.B." in *Eastern Economist* of June 12 (page 1373) wrote:

"...My own assessment is that the Finance Minister and the Minister for Information and Broadcasting will, in their different ways, be the most influential members of the new Government. I foresee that their advice would be sought and accepted over a wide range of government activity. I also have the feeling that the Prime Minister and these two colleagues of his will probably have more things in common and be able to work more closely than may be the case with any other permutation or combination of the members of the Council of Ministers."

Thanks to the unfortunate accident of the Prime Minister's illness on the eve of the Commonwealth Conference in London, the political forecast in the above passage has come true earlier than it might otherwise have done. Mr. Lal Bahadur's choice of Mr. T. T. Krishnamachari to deputize for him at the conference of the Commonwealth Prime Ministers was not merely logical but was the only decision he could possibly have taken. This is not merely because economic issues have been given an important place on the agenda of the conference. The point is that Mr. Krishnamachari has, for some time now, ceased to be simply the Government's economic expert. Unmistakably, though imperceptibly, he had been building up for himself a reputation for a wider wisdom even when Jawaharlal Nehru was alive. During his tenure in the Government after the last General Elections, first as Minister without Portfolio for a short time and subsequently as Minister for Economic and Defence Co-ordination, he found opportunities, big and numerous, coming his way for the exercise of his versatile competence. Even earlier, during his previous term as Finance Minister, Mr. Krishnamachari had taken kindly to the arts and graces of diplomacy on the occasions he went abroad to expound this country's economic philosophies, defend its economic policies and secure foreign understanding for the former and foreign assistance for the latter. His talents in these directions acquired new dimensions more recently when, as Minister for Economic and Defence Co-ordination, he had to go to Washington and London to negotiate for military aid to this country for countering Chinese aggression.

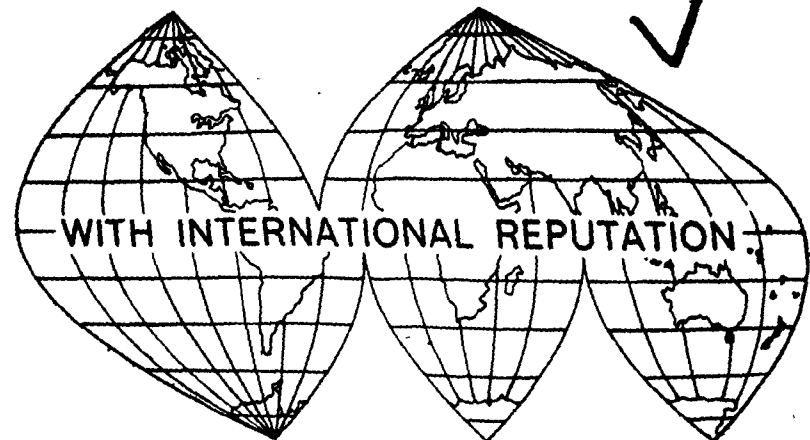
In the days of the Nehru government, Mr. Krishnamachari was one of the three Central Ministers who were fairly familiar to the world outside, the other two being Mr. Krishna Menon and Mr. Morarji Desai. Today, with Mr. Lal Bahadur still to be seen outside India and, as it is, only a name in international political billing, Mr. Krishnamachari and Mrs. Indira Gandhi are the two in our Central Government who are most widely known in the world as distinct political personalities. In fact, if Mr. Lal Bahadur were ever to come to the conclusion that he should part with the Foreign Affairs portfolio, the only consideration that could come in the way of his giving it to Mr. T. T. Krishnamachari would be that the Prime Minister might not care to look for another Finance Minister and Mr. Krishnamachari might prefer to stay where he is. In the circumstances, having been prevented by his sudden illness from making the London trip himself, the Prime Minister, by nominating Mr. Krishnamachari for the assignment, has ensured that India will be represented at the London meeting of Commonwealth statesmen by a member of the Government who can more than make up for his lack of prolonged formal and professional acquaintance with the routine of foreign affairs by his capacity to comprehend large issues and to be articulate about them and even more

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TABLE V.

**INDUSTRIAL DISPUTES IN ALL INDUSTRIES AND INDICES OF
INDUSTRIAL UNREST IN MANUFACTURING SECTOR**

Year	All Industries			Manufacturing Sector		
	No. of Disputes	No. of Workers involved (in lakhs)	No. of man-days lost (in lakhs)	Frequency Rate	Severity Rate	Index of Industrial unrest (Base 1951 = 100)
1951	..	..	..	..	..	..
1952	..	..	..	..	..	..
1953	..	..	..	..	..	..
1954	..	..	..	..	..	..
1955	..	..	..	..	..	..
1956	..	..	..	..	..	..
1957	..	..	..	..	..	..
1958	..	..	..	..	..	..
1959	..	..	..	..	..	..
1960	..	..	..	..	..	..
1961	..	..	..	..	..	..
1962	..	..	..	..	..	..
1963*	..	..	..	..	..	..

*Provisional

Note: (a) Frequency rate is the ratio of number of industrial disputes to one lakh of mandays scheduled to work.
(b) Severity rate is the ration of total mandays lost due to industrial disputes to one lakh of mandays scheduled to work.
(c) The Index numbers of industrial unrest are obtained by multiplying by 100 the ratio of mandays lost to mandays scheduled to work for the given years as compared to similar ratio for the Base year, i.e. 1951.

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

Period	Bombay		Delhi	Bengal	U.P.	Bombay	Madhya Pradesh	Madras	E.P.	All India	
	Bombay 1934 = 100	Bombay June 1927 = 100	Ahmedabad July 1927 = 100	Delhi†	Calcutta	Kanpur	Nagpur	Jabulpur†	Madras June 1938 = 100		Ludhiana†
1955	322	338	216	130	334	371	364	133	321	134	132
1957	332	368	269	150	364	448	422	162	375	157	152
1958	376	394	274	150	384	468	447	105	401	157	161
1959	393	412	308	158	384	469	493	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
1963*	424	445	299	176	446	524	522	207	488	190	185
1962 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	290	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	416	499	508	199	484	184	179
February	416	437	282	171	427	497	492	199	484	184	178
March	417	438	285	171	431	498	485	201	480	189	181
April	416	437	290	174	441	498	497	201	483	190	181
May	419	440	293	174	448	500	500	201	438	187	182
June	425	446	297	174	448	509	522	202	485	189	185
July	427	448	300	175	448	530	540	204	487	192	186
August	428	449	302	177	449	537	541	213	490	194	188
September	433	454	305	179	459	540	552	216	490	194	189
October	432	453	306	179	469	547	550	218	489	192	190
November*	433	454	312	182	459	561	554	218	494	194	190
December*	460	481	333	185	459	566	553	219	508	200	193
1964 January*	462	483	—	185	438	565	567	230	508	203	193
February*	468	489	—	191	438	584	601	239	508	208	196
March*	475	496	—	191	455	589	590	240	511	208	197
April*	476	497	—	193	466	594	591	237	514	207	199
May*	—	—	—	190	—	—	—	—	526	—	—
*Provisional.											
		†Base 1944=100.									

*Provisional.

†Base 1944=100.

Source: Indian Labour Journal.



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by his alert instinct for the traps and thrills of the political game.

Mrs. Indira Gandhi's association with Mr. Krishnamachari in the assignment for the Commonwealth Conference need not at this stage be given any special significance. There is a tendency in the Press and elsewhere to interpret this association as indicating that the Prime Minister has begun grooming Mrs. Indira Gandhi for the External Affairs portfolio. There is perhaps no more to this speculation than that there has always been a disposition in some quarters to assume that the proper role for the daughter of Jawaharlal Nehru was to succeed him as Prime Minister and failing that, to become at least Foreign Minister. Mrs. Indira Gandhi herself has evidently not been giving encouragement to such ambitions entertained for her by others and, indeed, when the offer came to her of a Ministership in the present Government, she deliberately expressed a preference for a "light" charge. In the circumstances, it is unlikely that the Prime Minister intends her (or she herself desires) to make an attempt to share equally or otherwise with her senior colleague, Mr. Krishnamachari, the responsibilities of the Indian representation at the Commonwealth Conference. It is significant that one of the first acts of Mrs. Indira Gandhi, after being sworn in as Minister for Information and Broadcasting, has been to make it clear that she is truly interested in her portfolio and is planning to be at her job. In a conference with the officials of her Ministry she has given heart-warming evidence of a sincere desire to take a long view of the demands and requirements of her charge and make her Ministry func-

tion not in its settled groove, but in new directions and in a dynamic manner. Particularly gratifying is Mrs. Indira Gandhi's recognition of the sad fact that the Government has so far neglected, or at least not employed fully, its resources of mass communication for getting its ideas across to the people and enlisting their informed enthusiasm for the nation's political, economic and social objectives. It is greatly to be hoped that Mrs. Indira Gandhi's assumption of the Information and Broadcasting portfolio will initiate creative and constructive husbandry in an area where there has so far been only some stray and sporadic scratching of the surface.

Both the entertainment and the educative aspects of broadcasting, particularly, have to be vastly improved. In the former case it is necessary that there should be fewer inhibitions and desirable that there should be daring and innovation; in the latter case, there is need for a very comprehensive co-ordination between the attempts of the Central and State Governments to implement various social projects or economic programmes and the opportunities offered by the radio to put ideas across to the people, arouse their interest, stimulate their minds, carry conviction to them and thus prepare them emotionally and intellectually for co-operating in schemes of national importance for national good. That broadcasting in this country is at present both spiritless and pointless to an extent which is avoidably and unconscionably large is, unhappily, a fact. That it may cease to be either under the leadership which the new Minister for Information and Broadcasting may give to it must be our hope.

A String to His Bow

IN THE CONTEXT of certain criticisms made at the time the Industrial Development Bank of India (IDBI) Bill was on the legislative anvil early this year, it was perhaps necessary for both the Union Finance Minister, who inaugurated the IDBI last Wednesday, and the Governor of the Reserve Bank, who requested Mr. T. T. Krishnamachari to inaugurate the IDBI, to meet these criticisms. At the same time, both the speakers dwelt at some length on the scope of work of the IDBI. The Union Finance Minister also felt obliged to make a reference to the investment climate in the country, not so much with a view to saying anything reassuring to the market as to justifying this year's Central budget (although, as he went out of his way to mention, he was under no obligation to do this, except to Parliament). Apparently, from the few favourable trends noticed in the capital market lately -- these owe their origin, though, to special causes in each particular case as, for instance, relaxation of margins -- Mr. Krishnamachari has hastened to conclude that his budget has had the intended effect, that all is well, and that no special action is now called for to resuscitate the capital market. This is taking credit a little too prematurely, it seems, for, according to the Union Finance Minister

himself, "it is only with the passage of time when facts speak louder than words that the true impact of a budget on the economy begins to be felt". Also, this seems somewhat inexplicable, if not inconsistent, when he has chosen to disregard the sustained stalemate in the share markets ever since the budget, that is, for over a four-month period.

At the time the IDBI Bill was before Parliament, doubts were expressed about the necessity for yet one more financing body such as this when there were already in existence a number of primary financing agencies and a refinancing agency as well. The natural presumption by the public was either that the functioning of these bodies left much to be desired or that there was something which was necessary to be done and which fell beyond the scope of any one or all of them put together. In either case, it was felt, the situation could well have been remedied otherwise than by superimposing one more agency as has been done. There was also the criticism that, in making the IDBI a full subsidiary of the Reserve Bank, the authorities were saddling the latter, already overworked in all conscience, with an additional heavy responsibility, thereby giving rise to genuine doubts whether the Reserve

Bank could really give the IDBI the time and care that its sponsors -- the late Prime Minister, the Union Finance Minister and the Planning Commission -- desired it should receive.

On the need for the establishment of the IDBI, while Mr. Krishnamachari pointed out broadly that even the combined effort of all the existing institutions could no longer meet the needs of the situation, Mr. Bhattacharyya spelt out four reasons: (i) with the mounting tempo of industrialisation, he said, a stage had arrived when some rationalisation and integration of the activities of these institutions were called for; (ii) these activities have to be co-ordinated with the structure of short-term facilities which all industries require; (iii) adequate arrangements have to be made for the much larger and wider tasks ahead, and (iv) a far greater diversification -- a diversification such as the authorities might want -- of the industrial sector is called for -- to put it more graphically (or is it more grandiloquently?) in the words of the Union Finance Minister, "to enter new fields and set up new standards of constructive and imaginative endeavour". In the opinion of both the speakers, accordingly, the *raison d'être* of the IDBI is the fact that the existing financial institutions are not adequately equipped to carry the additional burden of financing industrial growth, especially where a long-term view is necessary and where certain risks have to be taken. Rather than effect "very considerable changes in their existing rules and criteria to special needs", the authorities decided to have a new agency altogether.

The provisions in the relevant Act setting up the IDBI seek to place ample rupee resources (it is not known, however, from where the IDBI will find and provide the foreign exchange resources) at its disposal

and on the most attractive terms conceivable, while, in order to ensure expert management, presumably, the erstwhile Central Board of the Reserve Bank has been enlarged to include, among others, eminent business men such as Mr. Arvind Mafatlal and legal luminaries such as Mr. N. A. Palkhiwala. A significant feature is that, by making it a wholly-owned subsidiary of the Reserve Bank, the IDBI has been placed at a very safe distance from the not-always-healthy attention of Parliament. Starting with so many advantages and under such favourable auspices, the IDBI should fulfil the expectations of its sponsors, namely to accelerate the economic development of the country.

To the extent that the authorities go on adding such specialised agencies, they must expect and, indeed welcome the availing of their services by the public and not blame it for doing so. It is not fair, for instance, to characterise the resort by *entrepreneurs* and underwriters to one or more of the specialised agencies created by the Government itself as lack of either enterprise or efforts on their part to make a success of a new issue. In the prevailing circumstances, for the creation of which the Government has itself to thank, the private sector has only two alternatives, namely, either to turn to these institutions (whether in the first or the last resort) or to rely on foreign sources such as suppliers' credit from manufacturers abroad, loan from P.L. 480 funds and so on. If underwriters have been obliged to become investors, it is not out of their free will but only as a painful necessity. As Mr. G. L. Mehta once observed, underwriters these days have been reduced to the status of undertakers. And yet, ironically enough, the Union Finance Minister wants us to believe that there is nothing wrong with the investment climate in the country today.

Uncle Tom Uncabin'd

BY REAFFIRMING the Dignity of Man, the Civil Rights Bill, to which the US President put his signature on July 2, has immensely enhanced also the dignity of the American nation. If much of the rest of the world is sharply divided between the rich and the poor, the richest country in the world has had to reckon with its own disturbing dichotomy of the Black and the White. One hundred and eighty years ago, the Americans wrote themselves as a nation in their Declaration of Independence. But for another 80 years those words could make no meaning at all for the Negro in the United States. Then came the Emancipation and the Black man in America was told that he was no longer a slave or chattel of his White master. That was an immense gain indeed, but over the hundred years since, the Negro, free and equal in the Spirit of the US Constitution, has continued to be somewhat less free and considerably less equal in the Letter of many State Laws and the "mores" of his White fellow citizens, especially in the Southern States.

In the last 20 years, however, a great change has

come over the American Negro and revolutionized his essentially passive acceptance earlier of his second-class citizenship. During the last War, the American Negro had fought side by side with the American White for the liberty of the American people and for the liberty of other peoples in several parts of the world. In post-war America, the Negro has necessarily shared, although perhaps in a lesser measure than the Whites, in the benefits of the American boom as well as in national advances in education, culture and civilization generally. As a result, he has become conscious of his citizenship and his prerogative to exercise all those fundamental rights which in the American Constitution are guaranteed to all American citizens, irrespective of the colour of their skin. Hence the wholly dignified, but firmly persistent, movement among American Negroes to claim and exercise their constitutional and legal rights, and offer passive resistance to segregation in the South or discrimination in both the South and the North. Responding to this awakening among the Negroes and recognizing that unless law came to uphold

justice, violence might be appealed to, the late President Kennedy proposed bold new legislation on civil rights which would mobilize Federal resources of enforcement for the ending of segregation or discrimination wherever practised and in whichever form. It has taken nearly 12 months and the personal dedication as well as the vast tactical competence of the present President of the United States to impel Congressional procedures towards a successful passage of the Bill.

The essence of the advantages which the Civil Rights Act secures to the American Negro has been best summed up by President Johnson himself in the following words: "Those who are equal before God shall now also be equal in the polling booth, in the class rooms, in factories and in hotels, restaurants, movie theatres and other places that provide service to the people". How true these words would become is largely dependent on the quality of the Federal enforcement which President Johnson is able to secure to the Civil Rights Act. Apart from the fact that in keeping with his own obvious faith in and zest for the principles of the Act the US President will certainly spare no effort in ensuring the effective implementation of the Act, it has already become evident that Negro pressure will be steadily brought to bear on the Federal Government to make equality of the Negroes a reality here and now. One of the test areas for civil rights enforcement is expected to be Mississippi which has been described as the most resistant of all Southern States. The White community in that State appears to be dominated by a militant segregationist minority which has readied itself for a last-ditch fight both against civil rights organizations and Federal enforcement efforts. But it is not only in Mississippi or in other Southern States that violence is apprehended. In the North too, there are signs of unrest and tension; but here the initiative for aggression is seen in impatient groups of young Negroes who seem unimpressed by appeals to patience issued by responsible national leaders of their community. These alarms and excursions, however, do not and cannot take away from the Civil Rights Act any part of its majesty as an act of faith and courage on the part of the various great institutions of American polity which have been pledged to the purpose of securing to all American citizens the protection and blessings of the Constitution of the United States of America.

To us in this country especially, this act of faith and courage in the name and on behalf of a nation with which ours shares certain fundamental beliefs and ideals relating to the Estate of Man, must carry an urgent message which is also an imperative challenge. In India, as in the United States, there is this evil problem of "under privilege", not sanctioned by any currently accepted national norm and indeed expressly outlawed in the Constitution and laws passed under it. While it is true that the "untouchables" in this country had secured their civil rights a few years earlier than the Negroes in the United States had obtained theirs, it is possible that in terms of enforcement, the American charter might become more of a reality sooner than the

analogous laws of this country promise to be. In the report of the Commissioner for Scheduled Castes and Scheduled Tribes for the year 1961-62, for instance, we read that "untouchability is still practised in many parts of the country, in some form or the other, the most common ones being: (i) denying access to public restaurants and hotels and use of utensils kept in such places for general public; (ii) not allowing the use of wells, tanks, water taps and other sources of water; (iii) denial of service by barbers, dhobis, etc., and (iv) denial of hired accommodation to scheduled caste officials when posted in rural areas". How considerably ineffective the law against untouchability has been at the point of actual enforcement is seen from the fact that, despite the wide prevalence of the practices mentioned in the Report, the number of cases registered with the police under the Untouchability (Offences) Act, 1955 had totalled only 2,893 in the six years ending 1960. The Report of the Commissioner for Scheduled Castes and Scheduled Tribes for the year 1961-62 says further that the number of complaints regarding the practice of untouchability, harassment, etc., received in the Commissioner's office from scheduled caste persons during that year amounted to only 340. Statistics such as these clearly suggest that the ignorance, apathy, or fatalism of the communities victimised by untouchability are so deep-rooted and extensive that unless the Government and informed public opinion together become more positive in combating untouchability and the social and economic practices, such as segregation and discrimination, associated with it, the secret and silent suffering of injustice by the underprivileged in our midst may continue indefinitely and delay our emergence as a truly integrated nation.

It may be that there is today in this country no sign between the "untouchables" and the rest of the people of that simmering violence glowing like a red signal of danger in the heart of the American racial problem. But this surely is because the privileged in our country find their status and their security less effectively threatened than the Whites of Mississippi. The Indian untouchable has far less education or political awareness and is vastly poorer and certainly far worse exploited economically and socially than the most deprived of the Negro communities in the deepest South of the United States. Consequently, his powers of protest are extremely limited despite the fact that the "touchability" which the community actually allows him is but a precarious fraction of what the Constitution concedes to him. In a moving passage in his broadcast to the nation, the Prime Minister, Mr. Lal Bahadur, speaking of the problem of mass poverty, said: "I cannot forget particularly the claims of the most backward sections, like the scheduled castes and scheduled tribes, who had suffered neglect and had to endure all the more significant and demanding as, in another part of the world another great nation, dedicated to human values and civilization, takes a giant step forward in extending the area of human dignity.

Highlights of the Week

P.M. CANCELS LONDON TRIP

MR. LAL BAHADUR has decided to abide by the advice of the doctors and has cancelled his visit to the Commonwealth Prime Ministers' Conference. Mr. T. T. Krishnamachari and Mrs. Indira Gandhi have agreed to deputise for him. In the normal course, Mr. G. L. Nanda should have represented the Prime Minister at London, but because he felt that he had more urgent tasks to complete in India and that he could not prepare himself adequately in the time at his disposal, he regretfully declined to proceed to London. In Mr. T. T. Krishnamachari and Mrs. Indira Gandhi we have spokesmen who understand the national and international policies sufficiently well. Mrs. Indira Gandhi was closely associated with the late Prime Minister for the last few years; she has a good understanding of his mind in regard to most of the international problems and India's policy towards them. She will certainly be a source of strength to Mr. T. T. Krishnamachari in his parleys with other Prime Ministers, especially because the country has decided to pursue the same policies as outlined by the late Prime Minister, Jawaharlal Nehru.

It is true that a large number of India's friends abroad will be disappointed because they were anxious to meet the new Prime Minister in person so as to make an assessment about the man who has walked into the shoes of Jawaharlal Nehru. While tales of his humility have already travelled abroad, people were generally anxious to make a first-hand assessment of the new Prime Minister.

Because Mr. Lal Bahadur has cancelled his trip to London, it does not mean that he has not recouped from the recent illness which according to the doctors was due to exhaustion and over-work. The Prime Minister has considerably recovered from his sickness and has already started looking after state affairs. It was the strain of a long journey and the attendant engagements which the doctors had asked him to avoid. There is considerable relief in the country that Mr. Lal Bahadur has wisely decided to cancel his trip; fervent pleas have now been made to request Mr. Lal Bahadur not to strain himself beyond his physical capacity. Demands have also been made that all unnecessary interviews and engagements should be eliminated and he should be asked to limit himself to the most essential matters which cannot be decided without his intervention. The late Prime Minister had, even in his old age, led an active life which can be the envy of youngmen: any one trying to imitate him may not be able to stand the strain.

POST-KAIRON PUNJAB

THE SELECTION of a successor to Mr. Partap Singh Kairon remained an intriguing affair for nearly a fortnight after the remained an intriguing affair for nearly a fortnight after the broad findings of the Das Commission had been publicised, requiring two visits of Sardar Swaran Singh, the Union Minister for Industries, to Chandigarh in order to obtain the "consensus" of the members of the legislature. Various names were considered including those of Mr. Darbara Singh, principal opponent of Mr. Partap Singh Kairon in the Congress Party, Mr. Bhimsen Sachar, Dr. Gopi Chand Bhargava, Giani Zail Singh, Mr. Brish Bhan and also of Sardar Swaran Singh. Mr. Lal Bahadur was reluctant to lose Sardar Swaran Singh and the latter was also not very keen on going to Punjab as a Chief Minister. The other leaders belonged to one faction or the other and would have split the Congress Party into two parts in case of a contest. Following the successful technique adopted in the election of the Prime Minister at the Centre, there was oneness of opinion amongst the Senior Congress leaders at New Delhi including Mr. Lal Bahadur and Mr. Kamaraj, in the application of the same approach to Punjab. Strangely, a new name emerged in the last phase of the negoti-

ations, that of Mr. Ram Kishen, who was hardly known beyond the frontiers of the State. His election as the Head of the Punjab Ministry is the result of the Congress Party's anxiety to preserve unity and reduce the fissiparous tendencies. In this tussle, the persons who came out with flying colours were Sardar Swaran Singh, who successfully brought the situation under control and concluded the rivalry on a happy note, and the Congress President, Mr. K. Kamaraj, who has won the admiration of the Indian people for his workman-like method of executing the most tangled tasks.

Sardar Swaran Singh has now made public the technique adopted by him in selecting the Chief Minister acceptable to both the groups. When it became clear to him that Mr. Darbara Singh and Sardar Zail Singh were the candidates of the rival groups, he asked each of them to let him have a list of four names. Mr. Ram Kishen's was the only name common to both the lists and that is why Sardar Swaran Singh had little difficulty in suggesting the most acceptable candidate to the High Command.

There has been some criticism regarding the method adopted in this selection wherein a semblance of outward unity has been sought. The election of Mr. Lal Bahadur at the Centre through this very method was hailed because it was felt that in the post-Nehru era, there was great need to keep the country united and to keep all disruptive tendencies under check. The application of the same method at the State level is riddled with hazards. Sooner or later, the underlying division in the Congress Party must come to the surface. Since Mr. Ram Kishen is a compromise candidate who has been accepted by the rival groups as a matter of convenience, it is feared that he may not be able to pull his full weight and carry the party with him. On the other hand, a leader elected on the basis of a secret ballot can always function fearlessly because he really enjoys the confidence of the majority of the members of the legislature. That also is the essence of the principles of democracy. Any make-shift arrangement of this type will at best work for a short period and is not likely to prove a lasting one.

Much, however, depends on the character of the new leader. The preliminary observations made by him indicate that he knows that he is the product of the labours of the High Command and will look up to it for guidance in all major issues. His intrinsic capacity in guiding the affairs of the State will be tested in the next few months and one need not jump to any conclusion about a "dark horse". Certain choices have been made in the past — Mr. Bhimsen Sachar's is a classical case in the history of Punjab in similar circumstances — and they have been successful because the men chosen had qualities of leadership. In Mr. Ram Kishen, Punjab has a man who is reputed to be honest and hard working. His promise to give to Punjab a clean administration is, indeed, a big one in view of the havoc which has been wrought by Mr. Kairon and his supporters during the last 8½ years.

EXPERTS' REPORT ON GOA

THE REPORT on Goa's agricultural and economic development submitted to the Government of India recently by a team of planning experts follows more or less the pattern of techno-economic surveys made fashionable in this country by the National Council of Applied Economic Research. The Goan Administration is to be congratulated for striking at the opportune moment when the draft of the fourth Plan is on the anvil of the Planning Commission. Since Goa, along with Daman and Diu, is to be formally initiated into the Indian economic planning system with the inauguration of the fourth Plan, the report emphasizes that "it would be advantageous to start on the basis of integrated planning keeping in pers-

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pective the development needs of the territory over the next decade".

The economic development of Goa, says the report, depends on making the territory self-sufficient in foodgrains. Goa is in no way better placed than the rest of India with regard to foodgrains, and to meet its requirements it has to import 36,000 tonnes annually. Its travails of agricultural deficit are traced to the apathy of the Portuguese colonial administration, which, in its latter years, diverted all its attention to the exploitation of Goa's mineral resources. This resulted in a steady shift of labour from agriculture to the mining industry, depriving the land of its permanent agricultural peasantry. Low yields, high wages and food deficits were the obvious by-products to flow out of this policy. Suggesting measures to pull Goa out of this quagmire, the experts have made various recommendations. Among the major recommendations are: early decisions on the report of the Goa Land Reform Commission "so that Goa's land tenure system should be placed on a firm footing and the growth of agricultural production will not be impeded", rationalization of the distribution of land "so that the size of the holdings will be economical", immediate establishment of an agricultural production research station, extension of the Land Acquisition Act to Goa, and the deputation at an early date of an experienced officer of the Union Food and Agriculture Ministry to examine Goa's requirements and strengthen its agricultural department "so that its activities cover agronomy, plant protection, testing of soil and soil fertility, horticulture and extension".

The process of large-scale industrialisation in Goa has already gained sufficient momentum. There is a proposal for the establishment of a pig iron — and possibly a steel — plant in Goa. An increase in the capacity of Mormugao port is shortly to be undertaken. It is in the field of medium and small-scale industries in the private sector that Government assistance is urgently needed. In this regard the report suggests the enactment of a State Aid to Industries Act and reorganization of Goa's administrative machinery to facilitate the process of industrialization. For the latter, the report recommends that a competent IAS officer should serve as secretary of Goa's industries department, because such a step is necessary "in view of the intensive industrial development proposed to be taken up in the territory".

INDEPENDENT NYASALAND

TO THE galaxy of independent countries in Africa was added on July 6 the British protectorate of Nyasaland which will now be known as Malawi, a name which this land has taken from the Malawi people who are mentioned in the 17th century records. Malawi, under its new constitution, will be a monarchy with the Queen of England as head of the State. It is one of the most historical States in Africa because with it has been associated the name of a pioneer, Dr. David Livingstone who discovered the lake Nyasa in 1859. A number of Christian missions were established in the wake of Livingstone's discovery and it was in 1891 that Nyasaland became a British protectorate. The wind of change which has swept over the whole of Africa did not fail to arouse political consciousness in Nyasaland. In the 1961 general election, the Malawi Congress Party was victorious on its policy of secession from the Federation of Rhodesia and Nyasaland and in December, 1962, the British Government took the decision to permit Nyasaland to secede from the Federation. The decision was led by Dr. H. K. Banda and it won 21 out of 28 seats. The decision to set up independent Malawi State was taken in September, 1963 by the British and Nyasaland Governments. The new constitution of independent Malawi provides for a National Assembly of 53 seats. While roll only 3 members are chosen by voters registered on a general on a special roll. This has been done to provide representation to the European minority.

As against the total population of 30 million, the number of voters (age 21 years and above) registered was 1.87 million. In the May, 1964 election all the 53 candidates—50 candidates nominated by the Malawi Congress Party and 3 by the Nyasaland Constitutional Party — were returned unopposed.

In the sprawling lands of South and Central Africa, Nyasaland is a relatively small State. While its length is 560 miles, its breadth ranges from 50 to 100 miles. The total area is about 46,000 sq. miles including the area under water. There is no place in the State which is more than 50 miles from the border. Of the 3 million population, only a very small minority of 23,000 people is of non-African origin. The economic resources of the new State are not very wide. Its chief exports are tea, tobacco and cotton valued at not more than £10,000,000. The export crops were introduced into Nyasaland by the British missions in the early years of their association. Total aid from Britain since the end of the World War II is estimated at £20 million, out of which nearly two-thirds have been in the form of gifts.

The State also has facilities regarding education and health services: a polytechnic is being built with American aid. With the assistance of British Colonial Development and Welfare Fund, a new institute of public administration is also being set up. A four-year development Plan for the period 1962-65 envisages an expenditure of £19 million, out of which about £2.3 million have been allotted for education. The inhabitants of Malawi are of Bantu region.

The recent political events in Nyasaland brought out the hostility of the people to a union with Rhodesia because it was feared that continued association would result in the political domination by the Europeans of Southern Rhodesia. The opposition to the Federation and a call for African self-government in the State came simultaneously. It was in 1961 that Dr. Banda was released and power was handed over to African Ministers. That was the beginning of a new era in Nyasaland. It is hoped that after the attainment of political aspirations of the people, the co-operation between Malawi and the United Kingdom will grow, specially for hastening economic development.

Eastern Economist 20 Years Ago JULY 7, 1944

IT HAS been reported that the International Monetary Conference at Brettonwoods has turned down the proposal of the Indian Delegation that the Fund should provide for the liquidation of India's blocked sterling balances. It will be remembered that the White Plan did provide for the multilateral clearing of the abnormal war balances as they were called within a period of time. The new Stabilization Fund by omitting this part of the scheme knocked all of India's interest in it. Yet in the belief that our case should not go by default we had urged India's participation in the Conference. Now that our attempts have failed, we are thrown upon the only course open to us of entering into a bilateral — but as we fear really unilateral — arrangements with Britain. How far we shall be able to get satisfaction time will soon reveal. But the immediate question is: Should India care to be part of the International Monetary Scheme? There are clearly no advantages in being a member of the Stabilization Fund, for on current account India will not be a debtor. As for loans, whether we need them or not will depend upon partly to Britain, partly upon how far the machinery of the proposed World Capital Bank will prove useful to us and finally upon the rate of economic development we plan for.

July 10, 1964

Handling Handicrafts

THAT INDIAN handicraft products were being bought rather than sold in foreign markets was the keynote of the deliberations at the three-day seminar on 'handicrafts exports', held recently in New Delhi under the auspices of the Indian Institute of Foreign Trade. Little attempt has been made so far at market research into foreign consumer tastes or preferences for handicraft products. Whatever traditional items are being produced are attempted to be sold abroad in a hit-or-miss manner and spirit. Realising, therefore, the need for exploring new vistas and producing new items, the participants at the seminar made a fervent plea for the proper handling of production as well as exports of handicrafts. Export demand may not be as vital to the maintenance and growth of handicrafts as the domestic demand. Nevertheless, exports, on an average, form 10 per cent of the total production and thus play an important role in maintaining the stability of the industry. The average annual value of exports of handicrafts during the first five-year Plan was Rs. 7.04 crores. In the second Plan period this average increased to Rs. 10.3 crores. During the first three years of the third Plan the value of exports increased to Rs. 19.35 crores in 1961-62, Rs. 21.53 crores in 1962-63 and Rs. 26.41 crores in 1963-64 (April-January). This increase is attributed to expansion in the exports especially of precious, semi-precious and synthetic stones. During the last seven-year period (since 1957-58) for which more detailed classification is available, the study of the export performance of individual items of handicrafts indicates considerable fluctuations. Excepting a few commodities such as wood articles and papier-mache, almost all commodities have experienced fluctuations. The commodities which have shown sharp fluctuations are: jewellery set with precious stones and synthetic stones, lacquered wood ware, lace and fabrics. These fluctuations have not been caused essentially on account of fluctuations in international demand. They were due mainly to the inadaptability of domestic production to the changing pattern of demand. Moreover, fluctuations in foreign demand may have been caused partly by the buyers' doubts about the continuous supply of quality products at competitive prices.

Diversifying the Market

The maintenance of present markets and exploring new markets constitute important aspects of any export promotion drive. Handicrafts, like many other commodities on our export list, depend largely on a few markets such as the USA, the UK, Canada, West Germany, Australia and the USSR which accounted for 24.4, 21.7, 7.9, 4.2, 4.0 and 1.1 per cent respectively in 1962-63. The rest of the 36.7 per cent was accounted for by all the other countries. (These figures do not include the value of such commodities as precious, semi-precious and synthetic stones, ivory products, sarees, etc. on which country-wise data were not available). Such dependence inevitably results in a greater degree of instability in the value and quantum of exports on the one hand and lesser bargaining strength of the seller on the other. Hence, it is essential to diversify the overseas market for our handicraft products. This involves the exploration of new markets. Though it is extremely difficult to define a new market, according to the All India Handicrafts Board all countries whose intake of our handicrafts is less than Rupees one lakh constitute new markets. On this assumption, Latin America, Africa, Eastern Europe excluding the USSR, the Scandinavian countries and Switzerland can be considered as new markets. Besides, the Latin American and the African countries are experiencing economic growth and many of the African countries have a sizable Indian population which constitutes a promising potential market. With respect to such highly developed countries

as Norway, Sweden, Denmark and Switzerland, the Handicrafts Board assumes that there is a larger demand for Indian handicrafts than has been exploited so far. In the case of East European countries where personal incomes are rising rapidly and liberal trade policies are being gradually adopted, there is good scope for Indian handicrafts.

Addressing the seminar on the opening day, Mr. L. K. Jha, Secretary, Ministry of Finance, suggested that the affluent society of the West should be approached by the handicraft exporters with the realisation that the competitive selling of hand craft goods (which could command fancy prices) at cheap rates was dangerous. In this respect the selectivity approach was emphasised i.e., selected exporters selling selected commodities in selected countries and thus avoiding unhealthy competition on the one hand and creating a worthy image of India's crafts abroad. In order to build this image of quality it was suggested, almost unanimously, that the export of sub-standard goods (even if expressly ordered by some countries) should be banned.

Export Promotion Fund

The seminar was attended by over 50 participants representing exporters and manufacturers and their associations as well as officers from concerned government and semi-government departments such as the Ministries of Commerce, Industry, Finance and Foreign Affairs, the Reserve Bank of India, the State Bank, the Export Credit and Guarantee Corporation, the All-India Handicrafts Board, the State Trading Corporation, the Handicrafts and Handloom Export Corporation, etc. After the plenary session the seminar was divided into three discussion groups one each on problems of "production", "export marketing" and "export assistance and export finance". The suggestions made by these groups and approved by the concluding plenary session include the establishment of a "Handicrafts Export Promotion Fund". According to this recommendation, the exporters will contribute to the Fund 0.3 per cent of the f.o.b. value of their exports. On this basis it is calculated that against the estimated export of about Rs. 30 crores worth of handicraft products during 1963-64, the contributions to the Fund will amount to about Rs. 9 lakhs. A matching contribution of Rs. 9 lakhs will be made by the Marketing Development Fund of the Government of India. It has been suggested that the Fund should come into existence on October 1, 1964 and be operated on the advice of a Committee consisting of representatives from important regional and all-India handicrafts exporters associations, All-India Handicrafts Board and the Handicrafts and Handloom Export Corporation. Besides market surveys, the Fund Committee will advise on programmes of publicity, sending of trade delegations abroad and on the opening of sales offices in foreign countries.

Another important recommendation of the seminar aims at the establishment of "model production centres" with a view to ensuring increased production of quality goods. These centres will be of the nature of 'industrial estates' where craftsmen will be brought together and given common facilities such as designing, technical know-how, bulk purchase of raw-materials, etc. Details regarding the establishment of such centres will be worked out by the All-India Handicrafts Board in consultation with the Handicrafts and Handloom Export Corporation as well as the various manufacturers' and traders' associations. It has been suggested that initially 10 centres may be established for such crafts as carpets; brass artware and other metal crafts; embroidery, zari, shawls, etc.; handprints; wood-carving and ivory; dolls and toys; costume jewellery; straw, bamboo, cane,

palmyra leaf and grass mats, etc.; furniture; and bags, wellies and chappals, etc.

Here are some of the other important recommendations that were adopted at the seminar:

Market surveys, indicating the competitive position of Indian products in foreign markets, new designs and technical improvements required and the new items which the Indian craftsmen can make for exports, should be conducted during the course of 1964-67, covering the following items and countries: (i) "Floor Coverings (including carpets, druggets and namdas)" in the USA, Kenya, Ghana, Zanzibar, Nigeria, the UK, Australia, Malaysia and the Philippines; (ii) "Art Metalware" in Australia, New Zealand, Scandinavian countries, Lebanon, the USA and South America; (iii) "Woodwork" in the USA, Canada, Panama, Venezuela, West European countries and East African countries; (iv) "Shawls and Scarves" in Middle East, East and North Africa, Switzerland, West Germany, Sweden, the USA, Mexico and some other South American countries; (v) "Toys & Dolls" in the USA and the EEC countries; (vi) "Handprinted Textiles" in the USA; (vii) "Leather Footwear" in West Germany, Spain, Italy and Austria; (viii) "Zari" in Middle-East countries; (ix) "Ivory goods" in the USA and (x) "Jewellery and Precious Stones" in Australia, New Zealand and the Fiji Islands.

Another recommendation related to the adoption of the following export targets in respect of different handicraft items:

	(In crores of Rs.)	
	End of the third Plan (1965-66)	End of the fourth Plan (1970-71)
Jewellery (including cut and uncut stones)	15.00	20.00
Carpets	6.50	8.00
Art Metalware	3.00	4.00
Zari	0.75	1.25
Ivory	0.50	0.75
Handprinted Textiles	1.00	1.50
Others	4.25	5.75
TOTAL	31.00	41.00

For solving the manpower problems of the handicrafts industry the Government, in collaboration with the industry and trade, should chalk out a programme of intensive training wherein master-craftsmen should be induced to take not more than five apprentices each and that these apprentices be given in-service training for a period of five to seven years. A national college for craftsmen should also be established for imparting theoretical as well as in-service training to selected craftsmen on all aspects of the crafts such as designing, production, packaging and marketing.

Without impinging upon the ingenuity and individuality of the craftsmen, special efforts should be made to provide them with improved tools and techniques.

In cases where bulk purchase of raw materials is possible the units of particular crafts should form associations of their own and provide warehousing facilities for stock-piling and preservation of raw materials.

All exports of handicrafts should be brought under the scheme of compulsory inspection. Exports of sub-standard goods should be prohibited even in cases where foreign importers are prepared to buy such goods.

For ensuring a regular supply of designs to Indian craftsmen the All-India Handicrafts Board should pool blue-prints

on the various crafts and models and make them available to the craftsmen, along with technical and financial assistance so as to ensure effective implementation of these blue-prints. Concrete steps should be taken to adapt the designs of Indian handicraft products to suit the changing tastes and "utility requirements" of the overseas consumers. For this purpose a "reference library of samples" should be set up. In order to equip the library, study teams should be sent abroad periodically to study foreign markets, select samples and identify the commodities which India can produce.

With a view to improving the standards of packaging of handicrafts the Government of India should establish an All-India Institute of Packing and Packaging which should conduct intensive research on the changing patterns of packing and packaging abroad and introduce the necessary changes in methods to meet the requirements of India's exports. A special cell should be established in this Institute to meet the specific requirements of handicraft products.

Penetrating New Markets

Besides paying attention to the traditional markets such as the UK, the USA and Western Europe, special measures should be taken to penetrate the new markets in the countries of Africa, Middle East, New Zealand and Latin America.

Four or five information centres should be set up in major overseas markets for the supply of information on market conditions, change in consumers' demands, new designs, and samples of new items which may be of interest to our manufacturers/exporters.

The publicity of India's handicrafts abroad should be undertaken through the media of television, press advertising and the distribution of brochures.

The show-rooms of international air-ports and hotels should be furnished with beautiful craft objects to create impression on the minds of the tourists about Indian handicrafts.

Regarding the problem of 'export finance' for the handicrafts industry it has been suggested that as there is a considerable lack of information in regard to the existing financial facilities and institutional arrangements in the country, efforts should be made to publicise the existing facilities that are available.

As 'handicrafts' cover a wide range of goods the problems of finance in respect of different items are widely different. For example, the problem of financing the production and export of carpets is quite different from that of financing the production and export of, say, ivory goods. It is, therefore, necessary to make an assessment of the specific difficulties in financing the pre-shipment as well as post-shipment needs separately in respect of different items of export, particularly those items which are presenting difficulties. Thereafter, either under the aegis of the All-India Handicrafts Board, the Indian Institute of Foreign Trade or the Handicrafts & Handloom Export Corporation or jointly by them, a meeting should be convened where representatives of the exporters, the financing institutions and the ECGC should be present and go into the financial problems of each specific commodity or region and evolve practical solutions.

The Indian Institute of Foreign Trade proposes to forward the recommendations of the seminar to the various organisations, institutions and Government departments concerned with their implementation. Copies of the recommendations will also be sent to the various industry and trade associations.

The seminar marks the beginning of a series of intensive studies proposed to be launched by the Indian Institute of Foreign Trade for analysing problems connected with exports on a commodity-wise and country-wise basis. The next seminar in this series will be on "Trading With Malaysia".

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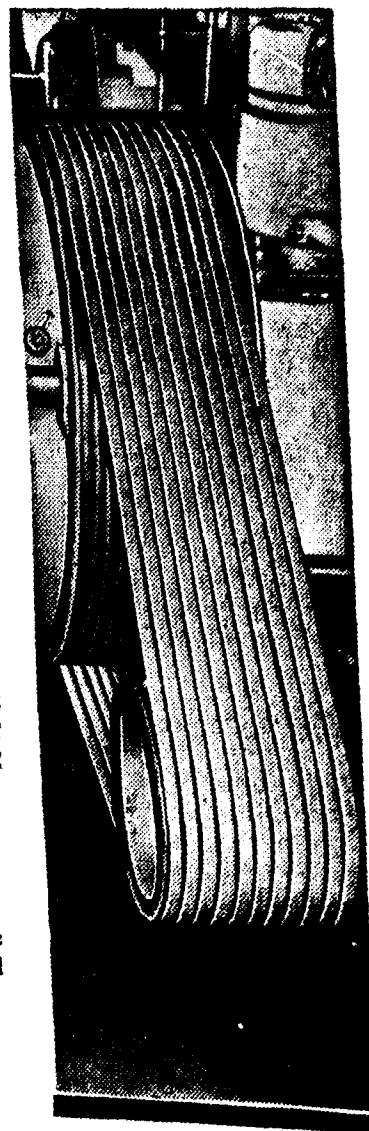
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Lean Years for Railways

ASHOK V. DESAI

OXFORD:

THERE WAS jubilation at the British Railways and congratulation from outsiders when their annual accounts were published recently: it was announced that they had made a trade loss of only £82 million. The loss itself was no surprise, for the British Railways have not made a profit since 1955; the heartening feature was that the deficit had been cut by £22 million over the year.

The railways were nationalised by the Labour government in 1947 in pursuit of their policy of controlling the basic industries, or, to use the more melodramatic name, the commanding heights of the economy. Although they were nationalised at about the same time as Indian railways, their financial fortunes could not have been more different. While the Indian railways bring a handsome profit to the government, the British railways pay interest on money they borrow to cover their losses. This is obviously a refinement on the nineteenth century arrangement whereby only the initial costs of construction of the Indian railways were borrowed in the British capital market.

Factors Behind Losses

The causes of the British railways' losses are simple. On the one hand, they have been losing merchandise traffic which brought high revenue per ton-mile. On the other hand, their wage costs have been rising rapidly.

British railways, like their Indian counterpart, follow the system of charges often called "charging what the traffic would bear." Actually, the charges have very little to do with what the traffic would bear; the railways have, in fact, little idea what it would bear. What they do is to classify goods according to their value per ton and to ensure a very rough correspondence between value and charges. This was all right as long as the railways were a monopoly. More recently, however — since the thirties, in fact — road transport has competed away an increasing proportion of the high-value goods traffic. As the proportion of these goods carried by railways fell, so did the average revenue per ton-mile, given their rate structure.

On the cost side, the British Railways have had to grant rapid wage increases since the war. This has been partly due to the general upward trend of wage, but it also owes partly to the fact that railways, being a depressed industry, paid particularly low wages before the war. So railway workers have been able to appeal to considerations of equity and fairness in their wage demands.

The wage increases have reflected themselves in wage costs because until recently, the increases in productivity have been slow. The railways have been a technically stagnant industry for many years; and while there have been notable technical advances in the running of railways since the last war, the British railways have been too poor and dispirited to adopt them on a large scale.

Their reaction to cost increases was to raise charges. Their power to do so was, however, gravely circumscribed. Since they are a nationalised industry, increases in their charges have to be approved by tribunals on which consumers' interests are strongly represented, as well as by the Minister of Transport. The former have, not unnaturally, been hostile; and successive Ministers of Transport have blocked or delayed

increases in charges, generally on grounds of preventing inflation. The fact that railway users are more important electorally than the railway executive has also played a part.

Another favourite anti-inflationary move of governments has been to curb investment in nationalised industries. This has also delayed and reduced cost-reducing investment in railways. The railways had for years been a backward industry, and found it difficult to attract personnel to organise new investment; and the government's stop-go investment policies did not make it any easier to keep the personnel they had got.

Achievement of Dr Beeching

The origin of railways' losses was at least partly political, and evidently, the solution had also to be partly political. This is where we must start looking for the essential achievement of Dr. Beeching, the present Chairman of British Railways.

Dr. Beeching started with a certain advantage, for when the Minister of Transport induced him two years ago to give up a directorship in the ICI and take over the British Railways, he gave him a brief to try and wipe out the railway losses. Given this task, Dr. Beeching was quick to realise that it could not be achieved by increases in charges, which ran up against powerful political interests. What he needed was the power to make selective increases in charges. Such increases were blocked by old legislation which made it obligatory for railways to publish their charges and to carry all traffic that came at those charges. Now, charges based on commodities are 'ipso facto' insensitive to the different costs of haulage. For example, odd lots entail much higher handling charges than bulk cargo, which cannot be reflected in such a charge list. Hence the railways must be entitled to refuse goods which cost more to carry than the published charges on them. This was one of the powers Dr. Beeching asked for and obtained.

Runs the Gauntlet

Another move of his, which is much more conspicuous and controversial, was to initiate a traffic survey and, on its basis, to start closing down lines on which traffic was not heavy enough to cover costs. This has also to run the gauntlet of a tribunal and the Minister of Transport; and the press makes incredible noise over it, since every rail closure is fresh news. But the railway lines that are closed are all in sparsely populated outlying areas; so the political pressure against them is less important, and the Minister of Transport acquiesces more easily in them. In fact, the Conservatives have been holding Dr. Beeching forward as a symbol of their brand of modernisation. The Labour Party is not so enthusiastic about him, and being but human it makes political capital out of unpopular railway closures, but even it says, not that the railways should continue to finance these lines, but that the government should subsidise them to run lines that make losses — that the decision as to which lines should be closed down ought to be taken on social, and not financial grounds.

The procedure of railway closure is very time-consuming. For example, British Railways gave notice in January that they would close the Universities line between Oxford and Cambridge in April. The line is of great antiquity, having been opened in 1845. Oxford University had condemned the first proposal to bring the railway to Oxford as being subversive to discipline, detrimental to health and an incentive

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to monetary speculation; its reaction to the Universities line is not known. But now it has lodged an objection to the closure, and a number of hearings will follow. The outcome is little in doubt. The goods traffic is negligible; and some five two-coach diesel trains run every day in either direction which are rarely even half full: often one can count one's fellow-passengers on the fingers of one hand. But it will be surprising if the matter is settled before the end of the year.

The Future Shape

Long though it might take, Dr. Beeching will probably have his way. A Labour government might keep some lines open or run buses along them, but there must be a limit to such activity, since subsidies are politically unpopular. So it is very likely that Britain is heading for a much smaller railway service with little significant change in its rate structure. And the present objective, that the railways should pay their way, should be achieved in five or six years.

However, manipulating the size of the primary undertaking is but one way of achieving this objective. There are at least two other ways of going about it — the French way of increasing the output of railway services per man-hour and equipment-hour, and the Dutch way of adjusting charges. The SNCF in France has electrified its main trunk routes and increased the traffic handling capacity of the marshalling yards and installations along them. It has thus been able to speed up traffic and achieve great economies in manpower and equipment. On the other hand, the Dutch railways pay great attention to the charges and services of their competitors as much as they would pay without having recourse to alternative means of transport. Thus, they come much nearer to charging what the traffic would bear, and thereby make handsome profits. In these directions, it seems, the British Railways will not achieve as much as they could.

The problems discussed do not have much relevance for Indian railways, and will not for some time to come. Average costs per ton-mile are still considerably lower for them for road transport; so they will not, for a long time, find it difficult to make ends meet. But it may not be so long before trucks begin to make a dent on their profits. My estimate is that

Tour of a Rosier Horizon

JOSSLEYN HENNESSY

LONDON:

SINCE THE state of the economy is all-important for the electoral hopes and fears of Tories and Socialists alike, political commentators pounce upon each new set of economic indicators as it is published. Unfortunately, as economic commentators have been warning their political colleagues, indicators taken in isolation are subject to seasonal and other exceptional factors, so that the trend is much more important than the individual announcement.

Political commentators were quick to note the sharp fall in UK exports in January, which contrasted with their strength in December, February, and March. Inside the totals, exports to Europe expanded, those to the USA and Canada contracted, and those to the sterling area expanded. Analysis by commodities shows that the really important items — machinery, road vehicles and chemicals — were doing well. Total exports were lower, again, in April, but the Bank of England says that this "does not warrant any supposition that the underlying strength of exports has significantly weakened. Export orders outstanding, notably for engineering products, have been well sustained".

The Bank of England considers that economic prospects overseas promise a large rise in UK exports again this year—

Indian railways earn 15 to 20 per cent of their freight revenue on goods which could easily be competed away by trucks given their present charges; with the recent increases in charges the proportion might have increased. And whatever role we might plan for road transport, it will grow up to compete with railways, for it is much more profitable to compete away existing traffic than to rely on sparse and uncertain feeder traffic. This is confirmed by the rapid growth of road transport around our large cities.

However, the problem this poses for the railways is simple as yet. All they need to do is to reduce charges where they exceed 12 P. per ton-mile-charges — on cotton, jute, petrol and manufactures — and to raise them on coal and grains. Even if the transport of coal and grains is to be subsidised, this should be done by the state governments as a deliberate policy, and not covertly by the railways.

Odd Lots, Short Hauls

These rate changes will stave off financial embarrassment for railways; they will not, however, result in an economic distribution of traffic between rail and road. For this purpose it is necessary for railways to fashion charges in such a way to attract the traffic best suited to them. More specifically, charges need to discriminate against odd lots travelling short distances. This can be done easily by introducing a charge on the number of lots, as well as one on their tonnage, and by reducing the haulage charge per ton-mile. The same rules apply to passengers: short journeys on local trains should cost more per mile than long ones on express trains.

Apart from changes in the rate structure, the greatest opportunities of the Indian railways lie in the field of long-range planning. For India already has long stretches of homogeneous trunk routes, and the formation of industrial growth points furnishes further opportunities for opening long lines. There is thus much scope for economical and fast long distance train services that could be exploited in the next decade or two. Railways furnish a rare type of planning problem — difficult and challenging and yet not vexatious like the problems of payments and prices.

and, other things being equal, what is good for the UK should be good for India. The American miracle, which Paul Bareau described here recently, has entered its fourth year, and shows no sign of ending. Demand continues to grow, while many US industries have spare capacity, and prices are stable. Substantial tax cuts should have a powerful expansionary effect.

In Europe, the rate of expansion has been quickening. The main impetus comes from Germany and Holland, with France and Italy lagging. This conflict of trends makes it difficult to assess how demand in the EEC may develop, but UK economic observers think it possible that activity will rise as fast as in 1963, though there may be some shift from consumption to investment.

The export earnings of the primary producing countries, in general, soared in 1963, both because they sold more and aid. Their aggregate reserves therefore rose from a depressed level. The Bank of England's latest bulletin suggests that the sustained expansion in prospect in 1964 for the chief industrial countries means that demand for primary products will remain strong, and above average. After a long period of stagnation, imports of manufactures into the primary producing countries turned up during 1963 and, although the representatives of

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the 75 developing nations at Geneva professed some disappointment at the results of the recent UN trade talks, their upshot was, at the very least, not negative, and if the primary producers did not get all that they wanted, they did not leave empty handed. The UK, in particular, pledged increased contributions to the UN Special Fund, to the UN Secretariat for industrial development, and capital aid to the African and other regional development banks. The developed countries, as a whole, at the instigation of Mr. Heath, the UK's Secretary for Industry, have undertaken to do their best to provide at least 1 per cent of their national income in aid and other capital flows.

The powers of attraction of the USA's buoyant economy are held here to explain the marked increase in the UK's net new portfolio investment in non-sterling countries in 1963. With the prospect of higher returns there, UK portfolio investment in the USA rose from £13 million in 1962 to £46 million in 1963. At the same time UK private investors did not neglect the overseas sterling countries. From £6 million in 1962, their stake in these areas rose by £24 million in 1963.

Italian Crisis Threatens Common Market

From Our Special Correspondent

PARIS:

THE RELATIVE optimism of our comments here a fortnight ago on "Italy's prosperity crisis" now needs to be moderated in view of the political crisis in Rome. Not that the cabinet crisis would be particularly ominous if the reasons for it were those given publicly: the refusal of the secular parties to apportion a small increase in State aid to Catholic schools. But the confessional-school controversy in Italy, as in France, usually covers something else; it is a convenient and honourable ally for a showdown or a rupture, that can be invoked at any moment, without it being necessary to make public the real causes of disagreement. This is the function it has fulfilled again in this case. The Socialist Party (the party of Mr. Nenni) had decided, or at least its extremist wing had decided for it, to quit the Left-Centre coalition government before it became absolutely necessary to impose disinflationary policies to save the lira. Having so decided, it was just a matter of finding a pretext, and after some searching a tiny budget entry was found that allocated more State funds to confessional schools. A Socialist Minister was responsible for the budget, which had already been approved in the cabinet by all the Socialist Ministers, but that was no obstacle to dressing up this detail as a matter of high principle.

One dwells on this affair because the bad faith shown by the Socialists is very relevant to Italy's economic future. The Premier, Aldo Moro, saw this because, though not strictly obliged to resign after being outvoted on so small a matter, he lost no time in abandoning office. For the fact is that the Socialists were intimating clearly that they will not help clean up the confusion they have helped to make in Italy's economy, and, in particular, they will not stay in any government that risks making itself unpopular with an austerity campaign. Italian socialism has no Stafford Cripps in its ranks, and after two years in coalition governments it is still unwilling to shoulder any of the unpleasant responsibilities of power. Its attitude is that it will stay in office only as long as it can implement its expensive reforms; once there is need to safeguard the economy (weakened in part just by those reforms), the Socialists prefer to get out and leave the dirty work to others.

This profoundly irresponsible, not to say demagogic, approach to governance shows how far the Socialists are from being incorporated into the parliamentary system, which was

The Bank for International Settlements recently estimated that the European money market totalled £2,500 million, of which £1,786 million were in dollars. The Bank of England has followed this up by estimating that over £1,300 million of foreign currencies (dollars, D marks, Swiss francs etc.) are on deposit in London, of which over £1,100 million are in dollars, thus confirming that London dominates the European money market and is probably doing more than half of its business. The Bank comments that this market has stimulated banking competition, has reduced interest rates in the main borrowing countries, and has added to the total funds available to finance international trade. It is estimated that only 20 per cent of dollar deposits in London come directly from the USA, and that the bulk comes from Europe. It appears that Europe does most of the borrowing — about £400 million in dollars and £200 million in other currencies. Curiously enough London lends about the same amount of dollars — to the USA; apparently some of these dollars come from Japanese banks in London, which lend to Japan through their offices in New York.

the objective of the Left-Centre experiment. If they were content to quit the ministry and leave the inevitable disinflation to others, the case would be bad enough; but there is the obvious danger that they will pass over to the opposition and instigate the labour unions to harass any ministry that tries to correct Italy's situation. For the Socialists still refuse to admit the necessity of the sort of corrective action recommended by Italy's Common Market partners and accepted by the Christian Democrat and Social Democrat members of the coalition.

'London-Rome Axis'

Certain reports that have filtered through from Common Market sources that conducted the negotiations with the Roman cabinet just before it was overthrown are extremely instructive as regards Socialist views. It appears that the Socialists were ready to agree to every cut in consumption suggested by the Common Market advisers, provided that all the resources thus saved were immediately invested, so as to maintain employment. Naturally the net effect of "disinflation" undertaken in that way would be zero, and the value of the lira would continue to deteriorate. When Italy's partners began to lose patience and insisted on speedy action by the Moro Government, which had been dithering for over six months, the Socialists retorted that Italy was not to be bullied by the conservative governments of Bonn and Paris. If their attitude endangered the Common Market, they added, then too bad: Britain would soon have a Socialist government too, and a Socialist London-Rome axis could well be independent of a conservative Erhard-de Gaulle camp.

The absurdity of these fulminations is worth noting, in that this is where Italy's "opening to the Left" has ended. The only terms on which the Socialists would co-operate with the Centre parties (and even then without breaking their connection with the Communists) were: implementation of a preconceived, ideological programme regardless of expense, and at the cost, if necessary, of Italy's currency, credit, and Common Market obligations. The irony is that this programme is not even politically profitable to the Socialists, let alone to the Centre parties that consented to co-operate with them on such terms. For it is the majority opinion among political observers that if fresh elections are needed to resolve the ministerial crisis, the most likely winners are the two extremes, the neo-fascists and the Communists. In other words, the mood

of confusion and disillusion produced by the collapse of the Italian economic miracle will not serve those responsible for the crisis, but will be grist in the mill of the anti-democratic forces.

For all that the political climate has worsened, one can still repeat what was said here last fortnight, that there is nothing fundamentally dangerous in Italy's economic situation—given a minimum of central authority in Rome. The basis of the long boom was sound, and there is nothing artificial or fictitious about the immense economic progress of the last decade and a half. But the boom started to go too fast from about 1961 and the country slipped into a prosperity skid, connected in particular with a leap in consumer outlays on food and drink when lakhs of poor people found their first regular jobs. This situation could have been dealt with fairly easily by restrictive measures taken in time, but unfortunately it coincided with the "opening to the Left" experiment in 1962. Some mild restrictive measures were taken this February, belatedly, and since then the situation has shown signs of improvement.

Brussels Diagnosis

The diagnosis of the Brussels experts last month confirmed that basically the Italian economy is suffering from nothing that a spell of moderation could not cure. They forecast that this year the gross national product will grow by 5 per cent, given that crops are normally good, that exports will increase 11 per cent (against only 9 per cent last year), while imports rise 15 per cent (whereas they jumped 23 per cent in 1963). Unemployment will decline by 15 per cent, against 10 per cent last year, so that consumer demand will grow at least as quickly. Thus, the outlook is not disastrous and is better than at the start of the year. But it is nevertheless serious, for the above figures entail another large payments deficit which, combined with the loss of confidence caused by the Left-Centre experiment, could eventually force a devaluation of the Lira.

To avoid that, President Segni's unenviable task is to find in the present assembly a team with enough political courage to impose the moderately severe disinflation that is required. The programme is ready and written: an increase in sales taxes, higher income taxes, dearer petrol and cigarettes, etc., and of course a cutback in State outlays and postponement

of costly reforms. This programme has been approved by the country's monetary authorities and by the Centre parties, as well as by Italy's partners. It remains to find a ministry with the courage to sign it. If none can be found, the situation will indeed become alarming.

At that point, Italy's crisis becomes a Common Market crisis, the first of the sort it has had to face. The European nations have many times experienced the difficulties that now face Italy, and up till 1958 they always had a weapon of last resort: the isolation of their economy from the rest of the world by means of a severe limitation of imports, artificial export promotion (if necessary by means of multiple exchange rates), control over all capital movements, maintenance of a false "official" exchange rate that no longer represented the value of the currency, and then if absolutely inevitable a unilateral decision to devalue. Now, all the Common Market Six have surrendered the power to follow that course of action, at least vis-a-vis their partners in the community. To limit imports from the rest of the community and so on would simply mean withdrawing from the Common Market, and for a member to back out would entail a grave mutilation of the association.

In other words, the continued progress of the Common Market and Italy's continued membership of it require a deflation in that country, so that it can continue to honour its obligations. The Socialists (not to mention the Communists) refuse that deflation, which is not contemplated with pleasure by any of the parties, but of which the others recognise the necessity. So the choice is clear: the Common Market or inflation, but not both. One can now understand the irritation in the other Common Market capitals when Washington made a loan to Italy in March. In Bonn, Paris and Brussels it seemed that Washington was paying Rome to postpone the painful decision demanded by the other five, and indeed that is what happened. The Italians thanked good old Uncle Sam (Socialists as fervently as any) and put off the corrective measures that were already overdue, while the country, and the Common Market with it, drifted nearer disaster. If Washington wants to repeat the gesture now, it has a simple way of wrecking the Common Market: encourage the Italians to prefer continued inflation to the rigorous requirements of membership of the community.

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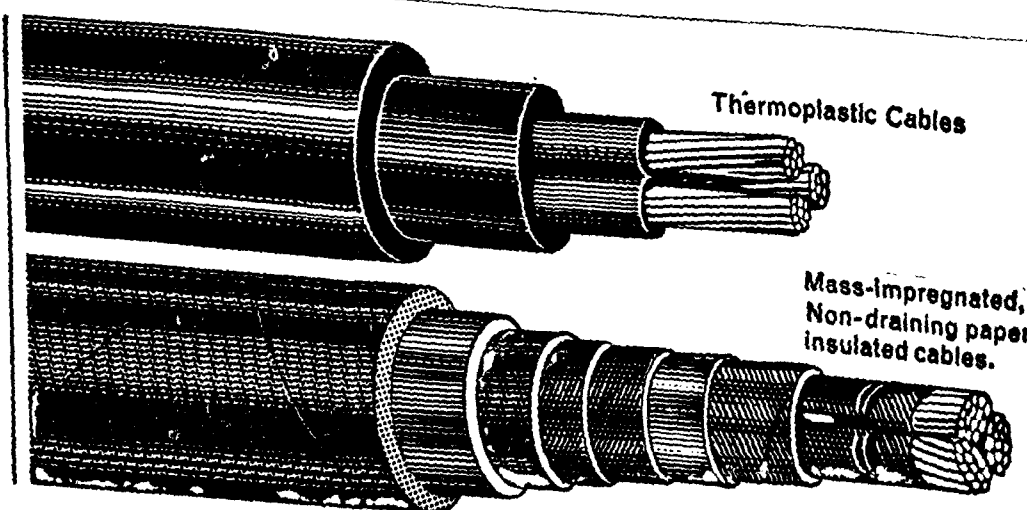
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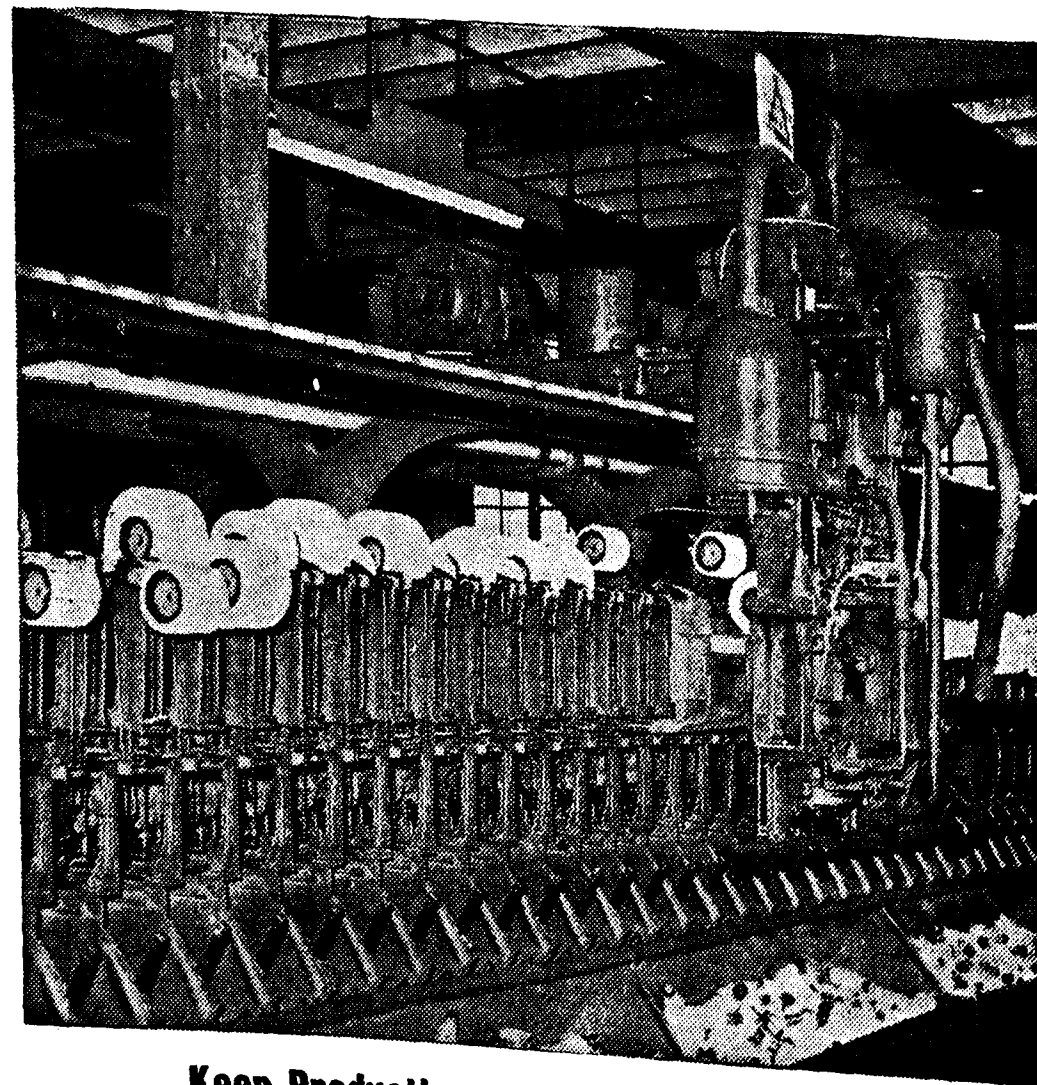


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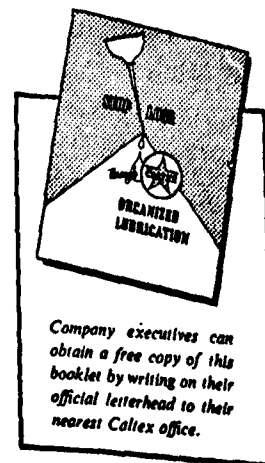
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LISTENING POSTS

State Foodgrains Trading Body Soon

By Our Special Correspondent

NEW DELHI:

THE UNION Food and Agriculture Minister, Mr. C. Subramaniam, will be shortly submitting concrete proposals to the Union Cabinet for setting up a State-owned Foodgrains Trading Corporation and an agency to fix grain prices. This was indicated by him at a Press Conference here last week.

The details of the two proposals are being worked out in the light of the discussions at the State Chief Ministers' Conference held here from June 24 to 26. The Chief Ministers had generally welcomed the two steps, although they did not take formal decisions on them.

As regards the Foodgrains Trading Corporation, it is being considered whether there should be set up only one corporation for the whole country and to deal in all the principal foodgrains or there should be regional, State-wise or separate corporations for dealing in the main food crops. In regard to the agency proposed to be set up to fix foodgrain prices, the current official thinking is not to associate any representative of the farmers and consumers with this agency. It has to be a technical body consisting of only technical experts. The agency will be required to recommend minimum prices for foodgrains payable to the producers and reasonable maximum prices which should be charged from the consumers.

Lasting Solution

Mr. Subramaniam stressed that the only lasting solution to the food problem of the country was to increase production. This required making available to the farmer, well in time, adequate quantities of essential prerequisites for agricultural production as well as credit and offering him suitable incentives. The cardinal principle which was proposed to be followed while fixing foodgrain prices was payment of remunerative prices to agriculturists. The proposed Price Fixation Agency, it is understood, will submit a preliminary report to the Union Food and Agriculture Ministry before the next rice crop.

Mr. Subramaniam also gave details of his programme for setting up modern mechanised rice mills in the public sector, including the co-operative sector. He proposed to put up by the end of the fourth Plan period, 1,000 3-tonnes-per-hour capacity modern rice mills and another 1,000 2-tonnes-per-hour capacity units which would mill nearly 20 million tonnes of rice per annum. Six such rice mills are proposed to be set up in the immediate future. Three of these will be located in Thanjavur (Madras), West Godavari (Andhra Pradesh) and Shahabad (Bihar). Locations for the other three will be decided shortly. An official delegation is leaving for West Germany and Italy on July 16 to negotiate the purchase of machinery for these mills. This delegation would later on visit Japan, another country where this equipment is available.

Mr. Subramaniam stated that no licences would be issued in future for setting up new rice mills in the private sector. No provision was also being made for modernising the existing private sector rice mills, although most of these were characterised by the Food and Agriculture Minister as "primitive and uneconomic".

Mr. Subramaniam emphasised that his proposal to set up modern mechanised rice mills in the public sector and not to

take over the existing private sector units did not in any way violate the spirit of the Bhubaneswar Resolution of the Congress. It was no use sticking to the old and primitive rice mills, turnover of which was much lower than of the modern mills, he said. Mr. Subramaniam, however, did not rule out control over the existing rice mills; if any controls were necessary to regulate their working, they will be imposed.

Mr. Subramaniam also indicated that he would soon take up with the Union Ministry of Commerce the question of banning exports of pulses during the present period of shortages. Even though these exports were only small, they did tend to push up prices and a ban on them was necessary for creating a psychological impact, opined Mr. Subramaniam.

Talking about land reforms, the Food and Agriculture Minister stated that ural and informal tenancies which had come into being in the past few years, were creating complications and upsetting the implementation of land reform programmes. They hampered agricultural production also. It was time to look into this matter.

Mr. Subramaniam revealed that the short-term measures to contain the expanding spiral of food prices, decided by the Union Government and ratified by the State Chief Ministers, had yielded perceptible results. Foodgrain prices had come down at various places in the country. This downtrend, he hoped, would continue and prices would stabilise at reasonable levels in the near future.

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Hospet, instead of Goa, is understood to have been favoured as the location for the first steel plant in South-West India, by the Technical Experts Committee appointed by the Union Department of Steel to scrutinise the feasibility report on this project. The Committee is said to be of the view that production cost would be comparatively cheaper in Hospet than in Goa. Siting of this steel plant at Goa can have one advantage; it can obtain its coal supplies from abroad. But in the opinion of the Technical Experts Committee, the plant if located at Hospet would also not suffer from any disadvantage in this respect. Bengal and Bihar coal, the Committee feels, can be made available in Hospet at about the same price as the imported coal in Goa. Hospet has the added advantage of being close to limestone resources and non-alkaline water. Iron ore in the neighbourhood of Hospet is also stated to be richer in ferrous content than the one available in Goa.

The Union Government is expected to take a decision on whether to locate this plant in Hospet or in Goa in another couple of months. As soon as this decision is taken, negotiations are proposed to be started for securing foreign collaboration for the project. Besides the U.S. and European manufacturers of steel-producing machinery, Japan and Poland are understood to have shown interest in assisting the establishment of this steel plant as well as another proposed to be set up in Visakhapatnam or Bhailadila.

Which of these two steel plants — to be set up in Goa-Hospet and Visakhapatnam-Bhailadila areas — will be included in the fourth Plan as the fifth public sector steel-manufacturing unit is anybody's guess at present. A few months ago, Mr. C. Subramaniam, as the Minister for Steel, had indicated that the Goa-Hospet plant had an edge over the

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Visakhapatnam-Bhailadila unit. But the position appears to have changed materially now. With the feasibility reports of both the plants having been looked into by the Steel Department's Experts Committee, the plants are now more or less on a equal footing. One of these plants is to be set up during the fourth Plan period upto the steel-manufacturing stage and the other upto pig iron-making stage.

An official delegation, led by the Secretary to the Department of Steel, Mr. N. N. Wanchoo, is expected to leave for Moscow on July 17 for talks with the Russian authorities on the Bokaro plant. The delegation will include Mr. K. M. George, Managing Director of Bokaro Steel Ltd. It will spend about two weeks in the Soviet Union. The major point of discussion would be the changes that might be required to be made in the project report made for the Bokaro plant by Dasturco. This report has been with the Soviet authorities for quite some time. The need to amend it probably arises because the Russian standard specifications may be slightly different from those of the United States. Dasturco had prepared the report according to the US specifications as collaboration for this project was being sought at that time from the United States.

Expansion Progressing

The expansion programmes of the Bhilai, Durgapur and Roureeka steel plants are stated to be progressing well. While the expansion of Bhilai to 2.5 million tons ingots capacity is likely to be achieved in 1965, the Durgapur and Roureeka steelworks would be expanded to 1.6 million tonnes and 1.8 million tonnes ingots capacity, respectively, by the middle of 1966.

Pig iron supplies from the Soviet Union under the agreement reached recently are expected to start shortly. The Soviet Union is to make available under this agreement 100,000 tonnes of pig iron during the current year.

The Durgapur Alloy Steel Plant is expected to be partially commissioned into production by the end of the current calendar year. It is hoped that one of the four re-heating furnaces to be installed at this plant would go into operation by that time.

Designed for a capacity of 100,000 tonnes of alloy and special steels, the plant will turn out finished products at the rate of 60,000 tonnes a year — 14,500 tonnes high-speed tool and die steels, 27,500 tonnes alloy construction steel and 18,000 tonnes stainless steel. The cost of setting up the plant is estimated at Rs. 65 crores.

A major portion of the main plant and equipment is being supplied by a consortium of Japanese steel manufacturers under an agreement signed in September, 1963. Three re-heating furnaces are being made available by Messrs AMCO of Canada and the fourth one by Messrs. Wellmann Incandescent. Messrs. Atlas Steel Limited, a Canadian firm, are the production consultants for the project. The engineering consultancy services are being provided by Messrs. Dastur and Company.

The Union Minister for Commerce, Mr. Manubhai Shah, revealed at a Press Conference here last week-end, that as a result of his negotiations with the US Secretary for Agriculture during his recent visit to America, the United States was likely to make available to India 100,000 tonnes of soyabean oil and some tallow under PL 480. The first shipment out of the 360,000 bales of cotton to be made available by the US under the PL 480 agreement signed in April this year, Mr. Shah said, was expected by the end of the current month.

On textile exports to the U.S., Mr. Shah said that India's dissatisfaction at the smallness of the US import quota had

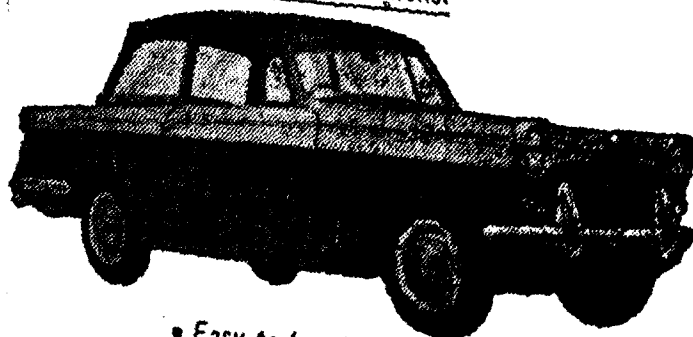
been expressed by him to the US Government. But from the categorisation of quotas, it appeared that there were several varieties either not under restraint or under partial restraint only and these could be sold to the US market in increasing quantities. If the Union Government and the textile manufacturers studied this problem and made efforts, India could increase textile exports to the US by about \$5-6 million. Indian textiles, Mr. Shah further stated, satisfied the quality standards of the US market, but some US importers had complained that sometimes they received short lengths. Mr. Shah urged the textile exporters to take note of this complaint.

As a result of Mr. Shah's discussions with the US importers of Indian mica, spices and cashewnuts, various measures are proposed to be taken in the near future to step up these exports. A Rs. 34 lakhs research project will be launched in the US soon to find diverse uses for mica. The Indian mica exporters would contribute Rs. 5 lakhs to this project and the American importers another Rs. 5 lakhs. The remaining Rs. 24 lakhs would be made available by USAID. In regard to exports of red chillies, black pepper, turmeric, aniseeds and cardamom, a market promotion drive project is to be launched. The cost of this project, nearly Rs. 16 lakhs, will be shared equally by the Indian exporters and the American importers. Another similar publicity drive is to be undertaken for promoting cashewnut exports.

Mr. Shah stated that from his discussions with the US importers he had gathered the impression that exports of marine products, such as sardines and shrimps, to the US

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could be increased from the present about 9 million lbs. to as much as 20 million lbs. if the Indian exporters improved their packing and maintained good quality consistently. There were also good chances of India exporting to the United States engineering goods, machine tools, surgical instruments and automobile ancillaries. The Engineering Export Promotion Council would be setting up an office in New York in the near future.

Referring to mineral ores, Mr. Shah said that there were fair chances of increasing manganese ore exports to over one million tonnes in the next few years; exports currently ranged between 800,000 and 900,000 tonnes, largely because of the recession in the US steel market. There were good prospects for stepping up exports of bauxite and chrome as well, he added.

Mr. Shah found the official attitude in the US towards India's request for increased sugar quota quite sympathetic. He hoped this quota would be soon raised substantially from the present meagre level of 20,000 tonnes.

The Union Government has announced the second instal-

Control Over Cloth Prices

From Our Correspondent

BOMBAY:

CLOTH PRICES have drawn attention in recent weeks because of the decision by a small number of mills to raise prices consequent upon all-round increase in the cost of raw materials and wages. On June 29, the Mill Owners' Association requested its members not to increase cloth prices because a decision in this regard was likely to be taken at the Cotton Textile Consultative Board meeting scheduled to be held on July 7*. In the history of the Mill Owners' Association, this was perhaps the first time that an open appeal "not to stamp, with immediate effect, prices higher than those permitted under the scheme", was issued by the Association. The mills are of the opinion that it would not be feasible to keep the cloth and yarn prices pegged at the 1959 level. A number of representations had been made by the cotton mills industry earlier but the Government turned a deaf ear to all these appeals. Market circles believe, however, that the Government has already taken a decision in this regard and a revision in the cloth and yarn prices will be announced shortly.

The stagnation in cloth production has also caused great anxiety. The Union Government is reported to be considering a proposal to increase the working hours by staggering the weekly holiday and raising the weekly working hours to 54. This proposal will come up for discussion with the labour leaders at the next session of the Indian Labour Conference scheduled to be held at Bangalore on July 29 and 30. The underlined idea of this scheme is to increase working hours from eight to nine per day. It is understood that over-time wages will be paid for the additional hours that time labour will put in. Instead of a uniform holiday on Sunday for all labour, it will be restricted to one of the seven days of the week. In this manner, the mills would be able to operate their machinery on all the days of the week. This technique alone is likely to increase production by 16 to 17 per cent.

The third Plan target of cloth production by the mill sector was fixed at 5,800 million yards. The actual production of the mill sector in 1963 was 4,837 million yards, indicating a gap of about 1,000 million yards. With the increase in the working hours and with the sanction of additional spindles

*As we go to the Press, newspaper reports indicate that the Board has recommended to the Government that statutory controls should be imposed on production and prices of popular varieties of mill cloth which would account for 40 per cent of the total production of the mills. This is expected to ensure the consumer popular varieties of cloth at controlled prices. There will be no control on the remaining 60 per cent of cloth production.

ment of its market borrowing programme for the current financial year. It is issuing from July 13, 1964, a further tranche of 4 per cent 1970 Loan and 4½ per cent 1989 Loan for subscription in cash or by cheque for a total sum of Rs. 150 crores. The 1970 Loan will be issued at Rs. 99 per cent. It will be repaid at par on April 15, 1970. The 1989 Loan is to be issued at par i.e. at Rs. 100 per cent. It will be repayable at par on April 15, 1989. The subscription lists will close on July 15 or earlier without notice as soon as the total subscriptions aggregate Rs. 150 crores. The Government of India reserves the right to retain subscriptions upto 10 per cent in excess of the notified amount.

The State Governments this year are to enter the market for their borrowings separately. They may do so in August.

★★

Mrs. Indira Gandhi was sworn in as the Union Minister for Information and Broadcasting on July 2. On her assuming this office, Mr. Satya Narayan Sinha, Minister for Communications and Parliamentary Affairs, relinquished his temporary charge of the Information and Broadcasting Ministry.

and looms, it is possible to raise production to the stipulated level in the next two years.

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Ever since the emergency, the turnover in the stock exchanges has been extremely limited. The margins have, to a certain extent, been responsible for this restrained activity. This week, the Government decided to partially relax the margin system. The exemption limit regarding daily margins has been increased from Rs. 3 lakhs to Rs. 5 lakhs on each cleared security. The rate of margin on the top slab has been reduced from 40 per cent to 20 per cent. The rate of 20 per cent has been made applicable only on the slab above Rs. 20 lakhs. Earlier, the 40 per cent margin rate was on the slab above Rs. 10 lakhs. The exemption limit regarding additional carry-over margin has been increased from Rs. 15 lakhs to Rs. 25 lakhs. The number of slabs has been lowered from six to five. The top slab has been raised from over Rs. 40 lakhs to over Rs. 50 lakhs. The margin rate thereon has been reduced from 30 per cent to 20 per cent. The markets have welcomed these changes, though they have not given any boost to prices presumably because the relaxations had been anticipated.

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The fourth agreement between the Indian Oil Company — a public sector undertaking — and "Soyuznefteexport" was signed at Bombay on July 4, according to which this country will import 1.5 million tonnes of petroleum products — kerosene, high speed diesel oil and furnace oil — from the Soviet Union during the next three years. Addressing a Press Conference immediately after signing the agreement, Mr. Gopalakrishnan, Chairman of the Indian Oil Company, said that the total demand for petroleum products by 1966 would be around 16 million tonnes. All the public sector refineries are likely to meet half of this total demand. In due course, the Indian Oil Company will handle the entire production of the public sector and will become one of the oil giants in the country.

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Mr. Purushottam Kanji, Chairman of the Maharashtra State Financial Corporation, in a press conference, said that

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the corporation will sanction loans amounting to Rs. 45 crores by the end of the fourth Plan period, if the prevailing demand for industrial finance is sustained. He added that the corporation's disbursements at the end of 1970-71 would amount to Rs. 25 crores. Since its inception in 1953 to the end of March 1964, the Corporation has sanctioned loans amounting to Rs. 13.57 crores; disbursements have amounted to Rs. 8.37 crores. The Corporation sanctioned loans amounting to Rs. 3.22 crores in 1963-64 against Rs. 2.06 crores in 1962-63, and disbursed Rs. 2.09 crores against Rs. 1.65 crores. Outstanding loans amounted to Rs. 5.52 crores at the end of March 1964 against Rs. 4.11 crores at the end of March 1963. Mr. Kanji

Failure on the Food Front

From Our Correspondent

CALCUTTA:

AGRICULTURE IN West Bengal has been much in the news, largely because of the persisting food crisis. The recent visit of the Central Study Team on Agriculture led by Mr. Shriman Narayan, Member of the Planning Commission, served to highlight the importance of the subject further. The increasing uncertainty of obtaining supplies from outside the State in times of stress like the present had led to the realisation that West Bengal must do everything in its power to raise internal food production by cultivating the existing acreage intensively, since extension of the area under food crops is marginally possible. The State Government has been taking measures to make the basis of cultivation more intensive, but these have yielded no outstanding result because the measures themselves, as Mr. Shriman Narayan was constrained to point out, have been at best half-hearted. For example, in the field of minor irrigation on which greater reliance has to be placed on the short-term than on major projects, progress has been most unsatisfactory. The State has been able to sink some 616 tube wells so far, but of these only 155 have been working properly. Lack of sufficient electricity and cement shortage have been given as the reasons for slow progress. While Mr. Narayan has assured a supply of 2,000 tons of cement for the purpose, there is nothing he can do about the first. It is for the State Electricity Board to increase power supplies for the tube wells. In other words, the West Bengal Government itself must do something about supplying electricity to tube wells.

As for other important measures like providing the farmer with sufficient fertilisers and credit and conserving soil against threats of erosion, there is much the State Government could do, but these unfortunately have been receiving inadequate attention. Mr. Narayan has pointed out that West Bengal's target for fertiliser consumption is half a million tons of ammonium sulphate by the end of the third Plan, as against which the State was able to absorb only 75,000 tons in 1963-64. The consumption rate cannot be substantially stepped up without creating a suitable agency capable of coping adequately with the distribution work. Fertiliser distribution in the State is at present entrusted to a few private firms who apparently are unable to do the work well. Service co-operatives or even credit societies could have been entrusted with it, but for some inexplicable reason the State Government has not been utilising their services. Local institutions like gram panchayats also can help.

It is obvious that unless the State Government pay sufficient attention to these important matters, agriculture here will not get the shot in the arm it needs. The tentative provision for farming, community development and co-operation under the fourth Plan is Rs. 3,200 crores, very nearly one-fourth of the size of the next Plan's outlay. West Bengal will naturally have to work a bigger programme of agricultural development during the next five year period in line with

said that, given the rapid growth in activities in recent years, the corporation could look forward to sizable loan operations in the next Plan period. It would seek to meet such a demand mainly by borrowing from the Refinance Corporation for Industry and Development Bank which commenced operations from July 1. The Corporation preferred borrowing to raising capital. While interest on the former was treated as expenses for tax purposes, dividend on paid-up capital was liable to tax. He added that the corporation's borrowing capacity was ten times its paid-up capital of a crore of rupees. The corporation has so far borrowed about Rs. 5.25 crores, and can thus borrow a further amount up to Rs. 4.75 crores.

the overall plan strategy of improving agriculture and rural industries in order to maximise employment and reduce rural under-employment.

Talking of the current food crisis, the other facet of the State's agricultural insufficiency, the Government now feels that it is successfully riding the storm. The fair price shops have been able to supply food ration and sugar to all those who have come and the 25 per cent or so who have failed to turn up so far are either those who are temporarily short of cash or those who possess ghost ration cards, and are afraid to come to the shops because of strict police scrutiny of the cards. Therefore, the weekly offtake during the latest week was 4,000 tons, against 3,030 tons in the previous week and an estimated 6,000 tons weekly on the basis of a population of 6 million in greater Calcutta area. The Chief Minister has confidently declared that the State Government has now enough stocks to last until next October. With a little more careful husbanding of resources and popular co-operation the stocks could last even until December by which time supplies from the new harvest would come. While the State Government may reasonably claim credit for its skilful handling of prolonged negotiation with the milling interests, the suppliers of mustard seed and wholesalers, the Government is still far from ensuring adequate supplies of mustard oil in Calcutta, and perhaps in the whole State. The situation is extremely confusing. The Government has fixed retail and wholesale prices for mustard oil and seed, while the seed dealers have voluntarily fixed prices for the produce under a gentleman's agreement. Yet mills are not working to full capacity, the

THE MYSORE KIRLOSKAR LTD., YANTRAPUR, P.O. HARIHAR (India)

NOTICE

NOTICE is hereby given that an Extraordinary General Meeting of the Company will be held on Saturday the 25th July, 1964, at 3-00 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 shareholders separately by notice sent to them individually.

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 of the Company.

The Share Transfer Books and Membership Register shall remain closed from the 17th July, 1964, to 25th July, 1964 (both days inclusive).

For THE MYSORE KIRLOSKAR LTD.,
V. K. BODAS
ASST. SECRETARY.

Date: 27th June, '64.

July 10, 1964

complaint being that the varieties of seeds supplied to them are inferior to those which they have a right to expect because of the rates being charged to them. This the seed suppliers have denied.

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Little progress appears to have been made in the matter of setting up a super power grid since the eastern States agreed to establishing one last January largely at the persuasion of the Union Minister for Power, Dr. K. L. Rao. It now seems that some of the States did so with reservations. West Bengal in particular fears that its autonomy in the matter of planning for power generation and distribution may be compromised because of the existence of a regional authority. That the State should continue to feel so in spite of Dr. Rao's assurance that nothing will be done to dilute the autonomy of the State, is surprising. This State stands to benefit a good deal more than others from a regional distribution network which would save so much in capital cost both in regard to the installation of new units and construction of transmission lines. West Bengal is already taking some electricity from Rihand and Hirakud through an interconnected transmission system, and it cannot be denied that these supplies are helping the State a good deal in its present power deficit phase. Such benefits could increase through an exchange of power in larger quantities through the proposed super power grid. However, a regional electricity board has already been set up with the chairmen of the State Electricity Boards of Orissa, Bihar and West Bengal and the representatives of the Damodar Valley Corporation. This Board is now engaged in drawing up a plan for co-ordinating electricity production and

distribution in these States, and much will depend on how the plan is conceived and mapped out and how these States react to it when finally presented to them.

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In the context of the programme to modernise jute mill machinery and equipment, it is heartening to see that the domestic output of this machinery has been rising steadily. A Jute Mill Machinery Manufacturers Association has been formed with Mr. S. C. Kela as its first president, which should help in the further development of this industry through an energetic representation of its problems to the Government. Jute mill machinery-making in India began only towards the end of the first Plan, yet, judging from the account given by Mr. Kela, the progress of the manufacture so far has been substantial. The number of manufacturing units has gone up from just one in 1955 to 10 in 1961, and in terms of value, actual production has moved up from an insignificant figure to Rs. 3.75 crores in 1963-64, which is well above the third Plan final year target of Rs. 2.50 crores. Side by side, the range of output has widened, and the items now manufactured include such important products as spinning frames, drawing frames, carding engines, broad looms and cop-winders. Moreover, several items of spares and components are also being produced by the industry. Mr. Kela claims that the domestic manufacturers are now in a position to meet 70 per cent of the jute industry's requirements. But the latter's requirements will go on increasing from year to year with the next Plan period, and the machinery manufacturing industry must take steps to expand capacity to cater to the fast widening market now literally on its door steps.

Water for the Thirsty Land

From Our Correspondent

JAIPUR:

JULY 1, 1964 will be a red letter day in the history of Rajasthan's economic development when water was released in the Rajasthan feeder canal — 133 mile-long project which would benefit the desert districts of Bikaner and Ganganagar. This project is a part of the gigantic and ambitious 421-mile long canal system which would bring "the river of promise" to this thirsty-sandy area. This water will be available during the Kharif season for the next 6-7 years, at the end of which the Pong dam on river Beas is likely to be completed ensuring perennial water supply for Rajasthan canal. Some perennial water supply will, however, be available from the next year when gradual interception of water, which is now going to Pakistan, would commence as a result of Indus Water Treaty. This will provide additional dependable water supply to the area. Immediately irrigation would start in an area of over 400,000 acres ushering an era of prosperity in an area where crop irrigation was hitherto unknown. This would insure the kharif crop — the mainstay of the economy of this part of the country — against drought, the villain of the piece.

According to the present estimates, the canal will cost Rs. 184 crores and will irrigate about 36,00,000 acres of cultivable land. The first phase of Rajasthan canal which includes the Rajasthan feeder and 122-mile long canal is expected to be completed by the end of 1968-69. Of the completed feeder canal, 110 miles are in the Punjab. The area commanded by the canal is at present largely uninhabited. A plan for the development and colonisation of the area has been prepared. This is a long-term plan envisaging an expenditure of Rs. 213 crores in all. About 20,00,000 people will be settled in this area by 1981. New villages, towns and cities are planned to be developed and a prosperous region will emerge, which would wipe out the foodgrains deficit of the country sizably.

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The Rajasthan Government has decided to set up industrial areas at 16 places in the State. To facilitate work in this con-

nection, the Industrial Areas Rules have been enforced in the State since January, 1960. At present industrial areas at Jaipur, Jodhpur, Kota, Udaipur, Bharatpur and Alwar are being developed. The State Government has so far spent Rs. 7.41 lakhs for developing some of these areas in respect of roads, drainage, water and power supply. The State Government has already made allotments to 85 industrial units in this area. Out of these, 40 units have by now started production, providing employment to 2,200 persons. It is estimated that by the end of the current financial year, employment potential for another 2,000 persons will be created. A sum of Rs. 6 lakhs has been provided in the current year for the further development of these areas. Another project for stepping up the tempo of industrialisation in the State includes 11 industrial estates comprising 353 sheds. These estates would soon be starting production on full-scale providing employment to nearly 4,000 persons.

In this connection, the agricultural workshop, which was shifted from Bharatpur to Jaipur in 1960, deserves special mention. This unit has grown into one of the leading workshops in the country turning out agricultural implements. The workshop specialises in a variety of manufacturing processes, such as hand boring, wood work, shed erection work, spare parts of complicated imported implements, manufacture of tractor trailers, water tanks and cowdung gas plants, repair of trucks, pumping sets, generators, electric motors etc. The work is conducted through various sections including a design and testing section and an administrative wing. Since the beginning of the current year, the workshop has started manufacturing power-operated agricultural machines and implements. The design section is at present engaged in an ambitious project of designing an automatic seeds drill, a bullock drawn digger and groundnut digger.

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A review of the financial position of the State Government recently undertaken by the Finance Department reveals

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that signs of strain are developing. Visible changes have taken place in the relative contribution of the various sources of revenue which include share in the Central taxes, State taxes, non-tax revenue and grants-in-aid from the Union Government since the formation of the State.

Rajasthan's share in Central taxes increased from Rs. 8 lakhs in 1950-51 to Rs. 1,240.18 lakhs in 1963-64 while the collection from the State taxes has also gone up from Rs. 1,108.44 lakhs to Rs. 3,146.60 lakhs over the corresponding period. Spectacular increase has also taken place in the grants-in-aid from the Union Government from Rs. 9,000 to Rs. 1,282.54 lakhs over the last 14 years. However, developments in non-tax revenue have not been very encouraging despite the fact that substantial investments were made by the State during the last 14 years. The revenue from this source increased from Rs. 344 lakhs in 1950-51 to Rs. 1,662.18 lakhs in 1963-64. The reason advanced by the State Government for the slow pace of increment from this source relates to the plan priorities favouring investments in irrigation and power projects which have a long gestation period. The land revenue has nearly

doubled from Rs. 4.21 crores to Rs. 8.85 crores mainly due to the resumption of jagir lands and also because of additional land coming under the plough.

These resources, however, are likely to fall short of the State's plan requirements during the fourth plan which is likely to be much "bolder" than the preceding one. The only way out available to the State Government seems to be a still heavier reliance on borrowings from the Union Government and the public. Quite a substantial part of the increased expenditure has accounted for by the huge expenditure on administrative services over the past 14 years. The expenditure on police, for instance, rose from Rs. 2.18 crores in 1953-51 to Rs. 6.12 crores in 1964-65 (Budget). The State Government maintains that it has to keep 10 RAC battalions on the Indo-Pak border entailing substantial expenditure. But the biggest increase has taken place in the expenditure on different social services provided by the State. Here revenue expenditure has gone up from Rs. 3.73 crores in 1950-51 to Rs. 24.52 crores in 1964-65 -- an increase of over 700 per cent. In the formulation of the fourth five-year plan, all these considerations will, obviously, have to be taken into account.

New Issues Face Foggy Weather

From Our Correspondent

MADRAS:

MR. R. VENKATARAMAN, Minister for Industries in Madras State, has observed that a high level taxation and rising prices have retarded economic progress in the past two years and during the fourth Plan there should not be any attempt to increase expenditure to a level which would be more than what the economy could absorb. In fact, he has been rather concerned about the slow-down in the tempo of industrial development latterly and the depressed state of the capital market. Many new issues are pending flotation as conditions in the capital market are not considered propitious. The absence of any enthusiastic support for even first class flotations like Coramandel Fertilizers Limited and Hindustan Polymers Limited provides clear evidence that the public cannot be persuaded to take interest in new issues if its earlier experience was not satisfactory. Since in a mixed economy the private sector would continue to play an important role there should be the necessary climate for raising the required resources. Mr. Venkataraman has even suggested that there should be no fresh taxation during the period of the fourth Plan as only then entrepreneurs can plan on an assured basis and implement their projects. When he addressed the members of the Hindustan Chamber of Commerce at the annual meeting held a few days back, the Industries Minister gave out as his personal view that the outlay on the fourth Plan projects should not be more than five times the investment in the last year of the third Plan plus Rs. 1,000 or Rs. 2,000 crores as only then it would be possible to dispense with additional taxation. In case of buoyancy in revenue, the fourth Plan targets can be revised upward if after a reappraisal in the middle of the Plan period, it was thought advisable to incur expenditure in a bigger way. The second and third Plans got stalled midway on account of the shortage of foreign exchange and rupee resources and it ultimately turned out that not more than 85 per cent of the Plans could be completed.

There will be a large spill-over into the next Plan and excepting in the case of new projects it will not be difficult to find the required resources as aid from friendly countries will be available and no great difficulty is expected to be experienced in respect of rupee finance. With the provision of proper incentives it will be found ultimately that the outlay can even exceed Rs. 17,000 crores in 1966-71 as the private sector can be expected to overfulfil its targets if official policies proved to be helpful. It will, however, be generally agreed that Madras State has acquitted itself creditably as the total outlay in 1961-66 is expected to be much more than the original

estimate. While the State Government concentrated on the provision of basic facilities, several industries grew considerably in stature with liberal assistance from the State-owned Madras Industrial Investment Corporation. Only in the past year industrialists have not been quite enthusiastic about the promotion of new enterprises because of the difficulty experienced in raising funds from the open market. The Madras Industrial Investment Corporation too has not been able to extend support as liberally as before because its funds are locked up in equity shares of new undertakings which are expected to pay dividends only in the next two years. The cumulative effect of heavy direct and indirect taxation has been so regressive that the objective should henceforth be to raise additional resources through fresh efforts to step up industrial and agricultural production and not through additional doses of taxation.

Mr. R. Venkataraman's observations, however, have not been fully echoed by Mr. T. T. Krishnamachari as he would still seem to be of the view that his last budget has not had any disincentive effect and that the burden of corporate taxation had actually been reduced. He seems to be strongly of the opinion that with more strenuous efforts for mobilising small savings, the Unit Trust and other institutions would enable the private sector to finance further industrial development in a big way. There will nevertheless be a large gap between outlay and corporate savings in the fourth Plan period which will have to be filled with the help of the savings of individual investors. It cannot be expected that the statutory financial corporations could lend support to big flotations on the same scale as they have been doing in the past few months. The relaxation of margin regulations and the greater interest shown by jobbers in the stock markets have no doubt been responsible for bringing about an improvement in general sentiment in recent weeks. But entrepreneurs are still of the view that there will be no disposition on the part of investors to place their savings in new issues until their earlier investments proved remunerative.

A memorandum is being prepared for submission to the Finance Minister after the Presidents of the Stock Exchanges have met in New Delhi in the next few days. While they are appreciative that the revised margin regulations have helped to market can become active once again only if confidence was restored and there was an assurance that fresh investment would be quite profitable.

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The developments, following the announcement regarding

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the decisions taken at the Chief Ministers' Conference, in the foodgrains trade have been rather dramatic. Even before it was indicated by the Andhra Pradesh and Madras State Governments that procurement of rice had been stopped and restrictions on movement had been removed, there was a fall in prices at several centres. In Nellore, Andhra Pradesh, and in Kuttalam, Madras State, big dealers were in a hurry to conclude sales as it was feared that there would be a further decline in prices when stock began to move freely. Within a fortnight, prices for various grades of rice have declined by over 10 per cent and it is felt that, after the high-priced stocks in the main consuming centres have been disposed of, there would be a fresh decline and that there might not be any difficulty in regard to availability.

Reports from different States in the South Zone indicate that fairly large stocks are held by the trade and that it may not be necessary for the State Governments to effect large sales through the fair price shops. The poorer sections of the community have no doubt been affected by the suspension of sales through fair price shops. But until such time a new scheme of procurement is evolved, sales through these shops cannot be resumed. It can be expected, however, that during lean months, imported rice would be released on a cheap basis. Only, it is not known whether any quantity will be made available for those who are in receipt of reasonable incomes.

What is more encouraging from the point of view of the rice-eaters is the indication that the 1963-64 crop has been reasonably good and that till the next crop arrives, it may not be necessary to draw on Central stocks. In Madras, the yield of the crop may be actually higher than expected while in Andhra Pradesh can be expected to supply nearly a million tons out of the last crop. It is even reported that the accumulation of stocks in Kerala and elsewhere is such that dealers are not entering into fresh commitments for the time being. Indeed, they have been asking for a suspension of fresh despatches. If availability had not been comfortable there would have been a recovery in prices as it has happened in Bombay in regard to wheat. Luckily, the prospects for the next crop have considerably improved in Madras State with the onset of the South-West Monsoon. In Andhra Pradesh also there are expectations that the yield will increase further as nitrogenous fertilizers are available without difficulty.

It was not clear even early last week that the power cut could be lifted in a short period as rains in the catchment areas of the various hydel reservoirs were inadequate. But

there was a sudden increase in rainfall in the four days ending July 4 and the Madras State Electricity Board was compelled to take a decision regarding the lifting of the cut with immediate effect. Otherwise, there was the awkward prospect of the waters of the rivers in the Papanasam and Kundah areas going to waste. The Papanasam Power House and Kundah Power House No. 2 had to be brought into commission immediately if the heavy inflow were to be utilised. There was also no possibility of using the water resources for purposes of generation at later stages. Between Kundah and Papanasam there is an installed capacity of over 200 MW.

As the irrigation discharges in Periyar and Mettur also have to be utilised and all the units in Neyveli were functioning, a situation arose in which there was a problem of absorbing the power generated against the acute scarcity experienced only a little earlier. Consumers having high tension connections were, therefore, asked to resume work even before the cut was officially announced. The restrictions on power supply for 19 days have thus been ended. The question has now been asked whether, with a skilful use of the irrigation discharges from the Mettur Dam, after the tunnel scheme is completed, and a conservation of available resources at Kundah and Pykara, a cut can be averted next year. Even allowing for an increase in consumption by 30 per cent, it should be possible to prevent a repetition of this year's happenings in 1965 especially as it is expected that the sixth generating unit at Neyveli would have been commissioned in the next few months.

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The stock markets have been rather active in the past few days. In Madras, there has been greater enquiry for plantation and miscellaneous counters as it is somehow felt that the immediate outlook is more hopeful. The power cut has enabled the accumulated stocks of yarn to be cleared while the end of the drought in the Nilgiris should enable a pick-up in tea output. The slight increase in cement prices has not had any encouraging effect but there are reports that companies like Mettur Chemicals, Aluminium Industries and Ashok Leyland are doing very well and that those companies would be able to report a sizable increase in their earnings for the current accounting period. The purchases made by the Unit Trust have been helpful to some extent and it is expected that fairly large sales of units would ultimately result in heavier purchases of industrial securities from the open market. There is a shortage in particular of fixed interest securities and the undertone is inclined to be more hopeful.

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The moving finger writes

THERE IS naturally relief over the Prime Minister's recovery from illness, but only a candid report by his medical attendants will dispel disquiet in the public mind about the state of his health. The fact that no technical description of the nature of the Prime Minister's illness has been published is bound to have an unhealthy effect on speculation over the nature of his illness. This is all the more likely because a convention seems to be in the process of being established that when Prime Ministers fall ill, the details should be closely guarded as a State secret.

I submit that this is a wrong way for the authorities to go along. I cannot deprecate too strongly the superstitious fear that the country would crumble if the knowledge is allowed to reach it that its rulers too are vulnerable to the ills which the human flesh is heir to. In the case of Jawaharlal Nehru, the policy of conspiratorial silence about the state of his health was carried to an extreme limit, with the result that even now no authentic official version is available either of the nature of the affliction which befell him at Bhubaneswar or of his last illness. I do hope that it will not become a settled practice to dismiss as vulgar curiosity the public's legitimate desire to have accurate and adequate information when men in high places fall ill.

I agree that it would have been fine had the Prime Minister been able to attend the Commonwealth meet, but it is not exactly a tragedy that he has failed to make it. Actually, there may be a distinct gain in his meeting with other world statesmen at formal conferences being deferred until such time as he had been able to look around and make up his mind on what is what in foreign affairs. It has been suggested that Mr. Lal Bahadur's exposure on international platforms at the earliest possible opportunity would have been useful in reassuring the world at large that the Indian polity is settling down smoothly after the shock of the passing away of Jawaharlal Nehru. This is true enough, but as against this advantage there is the fact that the present Prime Minister is still so very far from having got over the sensation of being Jawaharlal Nehru's successor that for some time to come, his disposition, especially while addressing audiences abroad, may well be to stress unduly — and certainly unrealistically — the desire or determination of the Government of this country to act always as Nehru would have done or would have wanted it to do. My point is that Mr. Lal Bahadur's appearances abroad will be more significant and valuable when he has had sufficient time to formulate, in a positive manner, his and his Government's broad thinking on issues, national as well as international.

Meanwhile, the nation is certainly indebted to the Home Minister for not insisting on the right his seniority gives him to depute for the Prime Minister at the Commonwealth Prime Ministers' Conference. It has been said that Mr. Nanda's preoccupations have come in the way of his making the London trip. It is no doubt true that he has set himself a two-year deadline for rooting out corruption and that some precious months out of the total of 24 have already passed. But it is unlikely that this is the main reason for Mr. Nanda not wanting to go. May I be pardoned for suggesting that the Home Minister has had the moral courage to concede his limit-

ations? Mr. Nanda's honest realism is all the more commendable when viewed in the light of the fact that omniscience is a quality to which few men in the top flight of political leadership could, in the interest of their career, afford not to lay claim to.

Government by correspondence seems to be becoming quite fashionable these days. The Home Minister, it appears, has written to the Deputy Chairman of the Planning Commission asking that steps be taken to arrest rising prices lest the law and order situation is jeopardized. Some time ago when the Prime Minister was caught in the throes of Cabinet-making, the Deputy Chairman of the Planning Commission wrote to him, giving the advice that a separate Ministry should be set up for Science and Technology. I suppose other Ministers and high dignitaries too will be writing to one another sooner or later about how this country should be governed. Perhaps Mr. Sanjivayya might write to Mr. B. R. Bhagat that unless Dr. Sushila Nayar did something about the increasing population, he (i.e., Mr. Sanjivayya) will not be responsible for the aggravation of unemployment in the country. There is also a distinct possibility that the Commerce Minister might write to the Minister of Finance saying that he would not go abroad for export promotion unless the Information Minister agrees to persuade foreign news agencies to submit for Mr. Manubhai Shah's censorship their reports of Mr. Manubhai Shah's speeches. But whatever letters may be written and whoever may write them, it is most unlikely that Mr. T. T. Krishnamachari's record in this regard will be beaten. He was writing to the Prime Minister when he was Minister for Economic and Defence Co-ordination and he was writing earlier too when he was no Minister at all, but, Cincinnatus-like, was watching New Delhi impatiently from distant Tambaram. Truly the champion letter-writer of them all!

A witticism frequently heard in the Capital these days is that it has been easier for the Congress party to find a new Prime Minister for India than to find a new Chief Minister for Punjab. The difficulty, of course, was that far too many people were determined to have a finger in the Punjab pie. I read in the papers that Pandit Chandrashekhra Shastri had to obtain his wife's permission before he could be initiated into "sanyasa ashram" and installed as Shankaracharya of Dwarka-peeth at Jagannathpuri. I do not know whether Mr. Ram Kishan had similar domestic obligations, but he certainly had to obtain clearance from more than one person before he could become the Chief Minister of Punjab. From Mr. Kamaraj, Mr. Lal Bahadur, Mr. Nanda and Mr. Swaran Singh down the line to Mr. Kairon, Mr. Darbara Singh, Mr. Zail Singh, Mr. Bhimsen Sachar and Dr. Gopi Chand Bhargava, everybody has had his say before the "comrade" could be allowed to have a fling at being "boss". What kind of a boss "Comrade" Ram Kishan will make I do not pretend to know, but it is becoming fairly obvious that our politics and government are now rapidly passing into the hands of men who themselves need to be built up before they can be expected to build India.

V.B.

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Trade Winds

OILSEED PRICES

THE PRESENT price spiral is by no means limited to food-grains — rice, wheat and other cereals — but also extends to cash crops. Of course, the first explanation for the rise that readily suggests itself is the short-fall in production. In the case of oilseeds, for instance, the production has not only not registered a rise but has been woefully lagging behind the second Plan target of 76 lakh tons, not to speak of the current Plan target of 98 lakh tons. At a time when the demand has been rising so sharply, the 'status quo' or a steady decline in the production of oilseeds is bound to accentuate the runaway price trend. The authorities apparently thought that they could arrest this upward movement by clamping down a ban on forward trading in oilseeds and oilcakes, but they misjudged the situation and now find, to their utter dismay, that prices in the commodity futures markets have not fallen. As a matter of fact, harring coconut oil, the prices of all others have risen to higher and higher levels over the past few days. The spot price of Karad bold variety of groundnut, for example, rose steadily from Rs. 266.25 to an all-time record of Rs. 285.00 per 250 Kg. by the end of May, 1964. Correspondingly, the price of cotton seed rose from Rs. 111.50 to Rs. 116.00 per 250 Kg. and linseed from Rs. 44.00 to Rs. 44.62 per 50 Kg. This trend continued through June, 1964.

It would, however, not be justified to attribute the price rise solely to shortfall production. This is disproved by the fact that even the last season's record crop, which was officially estimated at nearly 53 lakh tons (nut-in-shell), could not halt the upward trend in groundnut prices. A more plausible explanation would, therefore, appear to lie in the overall shortage in supplies of edible oils, consequent upon the short-fall in production of mustardseed and sesamum. Indeed, this overall shortage of supplies of edible oils is not a phenomenon peculiar to India. Oil and oilseed prices the world over have been ruling quite firm because of the overall shortage of supplies. The world production of groundnut during 1964 was of the order of 15.6 million tons, the same as in 1962, the production in which year was considered to be a record one. As a matter of fact, when compared to the average world production of groundnuts for the years 1955-59, the present level of groundnut production has been higher by as much as nine per cent. But this has not prevented the rise in groundnut prices.

In this context, the deliberations of the recent conference of seed crushers in Weissbaden, West Germany, perhaps provide a pointer. The Weissbaden deliberations disclosed that, in 1963, for the first time in ten years, world production of oils and fats failed to equal the preceding year's production, so that the average level of prices in that year ruled seven per cent higher than in 1962. The shortfall in marine oils, thanks to indiscriminate whaling by the fishing industry, and the decline of over 80,000 tons in pig production, it is said, materially aided the upward trend in the international market for oilseeds and oilcakes. Even the better olive crop and the slightly higher stocks of soya beans (at the commencement of the year 1964-65) do not seem to have gone very far in offsetting the effect of the decline in output of marine oils and pig production.

One has to view, against this background, the official allegation that the channels of distribution are responsible for the rise in prices. Mr. C. V. Mariwala, Chairman of the Bombay Oilseed Crushers' Association did well to stress this point and to declare, at the Association's Annual General Meeting last week, that there was no justification for this charge. According to him, the villain of the piece was the

total world demand which had outstripped the total available supplies.

RICE IMPORTS

At India's urgent request US Government has agreed to supply immediately 300,000 tons of rice which will be delivered within the next two months. India will also receive immediately 100,000 tons of rice from Pakistan with prospects of getting an equal quantity a few months later. It is hoped that with the assured rice imports of 400,000 tons, the requirements of the deficit States will be met adequately. The imports are, however, being staggered in order to avoid congestion at the ports as also due to the limitations of storage facilities in the country.

INDO-U.S. TRADE

After attending the World Trade Conference at Geneva, India's Minister of Commerce, Mr. Manubhai Shah, proceeded to the United States for talks on the promotion of India's trade with that country which accounts for one-fourth of the entire Indian trade. India's trade with the USA is steadily increasing. Last year alone, the increase was \$40 million mainly due to a rise in exports, particularly of jute and cotton fabrics. The trade in traditional items recorded a decline. Among the projects which Mr. Shah is expected to finalise during this tour is the "Caravan Project" for exhibition of Indian goods at various American towns, particularly the small ones. The project, which is proposed to be set up by an Indo-American private enterprise, involves two or three trailer vehicles with Indian jute, coir and other goods to be sent around the country, to stimulate interest in Indian goods.

In the course of his two-day visit to Washington, Mr. Manubhai Shah met high US Government officials and discussed with them about the import of cotton, soyabean oil, tallow and some other items under PL 480. During the current year India is expected to get under PL 480 a total of 3.6 lakh bales of long-staple cotton and one lakh tons of soyabean oil and tallow. In order to push up her exports of engineering goods, India will shortly set up in New York an office of the Engineering Export Promotion Council. In addition to this, promotional campaigns and schemes financed jointly by Indian exporters and American importers will be launched in several fields. One such will be a \$500,000 project in cashew trade while another will be a \$200,000 project to push up sales of Indian spices and condiments. The US Government's aid agency will help (through technical assistance programme) to finance the market promotion and research in mica, shellac and other goods exported to the USA.

In New York, Mr. Shah also met the Indian commercial representatives in Latin America and Caribbean States and discussed measures to promote Indian exports in those areas. India may undertake a market survey, through competent research firms in Latin America, on the scope for Indian goods in those countries. Possibilities of improving shipping facilities between India and Latin America and the establishment of depots stocked with Indian goods at free ports on the west coast for export to Latin America would also be considered.

TEXTILE MACHINERY IMPORTS

A trade delegation led by Mr. B. P. Patel, Chairman, State Trading Corporation, has left New Delhi for the UK to finalise arrangements for the purchase of textile machinery worth about Rs. 10 crores. The purchases will be financed out of a ten-year credit made available by the Midland Bank Ltd., London, and other financing institutions in the UK to the S.T.C. under the guarantee of the Export Credit Guarantee Department of the British Government and the Government of India. The purchase agreement for the machinery has

DISPOSAL OF JEWELLERY STOCKS

GU DE TO JAPAN

TRACTORS FOR PUNJAB

EXPORT PROSPECTS

India have gone up from Rs. 62 lakhs in 1962 to Rs. 103 lakhs in 1963. It is used for packing sugar and other products. The Indian exporters wishing to export jute manufactures to Czechoslovakia may contact Messrs. Cemrotex Foreign Trade Corporation, Trida, Dukelskych Hrdinu. As reported by the representative in Poland, Indian tobacco which was introduced in the Polish market for the first time in 1962 has shown a promising export potentiality. The exports have increased from Rs. 61 lakhs in 1962 to Rs. 102 lakhs in 1963. Due to a bumper crop in Poland during the current year their purchases of tobacco from India would be smaller. However, there is a good scope for oriental type of tobacco which Poland is not producing herself, the chief supplier being Libya.

CO-OPERATIVE MARKETING COMMITTEES

CO-OPERATIVE MARKETING COMMITTEES

The Government of India has decided to set up a high-powered committee to suggest measures for the speedy development of co-operative marketing and processing in the country. Besides officials of the Union Ministry of Community Development and Co-operation, representatives of the Reserve Bank of India, the State Bank, the Planning Commission and the Finance Ministry are expected to be included in the committee. The Ministry of Community Development and Co-operation holds the view that co-operatives should be utilized as the sole agency of the Government in any scheme of State trading and that procurement should be undertaken only through co-operative marketing societies on payment of commission. Further, the State Government should consider the question of granting exemption to marketing co-operatives from sales tax on members' produce. A similar exemption from the levy imposed on trading in paddy and rice should also be considered. To help marketing societies make outright purchases from their members, particularly the small growers, the Government should contribute to a special price fluctuation fund at the State marketing society level. In regard to processing, the Ministry holds the view that the co-operative societies should increase their out-turn to Rs. 100 crores from the present level of Rs. 25 crores. The Ministry is also strongly of the view that positive preference or exclusive reservation of additional capacity should be accorded to co-operatives in the matter of granting licences for agricultural processing units.

TO LONDON VIA MOSCOW

On June 30, 1964 Air-India and the Aeroflot of the Soviet Union signed an agreement under which Air-India will operate a bi-weekly service from Delhi to London with a stopover at Moscow. Air-India's additional route through Moscow will be the shortest and fastest between New Delhi and London. It will take less than twelve hours to cover this distance as against 16 hours taken by the other route via Western Europe. The new route to London via Moscow will be opened in October, 1964 with two Boeing services per week. The fare by either route will be the same. The service on the new route will operate during day time.

TOURIST TRAFFIC

The largest number of tourists who visited India during 1963 was from the USA, and Canada as compared to any other single region in the world, maintaining the trend of previous years. The percentage of visitors from these countries was 29.2 against 26.1 in 1962. The USA and Canada together sent 17.3 per cent more tourists in 1963 than in 1962 which had registered a 5.4 per cent increase over 1961. The tourist traffic from South America, however, declined in 1963 by 5.1 per cent. Tourists from Japan, Hong Kong and Korea registered an increase in 1963, though the figure for the entire East Asian region showed a fall of 8.2 per cent. Maintaining the upward trend, Japan recorded an impressive rise of 16.7 per cent in 1963 against 2.4 per cent increase in 1962.

Company Affairs

MR. M. K. VELLODI, Chairman, the Metal Box Company of India Limited reviewed the increasing role of scientific packaging in the Indian economy while addressing the annual general meeting of the company held recently. Increased popularity of packaging can be reckoned, he said, from the fact that in 1960-61 the production of consumer packages was valued at Rs. 107 crores and it enabled the distribution of Rs. 2,870 crores worth of consumer goods and by 1965-66 the production of essential consumer commodities will require packaging material valued at Rs. 213 crores for the distribution of goods worth Rs. 6,620 crores. This increase of more than 100 per cent is a clear indicator of the extent to which the scientific packaging was becoming a part of our economy. The quality of packaging in India has been considered fairly high and in this the Metal Box could claim to have made substantial contribution. It has helped the country to compete with the international standards of packaging and presentation. A well packed item of consumer goods could be a potential export and already nearly Rs. 28 crores worth of packaged consumer goods were exported every year to nearly 60 countries all over the world. This indeed had tended to diversify India's exports. In fact export requirements demanded that Indian exporters had access to the latest packaging technology in the world, and in this field the Metal Box adequately met the challenge. It has established research facilities and has developed the packaging system most suited to the Indian conditions. It has also taken into consideration specific demands of its customers. As Mr. Vellodi indicated, the precise packages and advisory services helped certain prawn canners on the West Coast, who were comparatively small producers, to face overseas competitors. These producers were able to export canned fish worth more than Rs. 73 lakhs to markets as competitive as the USA. The Cochin factory of the company was established particularly to provide these canners with on-the-spot services.

The company met the special demands from two sources — defence and exports. For ordnance supply the company was expected to produce equipment of the standards set by the ordnance inspection authorities. Consequently the company invested more than Rs. 6 lakhs to equip itself with the latest plant and machinery for defence work. Secondly the company extended its overseas sales and its agents secured notable gains in Burma, Ceylon and East Africa. It, however, realised that in the face of intense international competition it needed special efforts to achieve and maintain the high quality standards required in the markets abroad. Apart from sending senior sales staff to certain overseas area, it organised a series of seminars on consumer packaging for senior executives from amongst its customers, advertising agencies and Government so as to stimulate awareness about quality packaging.

It is rather unfair that the company which has played such significant role in our economy did not get sufficient quantity of raw materials. The Chairman indicated that owing to delays in licensing procedures and the failure of Bourke's plant to produce tin plate, the company had to depend upon the import of tin plate from sources which involved AID or trading at State levels. The result, however, was that the company did not have sufficient control over the specifications of the supplies and the deliveries were not properly timed. The company made representation to the Government regarding its minimum requirements of tin plate which if denied would block the packaging of a wide range of essential consumer

TRAVANCORE CEMENT

The cement industry in India has suffered to a great extent due to rising costs which could not be offset by prices because the retention price payable to the cement producers has been fixed from time to time. Usually the time-lag between the increased costs and revised prices has been sufficient so that during the intervening period the industry was the net loser. Mr. C. S. Loganathan, Chairman, the Travancore Cement Limited, touched this problem in detail in his speech delivered at the annual general meeting held recently. He indicated that this company even suffered more than other producers. The retention price fixed on the basis of the Tariff Commission's report, November 1961, was to be in force till March 1966. The Government, however, did agree in principle to make suitable changes in the retention prices whenever there were material increases in the cost of production. Consequently from June 1963 an increase of Rs. 2.75 per ton was allowed to nearly all the cement producers. The Chairman pointed out that this benefit was not allowed to this company. It has made representations to the Government to extend this price increase to this factory as so and the matter was pending consideration. It may be added that there has been further increase in the cost of production during the last one year and it is indeed unfair on the part of the Government not to allow this company the advantage of increased prices extended to other producers. In fact the Cement Manufacturers' Association has already requested the Government of India for a further enhancement of retention price. Under these circumstances, it is hoped that the Government would favourably consider the request of the industry and do justice to this company by allowing an equivalent increase in prices.

The Chairman indicated that during the year the company was able to increase its production and sales but failed to reap the harvests of higher production due to increased costs. The sales of white cement increased by 31 per cent over 1962 and 76 per cent over 1961 and still the profit was lower at Rs. 7.17 lakhs against Rs. 9.68 lakhs last year. The Chairman indicated that the company had to declare a dividend at the rate of 6 per cent as against 7 per cent declared last year.

RUBY GENERAL

Ruby General Insurance Co. Ltd., has been making steady progress since its inception, particularly during the last few years. Mr. M. L. Shah, Chairman of the company told the shareholders at the annual general meeting held recently that the premium income increased during 1963 to Rs. 1.90 crores as against Rs. 1.85 crores last year. During the same period capital and funds increased from Rs. 1.68 crores to Rs. 1.81 crores. This improvement was reflected in its profits, which stood around Rs. 13.86 lakhs as against Rs. 13.36 lakhs last year. The company achieved these results at a time when the Life Insurance Corporation has decided to compete with the private sector in general insurance business. The Chairman was of the opinion that it was a good move on the part of the L.I.C. provided it did not disturb the existing business pattern of the private insurers. The L.I.C., for instance, had decided to follow the tariff rates agreed to be followed by all other insurers. He hoped that the L.I.C. and the general insurance companies in

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the private sector would work in full co-operation to the benefit of the insurance industry and the insuring public. The voluntary code of conduct had proved very useful in improving the tone of the industry and it would be just proper on the part of the insurers to pursue the code to inculcate an atmosphere of co-operation.

The Chairman indicated that the improvement in the company's performance was not uniform. The net premium income for the year improved in the case of fire department, where it was around Rs. 83.36 lakhs as against Rs. 78.21 lakhs last year. The net claims increased only marginally so that its percentage to net premium declined to 40.47 per cent as against 41.91 per cent last year. This improvement, the Chairman pointed out, was achieved in spite of the reduction in the premium rates from July 1, 1962. The net premium income for the motor and miscellaneous departments, however, declined to Rs. 38.53 lakhs as against Rs. 93.07 lakhs last year. This reduction was essentially due to a fall in the overseas business which had not been profitable. The company had consciously planned a gradual reduction of this class of business in the overseas territory.

There was a high incidence of motor claims which, the Chairman indicated, could be reduced only if the Government took stringent measures for the proper observation of traffic regulations by the motorists, particularly by the public goods carriers. The gains of such policy would be manifold. Careless driving caused material damage to the vehicles, but more serious was the loss of valuable lives due to accidents on the highways, which in many cases could be avoided. The marine department provided larger net premium at Rs. 17.97 lakhs against Rs. 13.84 lakhs but this department recorded a loss of Rs. 3.99 lakhs as against a profit of Rs. 1.13 lakhs last year. This was mainly due to the fact that the reserves had to be increased substantially. Moreover keen competition among the insurers both in India and abroad resulted in ratecuts to uneconomic level, causing constant anxiety to the insurers and consequent fall in income.

ORIENTAL FIRE

The year 1963 witnessed significant improvement in the working of the Oriental Fire and General Insurance Company Limited, so that its gross premium income in that year was around Rs. 10.15 crores as compared to Rs. 8.79 crores last year. The net premium was also higher by nearly 19 per cent over last year and this progress was reflected in dividend, which has been recommended to be paid at the rate of 8 per cent as against 6 per cent last year. Mr. S. K. Kaul, I.C.S., the Chairman indicated at the annual general meeting held recently that this company was appointed by the Government as its sole agent to administer the Emergency Risks Insurance Scheme (goods and factories) for which it received over 424,000 applications at 163 centres all over India.

The Chairman observed that the net profit for the year declined marginally due to an increase in claims. The overall claims ratio of net claims to net premiums was higher at 59.71 per cent for 1963 as against 56.09 per cent for 1962. This ratio increased both in fire and miscellaneous departments. In the fire department it went up to 46.31 per cent from 34.83 per cent last year and in the miscellaneous department it increased (mostly due to motor department) from 57.79 per cent to 61.22 per cent. Nevertheless there was some decline on the marine side from 93.26 per cent for 1962 to 90.34 per cent this year.

The Chairman while talking about the increase in net premium revealed that nearly 20 per cent of it was achieved through business transacted out of India. To strengthen the

foreign business a new agency was established in Kuwait during the year under review and in East Africa the company has been operating for a number of years. He believed that a union of the republic of Tanganyika with Zanzibar would also provide increased opportunities for business. It was also making efforts to explore the possibilities of expansion in the Middle East and other Arab countries. Thus the company was making significant attempts to improve the foreign business and due caution was being taken in this expansion. More recently it restricted its operations in Ceylon and Burma where early this year general insurance business was taken over by the State Institutions. The Chairman indicated, however, that the unexpired business will stay with the company for which it will have to maintain a skeleton staff for some time to come.

UNITED INDIA INSURANCE

Mr. M. Ct. Muthiah, Chairman, the United India Fire and General Insurance Co. Ltd., highlighted the fact that the general insurance industry was facing considerable difficulty in balancing its costs and incomes. While premium rates have undergone reduction more than once, there has been a continuous increase of expenses due to rising costs. The combined effect of these two factors has been that the insurers found it difficult to keep expenses within the limits which ultimately tend to cut their margins of profits. The insurers have to abide by the insurance rules and have to follow the code of conduct and while remaining within these limits have to find sufficient resources for development purposes. This aspect of the general insurance industry should attract the attention of the authorities.

The Chairman referred to the entry of the Life Insurance Corporation in the field of general insurance. It was feared that the L.I.C. would not bind itself to the rate tariff agreed to be followed by other insurers. He, however, expressed satisfaction over the L.I.C.'s assurance that although it would not be a party to the rate tariff, it would not compete with other companies on unhealthy lines or do anything to undermine the standards necessary for building up this industry on sound basis.

He considered that the year 1963 was a year of progress for this company. The premium incomes increased in all the sections and on score of claims also it was not a bad year. For instance, it was possible, during the year, to put Rs. 60,397, Rs. 2,60,746 and Rs. 16,760 to business reserves in fire, accident and marine sections respectively, and there was a net profit of Rs. 4.28 lakhs. A sum of Rs. 50,000 was provided for general reserve and a similar amount for other reserves. The dividend was recommended to be maintained at the rate of 80 Paise per share, subject to tax. The Chairman added that the company stopped writing business in Ceylon from June 1, 1963 and closed its office at Colombo on account of nationalisation of general insurance business in that country. This did mean some loss, but did not mean much to the company, which has progressed in many other ways.

INDIA'S FIRST PETROCHEMICAL COMPLEX

At long last, some definite news about the Petrochemical complex in Bombay area is available. Addressing a press conference on Monday (29th June, 1964) Mr. Arvind N. Mafatlal, Chairman of the National Organic Chemical Industries, Ltd., (NOCIL), announced details of the first large petrochemicals complex to be established in India, in the Bombay region. The project is being undertaken by the Mafatlal group, which has been exploring the possibility of such a venture for over four years now, in collaboration with Shell International Chemical Co. Ltd., UK and its affiliates. It is estimated to cost about Rs. 30 crores, out of which the present

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proposal is to raise Rs. 10 crores by way of equity capital. This is to be subscribed in equal proportion by the Mafatlal group, Shell Petroleum Company (SPC) and the public. The project entails a foreign exchange expenditure of Rs. 14.5 crores the whole of which will be found by SPC — Rs. 3.4 crores by way of equity capital and the balance as a long-term loan. It is noteworthy that this loan will be from sources outside the Aid-India Club. The local banks will provide such rupee requirements as may be needed.

Besides the NOCIL, there will also be another company — Polyolefine Industries, Ltd., (PIL) — with a paid-up capital of Rs. 3.8 crores to be equally subscribed by NOCIL, Farbwerke Hoeche of West Germany and the Indian public. The entire project in this case is estimated to cost Rs. 3.8 crores and here again, all the necessary foreign exchange requirements will be found by the German collaborators — Rs. 1.2 crores by way of equity investment and the rest in the form of a loan. This loan too will be outside the Aid-India Club assistance. To this company and Hoechst Dyes and Chemicals, Ltd., (HDC) as well as to Indian Dyestuff Industries, Ltd., (IDI), NOCIL will serve as a central utilities plant and supply their requirements. A 500-acre site has been acquired near Bombay and NOCIL will occupy 300 acres, the rest being accounted for by the other affiliates.

The construction work of the complex is expected to begin sometime in October and, subject to the availability of all the required facilities and the co-operation of the concerned authorities, is scheduled to be commissioned by mid-1966. The engineering and construction of NOCIL will be carried out by Stone and Webster Engineering Corporation (USA), while Bataafse Internationale Chemic Maatschappij N.B., associates of Shell International Chemical Co. Ltd., will supervise the establishment of the plant. The engineering and construction contracts for P.I.L. has been entrusted to Friedrich Uhde G.M.B.H. (W.B.). The whole project will thus be a truly international undertaking which will employ during the construction stage about 5,000 workers and over 100 expatriates. All these technical and engineering contracts are now before the Government for approval.

When commissioned, NOCIL is expected to process 2.25 lakh tons of Napha per annum from the Burmah-Shell Refineries. This will not in any way come in the way of an adequate supply of napha to the Trombay Fertilizer Project, as apprehended in certain quarters.

The manufacturing programme provides for:

- 60,000 tonnes ethylene converted to:
3,000 tonnes ethylene dichloride (excluding captive quantities).
30,000 tonnes vinyl chloride monomer.
20,000 tonnes PVC.
5,000 tonnes finished PVC products.
12,000 tonnes ethylene oxide.
10,000 tonnes ethylene glycol.
600 tonnes diethylene glycol.
1,000 tonnes polyethylene glycol.
- Balance ethylene supplied to PIL and HDC for polyethylene, and vinyl acetate manufacture respectively.
- 35,000 tonnes propylene converted to:
1,500 tonnes Isopropanol (excluding captive quantities).
3,700 tonnes methyl isobutyl ketone.
11,000 tonnes acetone (excluding captive quantities).
2,800 tonnes diacetone alcohol.

- 8,000 tonnes butanol.
- 8,000 tonnes 2-ethyl hexanol.
- 7,200 tonnes butadiene.
- 700 tonnes dicyclopentadiene.
- 14,000 tonnes benzene.
- 2,700 tonnes methane.

PIL's manufacturing programme includes,

	Installed capacity tonnes/year
1. High density polythylene	20,000
2. Processed polythylene	5,600
3. Ziegler catalysts	320

In order to complete the picture mention must also be made here of the expansion programme of HDC which is as follows:

Product	Installed capacity tonnes/year
1. Vinyl acetate monomer	8,000
2. Polyvinyl acetate	12,000

IDI also has an expansion programme to manufacture 30,000 tonnes of chloride and related inorganic chemicals in their chlorine/caustic soda electrodes plant.

Besides representatives of the well-known foreign collaborators the board of directors will include the four Mafatlals, Mr. H. V. R. Iengar and Mr. N. A. Palkhiwala. On the PIL Board, besides Mr. Arvind Mafatlal and representatives of foreign collaborators, there will be Mr. R. G. Saraiya and Mr. N. R. Mody. There will also be two managing directors for each of the concerns, one administrative, Dr. C. J. Dadachandji and Mr. N. V. Vohra and another technical Mr. A. N. Holmes and Dr. A. Schmiktensing for NOCIL and PIL, respectively.

The sponsors may be expected to enter the capital market only when market conditions improve which means that it may be some time in October, if not later.

It is noteworthy that NOCIL will have neither managing agents nor sole selling agents.

It may take over two years for the project to commence manufacture. But, in the meantime, as many of the products are new and are still not being used on a large-scale in this country, NOCIL has been negotiating for a product loan of some of the items so as to popularise their use. Whatever product may be borrowed thus, will, of course, be returned after production starts in the new complex. It is possible that, when the whole complex is fully commissioned, this country will be in a position to export a few of these products, the collaboration agreements not barring such exports. Even otherwise, there will be a considerable saving of foreign exchange and substantial benefit to the Indian economy as a result of this long-awaited project.

TELCO RIGHTS

The directors of Tata Engineering and Locomotive Co. Ltd., have recommended the issue of 200,000 further ordinary shares of Rs. 100 each at premium not exceeding Rs. 50 per share, as the Controller of Capital Issues may prescribe and as may be agreed to by the directors. These new shares will be issued to the existing shareholders in the proportion of one new share for every five held. The company has shown satisfactory progress during the year ended March 31, 1964. Net profit at Rs. 136.15 lakhs was considerably higher as compared to last year's figure of Rs. 115.53 lakhs. Consequently the

directors have proposed to maintain the dividend of 14.5 per cent. The turnover increased from Rs. 43.64 crores to Rs. 51.51 crores. A sum of Rs. 260.53 lakhs was provided for depreciation, Rs. 200 lakhs for taxation and Rs. 68.10 lakhs for development rebate reserve. The equity dividend will absorb Rs. 155.32 lakhs.

CAPITAL ISSUES

Six companies have been authorised to raise fresh capital aggregating Rs. 5.15 crores. Of these, one is Central Government undertaking and two are companies floated by the State Governments. Four companies are issuing equities and two equities plus preference shares. Two of the companies are offering part of their capital for public subscription by prospectus.

The consent of the Controller of Capital Issues is valid for twelve months in the case of four companies. In respect of two companies, it is valid up to December 28, 1964 and May 21, 1965 only.

South India Shipping Corporation Limited, Madras, is to issue capital of Rs. 2 crores divided into 2,00,000 equity shares of Rs. 100 each to be issued for cash at par. Out of this, shares of the value of Rs. 1.5 crores will be offered for public subscription by prospectus. The capital will be utilised for meeting part of the cost of 5 bulk carriers, to be ordered by the company.

Instrumentation Limited, Jaipur, a Government of India undertaking, will be issuing capital of Rs. 35 lakhs divided into 3,500 equity shares of Rs. 1,000 each to be issued privately for cash at par. The money will be utilised for manufacture of electronic and electro-magnetic instruments etc.

Assam Gas Company, a Government of Assam undertaking, is to issue further capital of Rs. 50 lakhs divided into 50,000 equity shares of Rs. 100 each to be issued privately for cash at par. The money will be utilised in financing the Naharkatia Namrup Gas Pipe Line and for meeting other expenditure.

The Orissa State Commercial Transport Corporation Limited, a Government of Orissa undertaking, is to issue capital of Rs. 50 lakhs divided into 5,000 equity shares of Rs. 1000 each to be issued privately for cash at par. The money will be utilised for developing an efficient system of road and water transport for facilitating construction and the development of traffic to Paradeep Port.

Indo-French Forges Limited, Calcutta, was given consent in 1963 for the issue of capital of Rs. 1 crore consisting of Rs. 75 lakhs in equity and Rs. 25 lakhs in preference for the setting up a forge and heavy structural plant at Panchet, District Purulia.

To enable the company to meet increased capital requirements, the amount of the consent has been enhanced to Rs. 150 lakhs for cash at par consisting of Rs. 100 lakhs in equity shares of Rs. 10 each and Rs. 50 lakhs in 9.5 per cent cumulative redeemable preference shares of Rs. 100 each. Out of these, such number of shares of each kind will be issued to the public by prospectus as would qualify each kind of scrip to be listed on the recognised Stock Exchanges. The consent is valid up to December 28, 1964 only.

Andhra Cotton Mills Limited, (Andhra Pradesh) is to issue share capital of Rs. 30 lakhs divided into 20,000 equity shares of Rs. 100 each and 10,000 cumulative redeemable preference shares of Rs. 100 each carrying a dividend of 9.3 per cent free of company's tax but subject to tax at source.

GOVERNMENT OF INDIA

4 PER CENT. LOAN 1970 — ISSUE PRICE Rs. 99.00 PER Rs. 100 (NOMINAL) — REPAYABLE ON 15TH APRIL 1970

4½ PER CENT. LOAN 1989 — ISSUE PRICE Rs. 100 PER Rs. 100 (NOMINAL) — REPAYABLE ON 15TH APRIL 1989

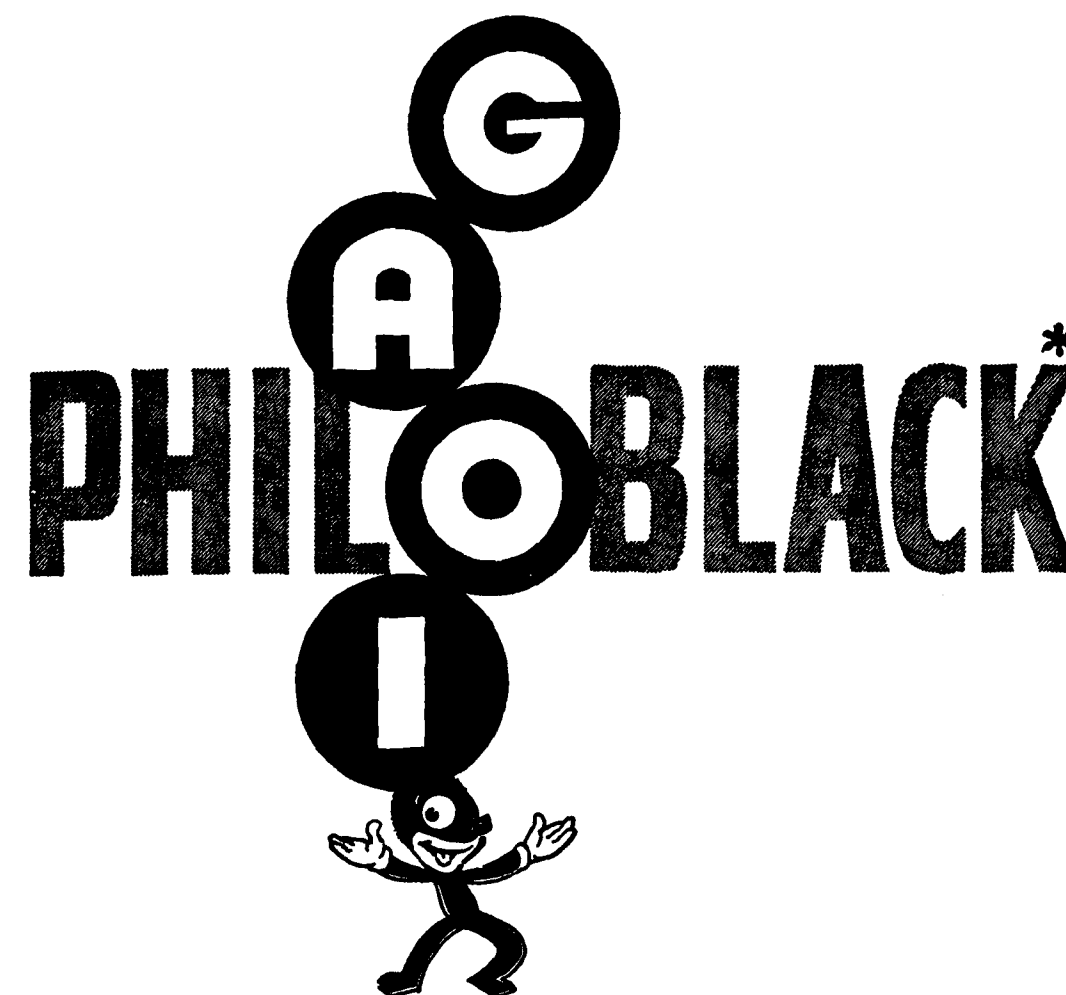
Subscriptions to further tranches of the above loans will be received in the form of cash/cheque from 13th of July 1964 to 15th of July 1964 but the subscription list may be closed earlier without notice as soon as the total subscriptions amount to Rs. 150 crores.

2. Interest on the new loans, which will be subject to tax under the Income-tax Act, 1961, will accrue from 13th July, 1964. Interest will be paid on 15th October, 1964 for the period 13th July to 14th October, 1964 inclusive and thereafter payments will be made half-yearly on 15th April and 15th October.

3. Applications for the new loans will be received at:—

- (a) **Offices of the Reserve Bank of India at Bangalore, Bombay (Fort and Byculla), 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.



outstanding performance

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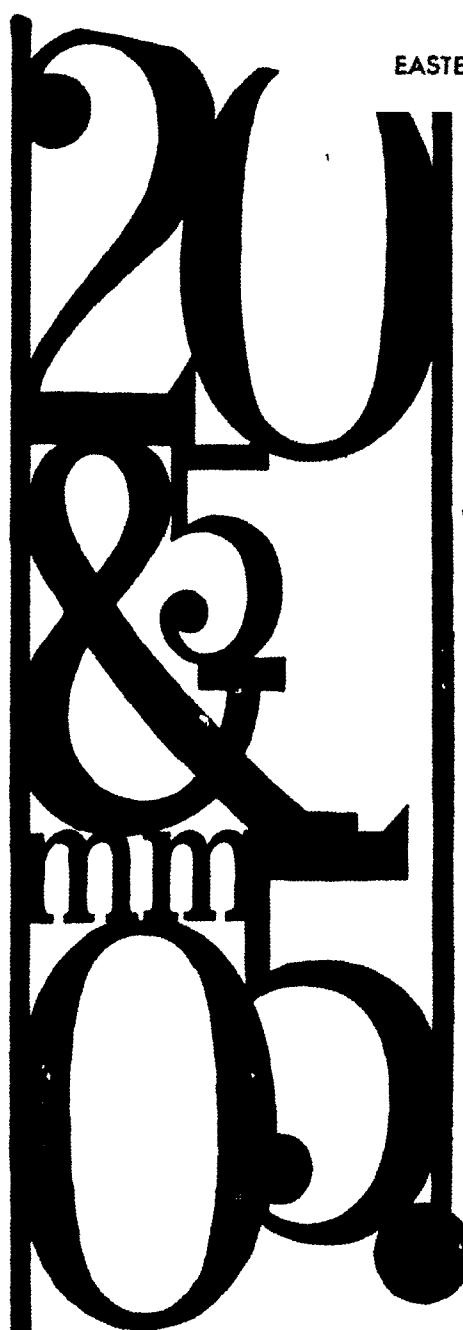
REGISTERED OFFICE & HEADQUARTERS:
'DUNCAN HOUSE', 31, NETAJI SUBHAS ROAD, CALCUTTA-1



Secretaries & Treasurers: Duncan Brothers & Co. Ltd., 31, Netaji Subhas Road, Calcutta-1. Phone: 22-5411 (5 lines)
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Associate these numbers with that very precious commodity called EARNED FOREIGN EXCHANGE (over Rs. 132 crores of it). Why? Because "point-o-two" and "point-o-two-five" millimetre represent the gauge thicknesses of aluminium foil from which Tea Chest Linings are made. And, with a few gay colours added, "point-o-two" and "point-o-two-five" millimetre also become good material to make lovely bangles for my fair lady — bangles for which there is such an extensive market in the Middle East and even America. Altogether, Alfoil of these gauge thicknesses help to earn a lot of Foreign Exchange each year.



INDIA FOILS LIMITED

(Incorporated in Great Britain)
Calcutta Bombay Madras New Delhi

July 10, 1964

EASTERN ECONOMIST

85

at the prescribed rate. All the shares are to be issued for cash at par.

This is in supersession of an earlier consent for the issue of capital of Rs. 25 lakhs. The consent is valid till May 21, 1965 only.

LICENCES ISSUED

The following licences were issued under the Industries (Development and Regulation) Act, 1951, during the fortnight ended June 6, 1964.

During the week ended May 30, 1964

IRON AND STEEL CASTINGS & FORGINGS

M/s. Raymon Engineering Works Limited, 2, Brabourne Road, Calcutta-1 (West Bengal) — Steel Forgings — Capacity to be fixed later; M/s. Sudsons (Private) Ltd, 3, Esplanade East, Calcutta-1 (Calcutta, West Bengal) — Steel Forgings and drop stampings — 2,424 tons per annum.

COAL

M/s. K.K. Chandra and Bros, Central Baihardi Colliery, P.O. Katrasgarh, Dist. Dhanbad (Bihar) Name of the undertaking : Central Baihardi Colliery (Dhanbad, Bihar) — Coal — 15,000 tonnes per annum; Mr. M. C. Guha Mustafee, Khas Katrasgarh Colliery, P.O. Katrasgarh, Dist. Dhanbad (Bihar) Name of the undertaking : Khas Katrasgarh Colliery (Dhanbad, Bihar) — Coal — 1,800 tonnes per annum; M/s. National Coal Development Corporation Ltd, "Dabhanga House", Ranchi (P.O. Bermo, Dist. Hazaribagh, Bihar) — Washed — 2.2 million tonnes per annum.

INTERNAL COMBUSTION ENGINES

M/s. Lynx Machinery Ltd., P.O. Box No. 163, 10, Clive Row Calcutta-1 (Maharashtra) — (1) Industrial Diesel Engines 9 HP to 90 HP — 2,040 Nos. per annum; (2) Marine Diesel Engines 9 HP to 90 HP — 900 Nos. per annum.

AIR AND GAS COMPRESSORS AND VACUUM PIPES

M/s. K.G. Khosla Co Private Ltd., 1, Deshbandhu Gupta Road, New Delhi-1 (Gurgaon, Punjab) — Automatic Disc and Plate Valves — 15,000 pieces per annum.

GRINDING WHEELS AND ABRASIVES

Ms. John Oakey & Mohan Ltd., 1/754 Chabiganj, Kashmir Gate, Delhi-6 (Mohan Nagar, Ghaziabad, U.P.) — Coated abrasives — 1,20,000 Reams per annum.

COTTON TEXTILES

M/s. Shree Ayyanar Spinning and Weaving Mills Ltd., 51, K.E. S. Godown Street, Virudhunagar (S.I.) (Virudhunagar, Madras) — Cotton Yarn — 13,000 spindles; M/s. Tarun Commercial Mills Ltd., Outside Kalupur Gate, Railwayapura, Ahmedabad-2 (Gujarat) — Cotton Yarn — 2,200 spindles; M/s. medabad-2 (Gujarat) — Cotton Yarn — 2,200 spindles; M/s. Gajraj Panna Lal Ltd., 68 Nalini Set Road, Calcutta-7 (Calcutta, West Bengal) — Cotton Yarn — 3,000 spindles; M/s. Hada Textile Industries Ltd. C/o 42, Garden Reach Road, Calcutta-24 (Calcutta, West Bengal) — Cotton Yarn — 12,500 spindles.

PAPER

M/s. Delhi Pulp Industries, 16/25, Katra Baryan, Fatehpuri, Delhi (Faridabad, Punjab) — Paper and Board — 1,500 tonnes per annum; Pulp — 1,500 tonnes per annum.

PORTLAND CEMENT

M/s. Saurashtra Cement and Chemical Industries Ltd., Ranavav (Gujarat) (Ranavav, Gujarat) — Pozzolan Cement — 120,000 tonnes per annum.

During the week ended June 6, 1964

COAL

M/s. Pandit Rambhaju Upadhyaya & Co., Pure Damoda Colliery, P.O. Nudkharkee, Dist. Dhanbad (Bihar) — Coal —

43,200 tonnes per annum.

ELECTRICAL MOTORS

M/s. Associated Electrical Industries (India) Pvt. Ltd., 56, Janpath, P.O. Box No. 345, New Delhi (West Bengal) — Squirrel Cage Induction — 3,000 Nos. per annum; Motors of the flame proof type up to 10 HP — 1,800 HP per annum.

SHIPS AND OTHER VESSELS DRAWN BY POWER

M/s. Scindia Workshop Limited, Scindia House, Ballard Estate, Bombay-1 (Mazagaon, Bombay, Maharashtra) — Ship's Hatch Covers — 20 sets per annum.

AUTOMOBILES

M/s. Hyderabad Allwyn Metal Works Ltd., Sanatnagar, Hyderabad-18 (Andhra Pradesh) — (1) Hydraulic hoists and tipping goers — 3,000 Nos. per annum; (2) Heavy duty trailers and semi-trailers. — 600 Nos. per annum.

COTTON TEXTILES

M/s. Elphinstone Spinning & Weaving Mills Co. Ltd., Kamani Chambers, 32, Nicol Road, Ballard Estate, Bombay-1 (Maharashtra) — Terry towelling cloth — 25 automatic looms.

VANASPATI

M/s. Shree Mansingka Oil Mills Pvt. Ltd., 258, Kalbadevi Road, Bombay-2 (Madhya Pradesh) — Vanaspati — 10 tons per day.

CHANGE IN NAME (Owners or Undertakings)

(Information pertains to particular licences)

During the week ended May 30, 1964

From The Coimbatore District Co-operative Mills Ltd., Coimbatore — to M/s. The Coimbatore District Co-operative Spinning Mills Ltd., Coimbatore; From M/s. Kerala State Industrial Development Corporation Limited, Trivandrum — to M/s. Kerala Spinners Limited, Alleppey.

During the week ended June 6, 1964

From M/s. Khemchand Rajkumar, Calcutta to M/s. Bombay Steel Rolling Mills Ltd., Calcutta; From Shri Ramabhupal Reddy, Kurnool to M/s. Torsion Products Private Limited, Kurnool; From Voltas Ltd., Bombay to M/s. Scottish India Machine Tools Ltd, Bombay; From M/s. Ravi Vegetable Oil Industries, Davangere to M/s. Jamnadas Madhavji & Co., Davangere (Lessees).

LICENCES REVOKED OR SURRENDERED

(Information pertains to particular licences)

During the week ended May 30, 1964

M/s. Pramod and Mapara Private Limited Bombay-1 — Chemical Machinery; Mr. Muljibhai Chaganlal Mehta, Prop. M/s. Kantilal and Co., Bombay-2 — Cotton Yarn; M/s. R. Chimanlal and Co., C/o The Aryan Brush Co., Ahmedabad — Cotton Yarn; Mr. Udayan Chinubhai C/o Udayan & Co., Ahmedabad — Cotton Yarn; Mr. Ishwardas Narottamdas, C/o Sheth Narottamdas Karsandas, Caltex Agent, Junagadh — Cotton Yarn.

During the week ended June 6, 1964

M/s. The Indian Tube Company (1953) Ltd., Calcutta — Cold formed sections; Mr. M. L. Goenka, Bankura (West Bengal) — Grinding balls; M/s. Carter, Pooler & Co., Private Ltd., Calcutta — Fork lift trucks; M/s. Addison & Co. Ltd., Madras — Jeep trailers; M/s. Kothari Oxygen Co., New Delhi-1 — Oxygen and dissolved acetylene; Licensee: Mr. A. C. Burman, Calcutta, Undertaking: M/s. Ashok Cotton Mills Ltd. — Cotton yarn; Licensee: Mr. Kashi Prasad Kataruka, Patna, Undertaking: M/s. Ashoka Spinning Mills Ltd. — Cotton yarn; Licensee: M/s. Inder Chand Rajgarhia & Sons Pvt. Ltd., Calcutta, Undertaking: M/s. Jyoti Cotton Mills Ltd. — Cotton yarn; Mr. Onkarmal Somany, Calcutta — Cotton yarn M/s. Karnatak Vegetable Mills & Refineries Ltd., Hagari-bommanahalli, Distt. Bellary (S. Rly.) — Vanaspati.

COMPANY MEETINGS

THE TRAVANCORE CEMENTS LTD., KOTTAYAM

Speech delivered by the Chairman, Sri C. S. Loganathan, at the Seventeenth Annual General Meeting held at the Registered Office of the Company, Nattakom, Kottayam, on 29th June, 1964.

Gentlemen,

I welcome you all for the seventeenth Annual General Meeting of our Company.

We are meeting at a time when the entire nation has not yet recovered fully from the gloom cast on account of the passing away of Sri Jawaharlal Nehru, our illustrious past Prime Minister. The phenomenal industrial progress of our country since we gained independence was mainly due to his foresight and drive and it is the sacred duty of every one of us to keep up the tempo and help building up a prosperous India for which he lived, laboured and died. As a mark of respect to our late Prime Minister, let us all rise up and observe a minute's silence.

The audited accounts and the annual report for the year have been circulated to all members and, with your permission, I shall now take them as read.

During 1963 the Company has been able to keep up the production and sales levels. During the year we produced 53,160 tonnes of grey cement and 6,300 tonnes of White cement and have sold 52,678 tonnes of grey cement and 6,082 tonnes of White Cement. Our sales of White Cement have been gradually improving year by year and sales during 1963 have been 31 per cent more than what was in 1962, and 76 per cent more than that of 1961.

You would have noticed from the Directors' Report that the profit for the year 1963 has been only Rs. 7,17,163 as against Rs. 9,67,529 for the previous year. The reasons for the decline in profit have been due to increased cost of production as explained in the Directors' Report. Your Directors have, therefore, been able to declare a dividend of only 6 per cent for the year 1963 as against 7 per cent for the year 1962.

Retention Price: The retention price payable to the cement producers was fixed based on the Tariff Commission's report in November 1961 and is to be in force till March 1966. However, the Government of India had in principle agreed to make suitable changes in the retention prices, whenever there are material increases in the cost of production. From June 1963, an increase of Rs. 2.75 per tonne was allowed to all cement producers excepting ourselves to meet the increased cost of production. As explained in your Directors' Report,

representations have been made to the Government of India to extend this price increase to our factory also and the matter is still pending with the Government. Since June 1963, there have been further increases in the cost of production due to increase in coal price, Railway freight etc., and the factories individually and through the Cement Manufacturers' Association have requested the Government of India for a further suitable enhancement of retention price. It is hoped that Government will favourably consider this request of the industry and in our case, mete out justice which was denied to us at the time of allowing a general increase to the industry from June 1963.

Taxation: As per the Finance Act of 1964, in the case of industries engaged in the production of basic and essential commodities a rebate in the tax is allowed. Cement is one among such industries and we are getting a relief of 5 per cent in the taxation, but there is an extra levy of dividend tax at the rate of 7.5 per cent of the amount of dividend.

The total amount of tax to be deducted from dividends has been reduced from 30 per cent to 20 per cent and this is a good relief to the shareholders.

Gentlemen, you are aware that the Government of Kerala has two nominees in the Board of Directors. Sri C. S. Padmanabha Iyer who was Government nominee in the Board has been appointed by the Government of India as Chief Engineer of Cochin Port Trust and consequently Sri Padmanabha Iyer has resigned from the Board. In this vacancy, the State Government has nominated Sri T. P. Kuttiammu, Chief Engineer, Irrigation and Projects. I take this opportunity to express our thanks to Sri C. S. Padmanabha Iyer for his valuable guidance and service to the Company and also welcome Sri T. P. Kuttiammu to the Board.

Before I conclude, I would like to express my thanks to my colleagues on the Board of Directors for their valuable services to the Company and to the Works Manager and all employees for their continued co-operation and efficient service.

I now request that the Directors' Report and the audited accounts for the year 1963 may be taken up for consideration and adoption.

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

RUBY GENERAL INSURANCE COMPANY LIMITED

RUBY GENERAL RECORDS STEADY PROGRESS, SUSTAINED RISE IN INCOME AND PROFITS

Speech delivered by Shri M. L. Shah at the Twenty-eighth Annual General Meeting on Monday, the 29th June, 1964.

Gentlemen,

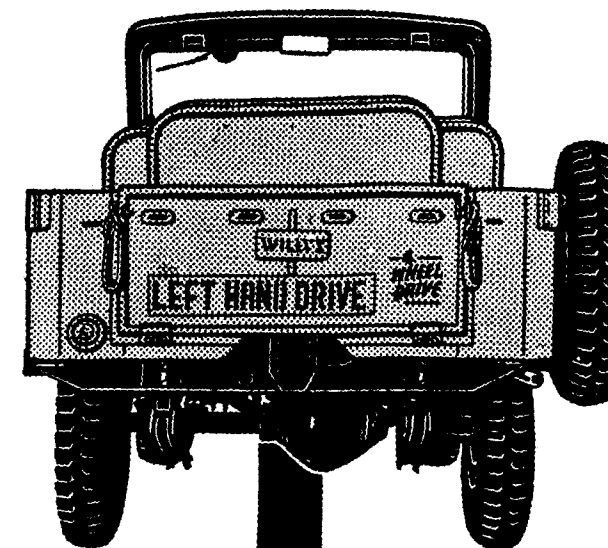
It gives me great pleasure to welcome you to the Twenty-eighth Annual General Meeting of the Company.

We are meeting under the shadow of a national tragedy, Shri Jawaharlal Nehru, our beloved Prime Minister and Leader, who guided the destinies of the nation since independence, is no more with us. Not only India but the whole world mourns his loss. Such great personality is seldom born and it is impossible to replace him. However, it is gratifying to note

that Shri Lal Bahadur Shastri has been appointed our new Prime Minister with promise of all round support and I am confident our country will continue its onward march of progress under his able guidance.

The Statements of Accounts of the Company for the year 1963 have been with you for some time and you must have noted with satisfaction that the Company has again shown good results.

Your Company has been making steady progress since



PARTICULAR SERVICING FOR PARTICULAR PEOPLE

It means more life, more mileage. If your Jeep is serviced by Jeep Dealers. It is oiled, cleaned, tuned and adjusted by people who know each nut and bolt of the Jeep. They have been trained to give you factory specialised servicing. There are over a 100 dealers spread throughout the country with a complete range of equipment. Trust your Jeep to a JEEP DEALER for reliable, efficient servicing.

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AUTOMOTIVE MANUFACTURERS PVT. LTD., Secunderabad • BHOPAL MOTORS PVT. LTD., Bhopal • CAMA MOTORS PVT. LTD., Ahmedabad • CENTRAL AUTOMOBILES, Raipur (M.P.) • GARAPATI GARAGE (1959) Vijayawada • GHATAGE & PATIL, Kolhapur • HIRAKUD AUTOMOBILES, Sambalpur (Branch: Rourkela) • INDIA GARAGE, Bangalore • INDIA GARAGE, Madras • JADWET TRADING CO., Port Blair (Andaman & Nicobar Islands) • JAMMU & KASHMIR MOTOR CORP., Jammu-Tawi (Kashmir State) • LAWLRY SEN & CO., Patna • METRO MOTORS, Bombay • METRO MOTORS (KATHIAWAR) PVT. LTD., Rajkot • NARAIN AUTOMOBILES, Lucknow • NARBHERAM & CO. PVT. LTD., Jamshedpur • PATNAIK & CO. PVT. LTD., Cuttack • PROVINCIAL AUTOMOBILE CO., PVT. LTD., Nagpur • SANGHI BROS., (INDORE) PVT. LTD., Indore • SANGHI MOTORS, New Delhi (Branch: Chandigarh) • SILVER JUBILEE MOTORS PVT. LTD., Poona • T.V. SUNDHAR IYENGAR & SONS PVT. LTD., Madurai • TASHI COMMERCIAL CORPORATION, Phuentsoling (Bhutan) • TENZING & TENZING, Sikkim • UNITED MOTORS OF RAJASTHAN, Jaipur • VISHNOO V. KAMAT TARCAR, Cidade De Goa, Goa • WALFORD TRANSPORT LTD., Calcutta (Branches: Dibrugarh & Siliguri)

BUY NATIONAL DEFENCE CERTIFICATES

July 10, 1964

inception, and particularly during the last few years has shown very good results. As compared to the premium income of Rs. 1,85,12,084 for 1962, the premium income for 1963 has been Rs. 1,89,85,871, and the Capital and Funds during the same period have increased from Rs. 1,67,75,481 to Rs. 1,81,05,008.

FIRE DEPARTMENT

The Premium income for the year has increased from Rs. 78,21,379 in the year 1962 to Rs. 83,36,101 and Profit from Rs. 16,43,000 to Rs. 18,40,247.

MOTOR AND MISCELLANEOUS DEPARTMENT

The Premium income for the year has been reduced from Rs. 93,07,083 in the year 1962 to Rs. 82,52,631 due to reduction in foreign Motor business which has not been profitable. The Profit increased from Rs. 4,17,262 in the year 1962 to Rs. 4,48,283.

MARINE DEPARTMENT

The Premium income for the year has increased from Rs. 13,83,622 in the year 1962 to Rs. 17,97,139. The working of the Department shows a loss of Rs. 3,99,290 as against a profit of Rs. 1,30,940 in the year 1962, mainly due to the increase in the Premium Reserve from Rs. 13,83,622 to Rs. 17,97,139.

The Net Profit after taxation has increased from Rs. 13,35,783 in the previous year to Rs. 13,85,873.

THE UNITED INDIA FIRE & GENERAL INSURANCE CO., LTD.

Speech of the Chairman, Mr. M. Ct. Muthiah

The following are extracts from the speech delivered by Mr. M. Ct. Muthiah, at the 26th Annual General Meeting of the Shareholders of The United India Fire & General Insurance Company Limited, held on 1st July, 1964, at the Registered Office of the Company, at No. 151, Mount Road, Madras-2.

Gentlemen,

I extend to you all a hearty welcome on this occasion. We have met for the purpose of considering the Directors' Annual Report, the Balance Sheet and the Accounts for the year 1963. As these have all been printed and circulated to all the Shareholders, I shall with your permission take them as read.

Just over a month has passed since our Country sustained a heavy loss in the death of Shri Jawaharlal Nehru. It is a difficult task to say how much we all owe to him for the services he rendered to India and the World at large. You know the whole story as well as I do. It is impossible to forget the sacrifices he made in the cause of Indian Independence and the services he later rendered as our sole leader all these years. We can only hope that the ideals for which he lived and the example he has set will serve as a source of inspiration to those who are now or may hereafter be called upon to carry on his work for the advancement of our people in various directions.

Coming to the results of the Company's working during the year 1963, you will have noticed that the premium income has risen to a greater or smaller extent in all the sections and that the claims experience is not bad either. I shall not go into the details which are all found printed in the several Statements of Accounts. After meeting all expenses and other demands and adding Rs. 60,397, Rs. 2,80,746 and Rs. 16,763 to the business reserves in the three sections — Fire, Accident and Marine respectively—a sum of Rs. 4,28,334 has been carried as profit to the Profit and Loss Account. From this amount, your Directors thought fit that we should transfer Rs. 50,000 to General Reserve and Rs. 50,000 to other reserves. These reserves necessarily help us to build up the financial strength of the Company on right lines and form a good cushion in case of need in later years. The Directors have recommended payment of a dividend of 80 P. per share subject to deduction of tax as in the previous year. I trust you will consider this satisfactory.

The Directors have recommended a Dividend of Rs. 1.25 Paise per share as before. The Directors have also decided to take steps to capitalise Rs. 6,43,000 out of the Premium on Shares and issue one fully paid Bonus Share of Rs. 8 as against 5 existing Shares.

The most important event in the Indian Insurance Industry during the year under review has been the decision of the Government to permit the Life Insurance Corporation of India to write General Insurance business. The L.I.C. has commenced business from 1st April, 1964 and decided to follow the Tariff Rates for the present. The L.I.C. should not disturb the existing business of the private insurers but should open new avenues and look for fresh business.

The Voluntary Code of Conduct has proved very useful in improving the tone of the industry and I hope the encouraging results achieved so far will be continued.

Before I conclude I would like to place on record my sincere appreciation and thanks to our patrons for their continued support and to the Executives, Staff, Field-workers and other representatives in India and abroad for their co-operation and devotion to duty which has enabled the Company to achieve good results.

Thanking you, gentlemen.

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

There is at present one problem in our business which calls for special notice. While premium rates have undergone reduction more than once, expenses have gone up steadily due to increased costs all round. The combined effect of these two factors is that there is an increasing difficulty in keeping expenses within the limits prescribed in the Insurance Rules and at the same time finding sufficient resources for development purposes. I have no doubt, however, that this aspect of the matter will receive attention from the authorities concerned.

Fears were expressed when it was reported some time back that the Life Insurance Corporation would enter the field of general insurance, as non-tariff insurer. The Corporation has since commenced to transact business and it is gratifying to receive an assurance that the Corporation although operating as a non-tariff insurer will not compete with other Companies on unhealthy lines or do anything to lower the standards required for building up general insurance business in the Country as a great and good national asset.

Our Company stopped writing business in Ceylon from 1st June, 1963 and had to close its Office in Colombo on account of nationalisation of general insurance business in that Country. This meant some loss to us but altogether I think that we need not regret the necessity to withdraw from that Country.

Having regard to the results disclosed in the several Statements of Account, I trust that you agree with me that 1963 was a year of progress for us. I should like to take this opportunity to express my appreciation of the good work carried out by all those who were attending to the Company's business both in the Head Office and in the branches.

I shall now move that the Directors' Report, audited Balance Sheet and Accounts be received and adopted.

NOTE: This does not purport to be a record of the proceedings of the annual general meeting.

July 10, 1964

EASTERN ECONOMIST



Dunlop Gold Seal tyres are being bought by car owners in unprecedented numbers. There are good reasons. They give the highest mileage. Their proven grip on wet roads means that they are the safest tyres. Further, the strength of the casing assures maximum retreadability. You too can have these advantages by fitting a set of Dunlop Gold Seal car tyres.



DUNLOP
Gold Seal CAR TYRES
more miles for your money

THE AUTOMOBILE INDUSTRY...

is a key industry

In a country like India, where industrial development is in full swing, the Automobile Industry is a KEY Industry. Its growth contributes to the national prosperity and well-being in many ways:

it saves foreign exchange through progressive manufacture of motor vehicles, which will gradually eliminate imports;

it generates work and income for numerous other industries and trades;

it contributes to the development of agriculture through speedy road transportation of produce to markets;

it generates high revenues to Government for numerous development projects;

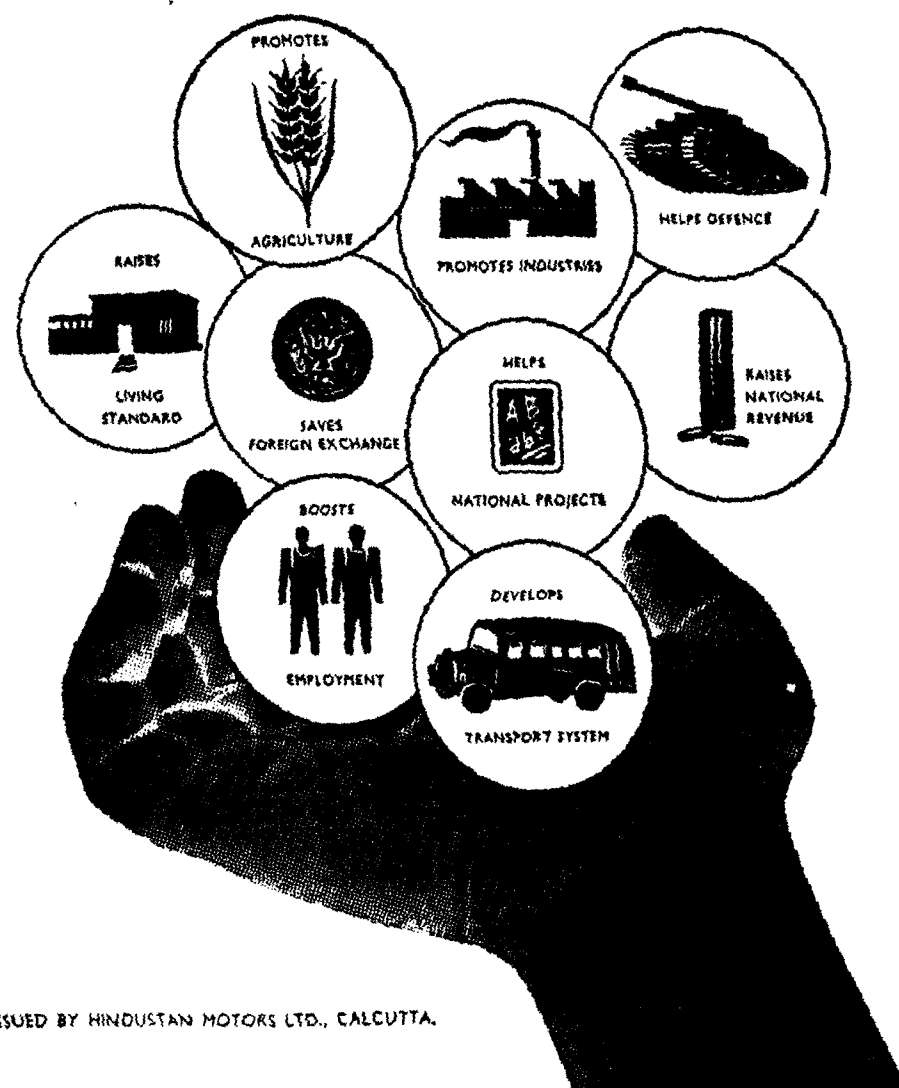
it helps to raise the standard of living and do away with poverty;

it helps the integration of the country through greater mobility;

it contributes to the improvement of vocational education and technical 'know how', through apprenticeship schemes, mechanics' and engineers' training courses, technical institutions, etc.;

it contributes to the country's defence through supply of the required vehicles to the armed forces.

The Indian automobile industry, therefore, deserves the fullest measure of support both from the Government and the public.



ISSUED BY HINDUSTAN MOTORS LTD., CALCUTTA.

July 10, 1964

EASTERN ECONOMIST

RECORDS AND STATISTICS

Corporate Leaders in Indian Economy

This paper was prepared by Dr. Raj K. Nigam, Director of Investigation, Monopolies Inquiry Commission and Mr. N. C. Chaudhuri, Research Officer in the Research and Statistics Division of the Department of Company Law Administration.

SEVERAL BASES are used for measuring the size of companies. One of them which readily presents itself for adoption because of easy availability of data is paid-up capital. More important criteria adopted for the purpose are however those based on net tangible assets, net fixed assets turnover, net worth, net profits and employment. In this study all the criteria mentioned above except employment have been taken into account and a list of first hundred biggest companies popularly known as Corporate Leaders or toppers according to each of these bases has been drawn up for the year 1962-63. These companies include both public and private sector companies; banking and insurance companies are excluded.

It may be mentioned that the overall size of the entire corporate sector is readily available only in terms of paid-up capital from official records. The total number of companies at work in the country as on 30th June, 1963 stood at 25,592. The total paid-up capital of these companies was estimated at Rs. 2247 crores. The aggregate paid-up capital of the first hundred biggest companies from the point of view of paid-up capital worked out to Rs. 1078 crores and accounted for 48 per cent of the total paid up of all companies at work in the country. In 1962-63 the hundred toppers ranked according to net tangible assets, net fixed assets and net worth accounted for 47.48 per cent of the total paid-up capital of all companies. The aggregate paid-up capital of the 100 corporate leaders on the basis of turnover amounted to Rs. 863 crores which constituted about 39 per cent of the total paid-up capital of all companies at work in the country. The 100 toppers according to the criterion of net profits, accounted for an aggregate paid-up capital of Rs. 574 crores or about 25 per cent.

The figures of net tangible assets, net fixed assets, paid-up capital, net worth, turnover and net profits of 100 toppers according to these respective bases for the year 1962-63 are given below:

	(Rs. in crores)
Net tangible assets	2779.8
Net fixed assets	1607.3
Paid-up capital	1077.8
Net worth	1384.3
Sales/Income	1715.5
Net profits (i.e. profits after tax depreciation and other charges)	76.8

The various financial data relating to 100 toppers according to the criterion of net tangible assets are given below:

	(Rs. in crores)		
	1954-55	1956-57	1962-63
Total Net Tangible assets	738.9	1012.2	2779.8
Total Net fixed assets	—	—	1568.1
Total Paid-up capital	294.7	334.2	1066.7
Total Net worth	422.6	516.4	1363.6
Total Sales/Income	505.4	725.5	1508.7
Total Net profits	32.7	43.3	66.9
	(97 companies)	(98 companies)	(87 Cos.)

It will be seen that the paid-up capital of the 100 toppers was 78 per cent of their net worth. The share of the net fixed assets in the net tangible assets was 56 per cent. The ratios of net profits to turnover and net profits to paid-up capital in respect of 87 of the toppers which earned profits worked out to 5 per cent and 12.7 per cent respectively.

As already mentioned, the overall size of the entire corporate sector was available only in terms of paid-up capital from the official records. The proportionate share of the aggregate paid-up capital of the 100 toppers in the total paid-up capital of all companies at work in the country was 47 per cent in 1962-63 as compared to 30 per cent of the entire corporate sector represented by the 100 corporate leaders ranked according to net tangible assets in terms of paid-up capital in 1954-55 and 31 per cent in 1956-57.

The Hundred Toppers

The above 100 toppers comprised 19 Government companies with a total paid-up capital of Rs. 670.8 crores and 81 non-Government companies involving an aggregate paid-up capital of Rs. 395.9 crores. The share of the 19 Government companies in the total paid-up capital of the 100 toppers came to 62.9 per cent. These 19 Government companies represented about 30 per cent of the entire corporate sector in terms of paid-up capital. The giant sized Government companies Hindustan Steel had a big share of Rs. 367 crores or 55 per cent in the 19 Government companies and 34 per cent in the 100 toppers in terms of paid-up capital. The three iron and steel companies in the private sector included in the 100 toppers accounted for an aggregate paid-up capital of Rs. 60.2 crores. Thus the four iron and steel companies together constituted 40 per cent of the aggregate paid-up capital of the 100 toppers and about 20 per cent of the total paid-up capital of all companies at work in the country. The fifteen textile companies all in the private sector included in the 100 toppers together accounted for Rs. 51.1 crores out of Rs. 1066.7 crores or 5 per cent. The number of manufacturing companies included in the 100 toppers was 75 comprising 13 Government companies and 62 non-Government companies accounting for aggregate paid-up capitals of Rs. 291.4 crores and Rs. 521.6 crores respectively. These manufacturing companies represented more than 76 per cent of the 100 toppers and more than 36 per cent of the entire corporate sector in terms of paid-up capital.

The aggregate value of the net tangible assets of the 100 toppers amounted to Rs. 2779.8 crores shared by the private sector companies, and public sector companies about equally (Rs. 1465.3 crores in the non-Government companies and Rs. 1314.5 crores in the case of Government companies). The net tangible assets of the iron and steel companies amounted to Rs. 1066.9 crores of which major share was claimed by Hindustan Steel (Rs. 798.6 crores) i.e. the iron and steel companies alone accounted for more than 38 per cent of the total assets of the 100 toppers. The seventy-five manufacturing companies included in the 100 toppers accounted for aggregate net tangible assets of Rs. 2074.7 crores out of total net tangible assets

POSITION OF 10 BIGGEST COMPANIES RANKED ACCORDING TO THEIR NET TANGIBLE ASSETS, NET FIXED ASSETS, PAID-UP CAPITAL, ETC.

	Net Tangible assets	Net fixed assets	Paid-up Capital	Net worth	Sales/Income	Net profits
1. Hindustan Steel	798.6 (1)	579.5 (1)	367.0 (1)	343.1 (1)	130.5 (1)	—
2. Tata Iron & Steel	155.2 (2)	103.3 (2)	39.0 (4)	82.0 (3)	103.4 (2)	3.4 (2)
3. Indian Iron & Steel	99.8 (3)	61.5 (5)	15.1 (13)	42.6 (5)	67.4 (4)	5.6 (1)
4. Neyveli Lignite Corpn.	97.0 (4)	83.7 (3)	80.0 (2)	82.1 (2)	1.3*	—
5. Fertiliser Corpn. of India	84.8 (5)	64.8 (4)	42.1 (3)	48.2 (4)	22.6 (15)	1.1 (20)
6. Oil India	76.5 (6)	18.9 (12)	28.0 (7)	28.9 (8)	3.9*	1.3 (11)
7. National Coal Development Corporation	72.0 (7)	41.1 (6)	35.4 (5)	37.7 (6)	16.5 (24)	1.0 (24)
8. Indian Refineries	51.2 (8)	40.6 (7)	29.4 (6)	28.5 (9)	3.5 (67)	—
9. Heavy Electricals (India)	51.2 (9)	33.6 (8)	26.5 (8)	222.2 (14)	1.0*	—
10. Associated Cement Co.	50.2 (10)	26.8 (9)	19.1 (11)	29.6 (7)	23.6 (13)	2.1 (3)

Note: * Does not fall within the first 100 biggest companies — Loss.

100 TOPPERS OF THE CORPORATE SECTOR RANKED ACCORDING TO TOTAL TANGIBLE ASSETS (1962-63)

(Amount in lakhs of rupees)

Name of the Company	Net Tangible Assets	Net Fixed Assets	Paid-up Capital	Net Worth	Total Sales or Income	Net Profits
	Amt. Rank	Amt. Rank	Amt. Rank	Amt. Rank	Amt. Rank	Amt. Rank
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Hindustan Steel*	7,98,60	1	5,79,49	1	3,43,09	1
Tata Iron & Steel	1,55,13	2	1,03,32	2	81,37	3
Indian Iron & Steel	99,85	3	61,43	5	15,14	13
Neyveli Lignite Corpn.*	96,99	4	83,73	3	80,00	2
Fertilisers Corpn. of India*	84,81	5	64,76	4	42,08	3
Oil India	76,55	6	18,86	12	28,00	7
National Coal Development Corpn.*	81,96	7	41,11	6	35,35	5
Indian Refineries*	51,23	8	40,64	7	29,40	6
Heavy Electricals (India)*	51,51	9	33,64	8	26,50	8
Associated Cements Companies	50,21	10	26,78	9	19,09	11
Hindustan Aircrafts*	48,88	11	14,10	18	20,00	10
Tata Engineering & Locomotive Co.	45,95	12	17,30	14	10,00	16
Scindia Steam Navigation Co.	43,16	13	22,80	11	11,29	15
Burmah-Shell Refineries	38,36	14	15,43	17	14,54	14
Shipping Corporation of India*	33,24	15	23,64	10	23,45	9
Imperial Tobacco Co. of India	32,85	16	8,60	27	15,18	12
Industrial Credit & Investment Corpn. of India	31,88	17	23	99	5,00	31
Delhi Cloth & General Mills Co.	38,88	18	9,79	23	5,03	30
Esso Standard Refining Co. of India	25,87	19	9,82	22	3,00	57

100 TOPPERS OF THE CORPORATE SECTOR RANKED ACCORDING TO TOTAL TANGIBLE ASSETS (1962-63) (contd.)

(Amount in lakhs of rupees)

Name of the Company	Net Tangible Assets	Net Fixed Assets	Paid-up Capital	Net Worth	Total Sales or Income	Net Profits
	Amt. Rank	Amt. Rank	Amt. Rank	Amt. Rank	Amt. Rank	Amt. Rank
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Indian Aluminium Co.	22,20	20	12,97	19	4,40	35
Tata Power Co.	21,93	21	18,14	13	6,02	23
State Trading Corporation of India*	21,70	22	8	100	2,00	85
Voltas	20,10	23	1,10	93	2,55	66
Ahmedabad Electricity Co.	19,90	24	15,75	15	8,75	17
Indian Steamship Co.	18,89	25	15,61	16	2,73	63
Caltex Oil Refining (India)	18,16	26	9,92	21	4,50	34
Hindustan Motors	17,02	27	5,43	47	8,20	19
Rohtas Industries	16,84	28	7,93	29	6,05	22
Ahmedabad Manufacturing & Calico Printing Co.	16,63	29	8,31	28	2,42	74
Century Spinning & Manufacturing	16,30	30	10,09	20	3,80	41
Indian Oil Co.*	15,65	31	3,24	71	3,22	51
Hindustan Machine Tools*	15,10	32	7,19	32	8,06	20
Brooke Bond India Private	14,68	33	1,13	92	1,68	90
Burn & Co.	14,66	34	3,59	65	1,12	97
New Central Jute Mills Co.	14,52	35	9,27	25	2,89	60
Singareni Collieries*	14,48	36	6,91	33	3,00	56
Bombay Dyeing & Manufacturing Co.	13,87	37	5,87	43	2,51	68
Kesoram Industries & Cotton Mills	13,64	38	8,77	26	3,20	52
Madura Mills Co.	13,61	39	3,61	64	1,75	89
Hindustan Shipyard*	13,46	40	3,18	72	5,86	25
Ind'an Tube Co. (1953)	13,25	41	5,41	48	6,08	21
Fertilizers & Chemicals Travancore*	13,18	42	6,38	36	5,56	27
Jessop & Co.	12,71	43	3,51	66	2,24	78
Dunlop Rubber Co. (India)	12,56	44	6,09	39	5,20	29
Jiyajeerao Cotton Mills	12,55	45	4,27	59	5,71	26
ACC - Vicker Babcock	12,43	46	6,06	40	4,00	38
Textile Machinery Corpn.	12,32	47	2,73	78	2,90	59
Jay Engineering Works	12,20	48	2,82	78	2,02	83
Indian Telephone Industries*	12,15	49	3,39	67	4,00	39
Orient Paper Mills	11,94	50	6,87	34	3,71	42
Hindustan Lever	11,89	51	4,61	56	8,24	18
Birla Jute Manufacturing Co.	11,37	52	5,93	42	2,04	61
Atul Products	11,32	53	4,87	51	2,98	58
Indian Cable Co.	11,22	54	1,86	86	2,49	72
Indian Oxygen	11,07	55	5,56	46	3,64	43
Andhra Valley Power Supply Co.	11,01	56	9,43	24	3,52	45
British India Corpn.	10,99	57	67	96	4,07	37
Bharat Electronics*	10,93	58	2,86	75	5,21	28
Titaghur Paper Mills	10,83	59	4,88	50	2,40	75
Alkali & Chemical Corpn. of India	10,26	60	4,39	57	3,41	48
Tata Chemicals	10,15	61	5,97	41	3,62	44
Mahindra & Mahindra	9,73	62	1,28	91	2,20	79
National Mineral Development Corpn.*	9,56	63	6,14	38	5,92	24
Metal Box Co. of India	9,40	64	2,77	77	1,91	87
Ballarpur Paper & Straw Board Mills	9,40	65	5,15	49	1,61	92
Tata Hydro Electric Power Supply Co.	9,35	66	7,58	30	3,29	49
Hindustan Construction Co.	9,34	67	2,25	82	97	100
Martin Burn	9,33	68	70	95	2,07	82
Nizam Sugar Factory*	9,05	69	2,01	84	1,46	93
Ashok Leyland	8,69	70	3,81	63	4,11	36
Bombay-Burma Trading Corpn.	8,55	71	3,34	68	2,68	64

of Rs. 2779.8 crores for the 100 toppers or little less than 75 per cent (34 per cent from the private sector manufacturing companies and 41 per cent from the public sector manufacturing companies of which the share of Hindustan Steel is about 35 per cent).

The industrial distribution of the 100 toppers ranked according to the net tangible assets is given on page 93 with net tangible assets and paid-up capital of companies in each industrial group.

The net tangible assets, net fixed assets, paid-up capital, net worth, sale/income and net profits for the first 100 biggest companies ranked according to net fixed assets are given below:

	(Rs. in crores)
Total tangible assets	2639.8
Total fixed assets	1607.3
Total paid-up Capital	1053.3
Total Net worth	1348.7
Total Sale/income (99 companies)	1347.8
Total Net profit (86 companies)	63.3

The aggregate paid-up capital of the 100 toppers accounted for 47 per cent of the total paid-up capital of all companies at work in the country and 78 per cent of networth for the 100 toppers. The share of the net fixed assets in the total assets for the toppers was 61 per cent. The ratios of net profits to sales/income and net profits to paid-up capital in respect of 86 of the 100 toppers which made profits were 6 per cent and 12 per cent respectively. The 100 toppers comprised 16 Government companies and 84 non-Government companies. The aggregate amount of net fixed assets was Rs. 920.9 crores for the 16 Government companies and Rs. 686.4 crores for the non-Government companies. Hindustan Steel tilted the balance heavily in favour of the Government companies included in the hundred toppers.

The following are the financial data for the 100 corporate leaders ranked according to sales/income.

	(Rs. in crores)
Total Net tangible assets	2347.6
Total Net fixed assets	1317.8
Total Paid-up capital	863.0
Total Net worth	1176.3
Total Sales/income	1715.5
Total Net profits (96 companies)	67.0

The 100 toppers ranked on the basis of turnover represented 39 per cent of the entire corporate sector in terms of the paid-up capital. The aggregate paid-up capital of these toppers formed 73 per cent of their net worth. Net fixed assets accounted for 56 per cent of total net tangible assets. Out of the 100 corporate leaders four incurred losses. The rate of net profits for the remaining 96 companies on their sale/income was four per cent. The net profits of these 96 companies as percentage of their paid-up capital came to 15.

The aggregate figures of net tangible assets, net fixed assets, paid-up capital, net worth, sales/income and net profits of the 100 corporate leaders ranked according to net profits are indicated as under.

	(Rs. in crores)
Total net tangible assets	1656.3
Total net fixed assets	762.1
Total paid-up capital	574.2
Total net worth	859.5
Total sale/income	1413.0
Total net profits	76.8

The 100 toppers accounted for 25 per cent of the whole company sector in terms of paid-up capital. The share of the aggregate paid-up capital of these toppers in their net worth was 67 per cent. The rates of net profits on sales and paid-up capital stood at 5½ per cent and 13 per cent respectively.

The financial statistics of the 100 toppers according to the criterion of net worth are summarised below:

	(Rs. in crores)
Total net tangible assets	2,742.9
Total net fixed assets (99 Cos.)	1,576.5
Total paid-up capital	1,069.5
Total net worth	1,384.3
Total sale/income (99 Cos.)	1,547.6
Total net profits (87 Cos.)	62.8

The aggregate paid-up capital of these 100 toppers accounted for 48 per cent of the total paid-up capital of all companies at work in the country and 77 per cent of the net worth for the 100 toppers. The share of total net fixed assets in the total net tangible assets for the 100 toppers worked out to 57 per cent. The rates of net profits on sales and paid-up capital for 87 profit earning companies of the 100 toppers stood at 5 per cent and 12 per cent respectively.

The total figures of net tangible assets, net fixed assets etc. of the 100 corporate leaders ranked on the basis of paid-up capital are as follows:

	(Rs. in crores)
Total net tangible assets	2,710.7
.. net fixed assets	1,562.5
.. paid-up capital	1,077.8
.. net worth	1,362.8
.. sale/income (99 Cos.)	1,447.8
.. net profits (83 Cos.)	64.8

The 100 Corporate Leaders represented 48 per cent of the entire Corporate Sector in the country in terms of paid-up capital.

The first 10 companies of the 100 toppers ranked on the basis of net tangible assets, net fixed assets, paid-up capital, net worth, sales/income and net profits (i.e. profits after tax, depreciation and other charges) are shown below:

THE FIRST 10 OF THE 100 TOPPERS RANKED ACCORDING TO THEIR TOTAL NET TANGIBLE ASSETS

		(Rs. in crores)	
Rank	Name of Company	Industrial Classification	Paid-up Capital
1.	Hindustan Steel	3.0	7.98 6
2.	Tata Iron and Steel Co.	3.0	1,55 2
3.	Indian Iron and Steel Co.	3.0	99 8
4.	Neyveli Lignite Corp.	1.0	97.0
5.	Fertilizers Corp. of India	3.65	84.8
6.	Oil India	1.2	76.5
7.	National Coal Development Corporation	1.0	72.0
8.	Indian Refineries	4.00	51.2
9.	Heavy Electricals (India)	3.39	51.2
10.	Associated Cement Cos.	4.1	50.2
TOTAL:		15,36.5	682.3

INDUSTRIAL DISTRIBUTION OF THE 100 TOPPERS ACCORDING TO THEIR NET TANGIBLE ASSETS

(Amount in crores of rupees)

Industrial Groups	Non-Government Companies			Government Companies		
	No.	Value of net tangible assets	Paid-up capital	No.	Value of net tangible assets	Paid-up capital
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Tea	1	14.7	1.7	—	—	—
Coal	1	8.2	1.4	3	183.5	118.4
Crude petroleum & natural gas	1	76.5	28.0	—	—	—
Aluminium (Bauxite)	1	22.2	4.4	—	—	—
Mining and Quarrying — Others	—	—	—	1	9.6	5.9
Sugar factories and refineries	1	7.8	2.0	1	9.1	1.5
Cigarettes	1	32.6	15.2	—	—	—
Cotton Mills	8	117.2	25.4	—	—	—
Woolen Spg. and Wvg. etc.	1	11.0	4.1	—	—	—
Manufacture of rayon or artificial silk	4	36.8	15.9	—	—	—
Jute spinning weaving etc.	2	25.9	5.7	—	—	—
Footwear	1	8.4	1.0	—	—	—
Iron and Steel (Basic manufacture)	3	268.3	60.2	1	798.6	367.0
Non-ferrous metal (Basic manufacture)	1	7.5	1.3	—	—	—
Ship and Boat manufactures and repairs	—	—	—	1	13.5	5.9
Motor Vehicles manufactures and repairs	5	50.6	19.3	—	—	—
Aircraft manufactures and repairs	—	—	—	1	48.9	20.0
Electrical Fans manufacture and repairs	1	12.2	2.0	—	—	—
Electrical — Others manufacture and repairs	2	19.5	4.7	3	74.2	35.7
Textile machinery manufactures	1	7.3	2.5	—	—	—
Machine tools manufacture	—	—	—	1	15.1	8.4
Other metal production	1	9.4	1.9	—	—	—
Machinery — others	6	106.2	21.3	—	—	—
Manufacture of acid alkali, salts etc.	1	10.1	3.6	—	—	—
Explosives and fireworks	1	7.7	3.0	—	—	—
Chemical fertilisers	—	—	—	2	98.0	47.7
Other basic chemical industries	2	21.6	6.4	—	—	—
Medical and pharmaceutical preparation	—	—	—	1	8.1	2.5
Washing soap & cleaning compounds	2	20.1	9.6	—	—	—
Matches	1	7.6	2.8	—	—	—
Kerosene and petroleum refineries	3	82.2	22.0	2	66.8	32.6
Manufacture of cement (Hydraulic)	5	81.0	31.2	—	—	—
Rubber and rubber manufacturers	2	19.4	7.2	—	—	—
Pu'p, paper and paper boards mfrs.	7	70.0	22.7	—	—	—
Construction and maintenance — others	1	9.3	1.0	—	—	—
Electricity generation and supply	4	62.3	21.5	—	—	—
Other utility items (i.e. gas works, etc.)	1	11.1	3.6	—	—	—
Wholesale trade in food stuffs	1	8.5	2.7	—	—	—
Wholesale trade in commodities other than food stuffs	3	35.0	7.5	1	21.7	2.0
Managerial services (i.e. managing agents)	2	17.8	4.6	—	—	—
Other financial institutions	1	31.9	5.1	—	—	—
Transport by water	2	62.1	14.0	1	33.2	23.5
TOTAL	81	1465.3	386.7	19	1314.5	670.8

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It will be observed that the giant sized Government Company Hindustan Steel tops the list in all cases except in the case of toppers ranked according to net profit. In fact, this company does not figure in the list of toppers ranked according to net profits. The company is running at a loss now but there is little doubt that it will earn huge profits in the near future when it would be in full operation. The two Government Companies which figure in the first ten of toppers on the basis of net profits are Hindustan Machine Tools and State Trading Corporation of India occupying the seventh and the tenth place in the list. The Indian Iron and Steel Company, a private sector company heads this list. This company earned Rs. 5.6 crores during 1962-63 which is five times that earned by the last company in the list viz. State Trading Corporation of India. The total net profits of the 10 firsts amounted to Rs. 22.8 crores or 30 per cent of the total net profits of the 100 toppers (Rs. 76.8 crores). The paid-up capital of the 10 firsts accounted for 23 per cent of the aggregate paid-up capital of the 100 toppers and 6 per cent of the total paid-up capital of all companies at work in the country.

The Government company which ranked first in the list of first 10 of the toppers according to net tangible assets accounted for net tangible assets of Rs. 798.6 crores out of the aggregate value of net tangible assets at Rs. 1,536.5 crores for the 10 firsts, i.e., more than 50 per cent. Besides Hindustan Steel, the first ten of the toppers included five other Government companies, namely Neyveli Lignite Corporation, Ferti-

THE FIRST 10 OF THE 100 TOPPERS RANKED ACCORDING TO THEIR NET FIXED ASSETS

(Rs. in crores)			
Rank Name of Company	Industrial Classification	Net Fixed Assets	Paid-up Capital
1. Hindustan Steel	3.0	579.5	367.0
2. Tata Iron and Steel Co.	3.0	103.3	39.0
3. Neyveli Lignite Corp.	1.0	83.7	80.0
4. Fertilizers Corp. of India	3.65	64.3	42.1
5. Indian Iron and Steel Co.	3.0	61.5	15.1
6. National Coal Development Corporation	1.0	41.1	35.4
7. Indian Refineries	4.00	40.6	29.4
8. Heavy Electricals (India)	3.39	33.6	26.5
9. Associated Cement Cos.	4.1	26.8	19.1
10. Shipping Corp. of India	7.1	23.6	23.5
TOTAL		1058.5	677.1

THE FIRST 10 OF THE 100 TOPPERS RANKED ACCORDING TO THEIR PAID-UP CAPITAL

Rank Name of Company	Industrial Classification	Paid-up Capital (Rs. in crores)
1. Hindustan Steel	3.0	367.0
2. Neyveli Lignite Corporation	1.0	80.0
3. Fertilizers Corp. of India	3.65	42.1
4. Tata Iron and Steel Co.	3.0	39.0
5. National Coal Development Corporation	1.0	35.4
6. Indian Refineries	4.00	29.4
7. Oil India	1.2	28.0
8. Heavy Electricals (India)	3.39	26.5
9. Shipping Corp. of India	7.1	23.5
10. Hindustan Aircraft	3.24	20.0
Total		690.9

lizer Corporation of India, National Coal Development Corporation, Indian Refineries and Heavy Electricals (India). The second place was occupied by the private sector company, Tata Iron and Steel Company, whose aggregate net tangible assets amounted to Rs. 155.2 crores which is less than one-fifth of that for Hindustan Steel. The aggregate tangible assets of the first 10 of the 100 toppers amounted to Rs. 1,536.5 crores which accounted for 55 per cent of the total net tangible assets of the 100 toppers. These 10 companies accounted for 64 per cent of the 100 toppers and 30 per cent of the corporate sector in terms of paid-up capital.

The paid-up capital of Hindustan Steel which tops the list of the first 10 biggest companies ranked according to paid-up capital was Rs. 367 crores or more than 50 per cent of the aggregate paid-up capital of these 10 toppers. As many as

THE FIRST 10 OF THE 100 TOPPERS RANKED ACCORDING TO THEIR NET-WORTH

(Rupees in crores)			
Rank Name of Company	Industrial Classification	Net-worth	Paid-up Capital
1. Hindustan Steel	3.0	343.1	367.0
2. Neyveli Lignite Corp.	1.0	82.1	80.0
3. Tata Iron and Steel Co.	3.0	82.0	39.0
4. Fertilizers Corp. of India	3.65	48.2	42.1
5. Indian Iron and Steel Co.	3.0	42.6	15.1
6. National Coal Development Corporation	1.0	37.7	35.4
7. Associated Cement Cos.	4.1	29.6	19.1
8. Oil India	1.2	28.9	28.0
9. Indian Refineries	4.00	28.5	29.4
10. Shipping Corp. of India	7.1	27.1	23.5
TOTAL		749.8	677.1

eight Government companies including Hindustan Steel were included in these ten toppers and accounted for more than 90 per cent of the 10 firsts in terms of paid-up capital. The remaining were the two private sector companies, Tata Iron and Steel Company and Oil India, which occupied the fourth and seventh places respectively.

The 10 biggest companies accounted for 64 per cent of the 100 toppers and 31 per cent of the entire corporate sector in terms of paid-up capital.

Though Hindustan Steel ranked first among the first 10 biggest companies from the point of view of turnover, its sale/income was not very impressive. Its sale at Rs. 130.5 crores constituted only about 20 per cent of the total sales of the 10 firsts. The aggregate sales of the 10 biggest companies accounted for 39 per cent of the total sales of the 100 toppers. Again the 10 biggest companies represented 54 per cent of the 100 toppers and 21 per cent of the whole company sector in terms of paid-up capital and included only two Government companies including Hindustan Steel.

More than half of the aggregate net fixed assets of the first 10 biggest companies ranked according to net fixed assets (Rs. 1,058.5 crores) was accounted for by Hindustan Steel (Rs. 579.5 crores). The first 10 biggest companies included 7 Government companies including Hindustan Steel and accounted for 66 per cent of the total net fixed assets of the 100 toppers. The remaining three companies were non-Government companies accounting for aggregate fixed assets of Rs. 191.6 crores. This is to say the seven Government companies' aggregate fixed assets amounted to Rs. 866.9 crores which constituted 82 per cent of

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the total fixed assets of the first 10 corporate leaders and 54 per cent of the total net fixed assets of the 100 toppers.

The total net worth of the first ten biggest companies ranked according to net worth amounted to Rs. 749.8 crores which accounted for more than 50 per cent of the total net worth of the 100 toppers. Of the ten biggest companies, six were Government companies whose aggregate net worth amounted to Rs. 566.7 crores or 76 per cent of the aggregate net worth of the first 10 toppers and 40 per cent of the total net worth of the 100 leaders. The net worth for Hindustan Steel which topped the list amounted to Rs. 343.1 crores which accounted for 46 per cent of the aggregate net worth for the first 10 biggest companies and 29 per cent of the total net worth for the 100 toppers.

The table at the bottom presents the shift in the position of the first 10 biggest companies during the period 1956-57 — 1962-63.

It will be seen from the table that six of the 10 top ranking

THE FIRST 10 OF THE 100 TOPPERS RANKED ACCORDING TO THEIR SALES/INCOME

(Rs. in crores)			
Rank Name of Company	Industrial Classification	Gross Sales/Income	Paid-up Capital
1. Hindustan Steel	3.0	130.5	367.0
2. Tata Iron & Steel Co.	3.0	103.4	39.0
3. State Trading Corporation of India	6.01	86.8	2.0
4. Indian Iron & Steel Co.	3.0	67.4	15.1
5. Hindustan Lever	3.82	53.9	8.2
6. Brooke Bond India Pvt.	0.30	53.2	1.7
7. Imperial Tobacco Co. of India	2.50	52.0	15.2
8. Tata Engineering and Locomotive Co.	3.49	43.6	10.0
9. Delhi Cloth and General Mills Company	2.601	41.8	5.0
10. Esso Standard Refining Co. of India	4.00	37.2	3.0
TOTAL:		667.8	466.2

THE POSITION OF THE FIRST 10 BIGGEST COMPANIES RANKED ACCORDING TO THEIR NET TANGIBLE ASSETS DURING 1956-57—1962-63

	1962-63		1959-60		1956-57	
	Net Tangible Assets	Paid-up Capital	Net Tangible Assets	Paid-up Capital	Net Tangible Assets	Paid-up Capital
1. Hindustan Steel	798.6 (1)	367.0 (1)	557.1 (1)	300.0 (1)	26.9 (9)	5.1 (18)
2. Tata Iron and Steel	155.2 (2)	39.0 (4)	170.4 (2)	38.9 (2)	98.3 (1)	23.5 (1)
3. Indian Iron and Steel	99.3 (3)	15.1 (13)	92.8 (3)	15.1 (8)	54.0 (2)	7.9 (3)
4. Neyveli Lignite Corp.	97.9 (4)	80.0 (2)	26.2 (12)	22.5 (3)	7.2 (47)	5.8 (14)
5. Fertilizer Corp. of India	84.8 (5)	42.1 (3)	*	*	*	*
6. Oil India	76.5 (6)	28.0 (3)	19.1 (16)	12.0 (12)	†	†
7. National Coal Development Corporation	72.0 (7)	35.4 (5)	38.5 (6)	13.8 (10)	11.5 (18)	6.5 (12)
8. Indian Refineries	51.2 (8)	29.4 (6)	**	**	**	**
9. Heavy Electricals (India)	51.2 (9)	26.5 (8)	13.5 (26)	11.2 (13)	**	**
10. Associated Cement Co.	50.2 (10)	19.1 (11)	43.9 (5)	19.1 (4)	40.6 (3)	15.8 (3)

Note: * The Government company Sindri Fertilizer and Chemicals Ltd. was merged with Hindustan Chemicals and Fertilizers Limited and the name of the latter changed to Fertilizer Corporation of India Limited with effect from 1st January, 1961.
† The company was registered on 18th February, 1958.
** Did not find a place in the first 100 biggest companies.
— The company was registered on 22nd August, 1958.

companies according to net tangible assets are Government companies occupying the first, fourth, fifth, seventh, eighth and ninth position in 1962-63. Tata Iron and Steel Company and Indian Iron and Steel Company occupied the first and second places with net tangible assets of Rs. 98.3 crores and Rs. 54.0 crores respectively in 1956-57 and the second and third places with higher net assets of Rs. 170.4 crores and Rs. 92.8 crores

THE FIRST 10 OF THE 100 TOPPERS RANKED ACCORDING TO THEIR NET PROFITS

(Rs. in crores)			
Rank Name of Company	Industrial Classification	Net Profit	Paid-up Capital
1. Indian Iron & Steel Co.	3.0	5.6	15.1
2. Tata Iron & Steel Co.	3.0	3.4	39.0
3. Associated Cement Cos.	4.1	2.1	19.1
4. Hindustan Lever	3.82	2.0	8.2
5. Esso Standard Refining Co. of India	4.00	1.9	3.0
6. Imperial Tobacco Co. of India	2.50	1.8	15.2
7. Hindustan Machine Tools	3.44	1.6	8.1
8. Tata Engineering and Locomotive Co.	3.49	1.4	10.0
9. Burmah Shell Refineries	4.00	1.6	14.5
10. State Trading Corporation of India	6.01	1.4	2.0
TOTAL:		22.8	134.3

respectively. The Government company Hindustan Steel ranked first in 1962-63 as also in 1959-60, while the two non-Government companies, Tata Iron and Steel Company and Indian Iron and Steel Company, maintained their second and third positions occupied by them in 1959-60 with their net tangible assets improved to Rs. 155.2 crores and Rs. 99.8 crores respectively.

The shift in the position of the first 10 biggest companies ranked according to net tangible assets with reference to their ranking based on net fixed assets paid-up capital, net worth, sale/income and net profits is indicated in the table on the next page.

**100 TOPPERS OF THE CORPORATE SECTOR RANKED ACCORDING TO TOTAL TANGIBLE ASSETS
(1962-63) (contd.)**

(Amount in lakhs of rupees)

Name of the Company	Net Tangible Assets		Net Fixed Assets		Paid-up Capital		Net Worth		Total Sales or Income		Net Profits	
	Amt. Rank		Amt. Rank		Amt. Rank		Amt. Rank		Amt. Rank		Amt. Rank	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Jardine Henderson	8,54	72	36	97	2,50	71	3,37	84	6,24	69	42	59
K.C.P.	8,48	73	4,88	54	1,12	98	2,93	94	6,38	68	15	80
Bata Shoe Company	8,36	74	1,47	90	1,00	99	2,86	96	20,97	16	55	45
India Cement	8,36	75	4,70	53	3,81	40	4,42	66	3,95	84	21	78
Tata Oil Mills Co.	8,22	76	2,22	83	1,35	95	2,60	99	12,47	36	28	70
Bengal Coal Co.	8,16	77	3,26	70	1,40	94	4,13	70	9,49	50	42	58
Hindustan Antibiotics*	8,06	78	4,04	61	2,47	73	6,34	40	4,30	80	70	33
Jaipur Udyog	8,02	79	5,71	44	3,25	50	5,11	52	8,77	55	87	26
Rallis India	7,96	80	87	94	3,00	55	3,71	89	17,91	20	22	77
South India Viscose	7,95	81	6,49	35	4,90	32	4,13	71	3,19	87	—	—
Baroda Rayon Corp.	7,87	82	7,52	31	4,76	33	4,86	58	—	—	—	—
Tube Investment of India	7,87	83	3,38	58	2,50	69	4,51	62	6,20	70	33	68
Walchandnagar Industries	7,75	84	2,89	74	2,01	84	3,30	87	5,44	75	14	81
Indian Explosives	7,69	85	5,69	45	3,00	54	4,26	60	5,84	72	1,13	21
India United Mills	7,63	86	1,49	89	2,50	70	3,26	88	13,50	31	11	82
Western India Watch Co.	7,59	—	—	79	2,75	62	5,08	53	18,78	18	40	61
Aluminium Corp. of India	7,51	88	4,66	55	1,34	96	3,54	82	1,26	94	10	83
Philips India	7,41	89	1,99	85	2,20	80	3,10	91	8,85	54	35	64
Motor Industries Co.	7,35	90	2,65	81	2,25	77	3,76	42	5,42	76	64	36
Dalmia Cement (Bharat)	7,34	91	1,83	87	2,33	76	3,32	85	5,18	77	44	55
Sirsilk	7,28	92	4,72	52	3,02	53	3,03	93	2,76	89	8	84
National Machinery Manufacturers	7,27	93	1,69	88	2,52	67	2,89	95	4,25	81	22	76
Seshasayee Paper & Boards	7,13	94	6,20	37	3,50	46	4,47	63	37	98	—	—
Orissa Cement	7,10	95	3,34	69	2,65	65	4,01	74	5,90	71	42	57
Shree Gopal Paper Mills	7,02	96	3,85	62	2,08	81	3,85	75	8,06	57	1,16	19
Sirpur Paper Mills	6,96	97	4,15	60	3,45	47	4,40	67	4,12	83	6	85
Greaves Cotton & Co.	6,86	98	25	98	1,85	88	3,13	90	7,80	60	33	67
Standard Mills Co.	6,80	99	2,68	80	1,66	91	4,43	64	10,05	48	30	68
Goodyear India	6,79	100	3,15	73	2,00	86	3,50	83	8,06	58	—	—
Modi Spinning & Weaving Mills Co.	6,63	101	2,44	—	1,51	—	2,26	—	8,06	—	13	—
Buckingham & Carnatic Co.	6,59	102	3,99	—	2,00	—	6,14	—	1,32	—	47	—
West Coast Paper Mills	6,39	103	4,71	—	2,40	—	3,97	—	4,83	—	60	—
Aluminium Industries	6,26	104	1,44	—	1,00	—	1,77	—	5,74	—	16	—
Shree Digvijay Cement Co.	6,23	105	3,53	—	2,28	—	3,13	—	4,65	—	28	—
Fort Gloster	5,97	106	1,77	—	84	—	2,08	—	8,36	—	36	—
Star Paper Mills	5,87	107	4,41	—	2,19	—	2,28	—	2,97	—	—	—
Bombay Suburban Electricity Supply Co.	5,84	108	4,30	—	1,75	—	3,42	—	2,05	—	29	—
Arvind Mills	5,80	109	2,73	—	1,21	—	4,08	—	4,39	—	29	—
Indian Dyestuff Industries	5,77	110	2,18	—	2,19	—	2,91	—	2,39	—	28	—
Sen-Raleigh Industries of India	5,60	111	2,31	—	1,00	—	1,59	—	4,86	—	12	—
Guest Keen Willam	5,57	112	6,63	—	4,00	—	10,98	—	13,03	—	60	—
Ceat Tyres of India	5,43	113	2,21	—	2,76	—	3,52	—	4,34	—	10	—
Indo-Burma Petroleum Co.	5,41	114	59	—	1,50	—	3,28	—	14,24	—	22	—
Anglo India Jute Mills	5,33	115	1,34	—	89	—	2,55	—	8,63	—	35	—
Asbestos Cement	5,15	116	68	—	1,85	—	3,58	—	6,80	—	49	—
Travancore Rayons	5,14	118	2,75	—	1,50	—	2,56	—	3,13	—	14	—
Mandya National Paper Mills	5,091	19	4,66	—	2,03	—	1,74	—	1,13	—	—	—

NOTE: The first 100 companies in the list ranked according to net tangible assets include 19 Government Companies marked with asterisk. The remaining 19 companies ranked 101 to 119 are exclusively non-Government companies.

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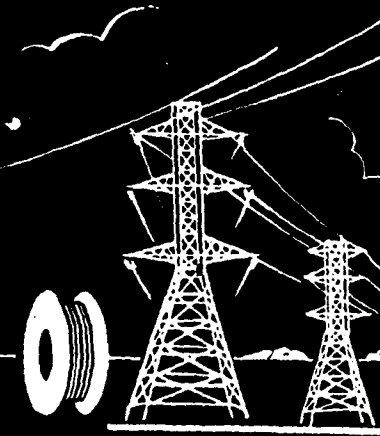
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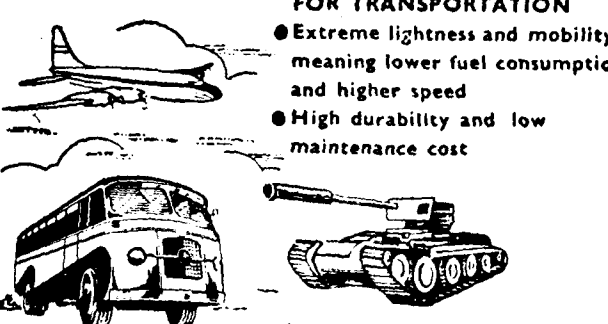
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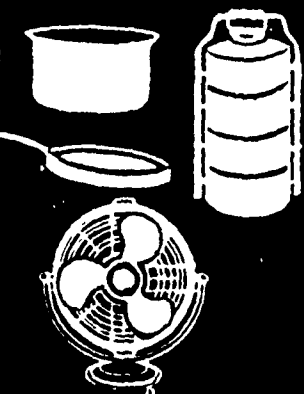
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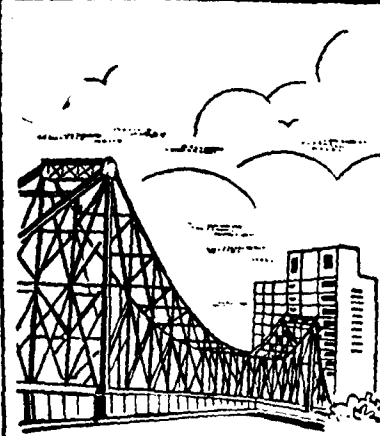
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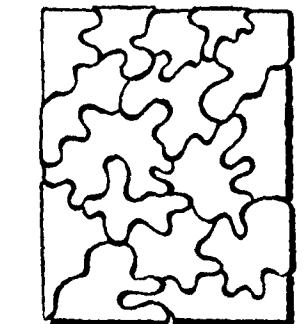
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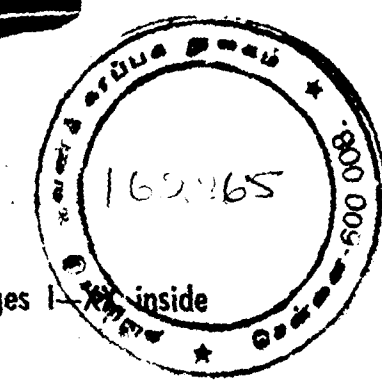
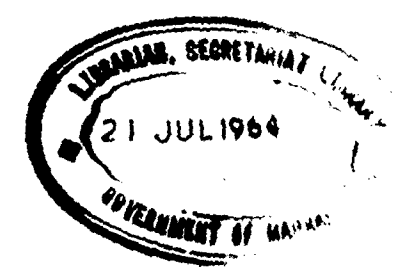
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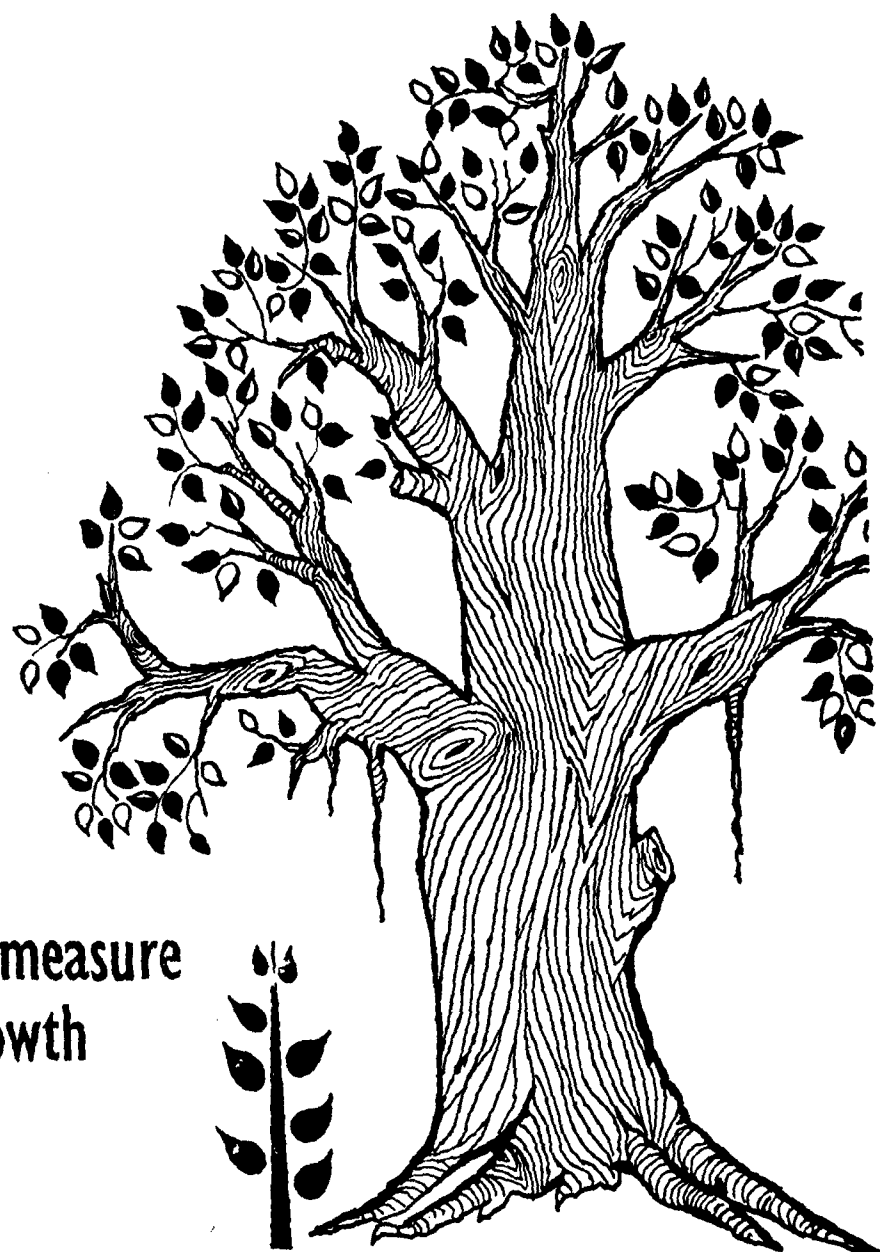
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The Challenge of Prices

THE HOME Minister, undoubtedly, deserves credit for recognizing more clearly perhaps than most of his colleagues in the Government the gravity and the urgency of the price situation. Mr. Nanda is surely not exaggerating when he suggests that if prices continue to rise and scarcities of essential goods become increasingly common, popular discontent arising from popular distress might well become a threat to law and order. What then is to be done? It is undoubtedly necessary in the first instance to take effective measures for the enforcement of the more important price and distribution controls which are already existing. It is true, of course, that a great deal of the recent deterioration in supplies and prices of essential commodities is due to the fact that government regulations which are supposed to counter those tendencies exist only on paper and have seldom been actually applied. The immediate need, consequently, is to see that the controls and regulations with which the Government has armed itself are deployed effectively against illegal speculation, hoarding or profiteering in essential commodities.

There has been a suggestion that the Defence of India Rules should be (or are likely to be) used in the enforcement of price and distribution regulations. It is not difficult to appreciate the intensity of the feeling behind such a demand, but while no quarter need be given to those who are deliberately contriving to withhold supplies of essential goods from the public or rig up prices of such goods, it is important to bear in mind that the efficacy of extraordinary deterrents is apt to be in proportion to the judgment and discrimination shown in appealing to them. The Home Minister has reportedly been conferring with the Minister for Food and Agriculture on steps for energizing the apparatus of enforcement, especially in the area of foodgrain prices, and we are confident that it will not be found to be beyond their joint wisdom to work out a strategy of enforcement which combines discrimination with determination. There is no doubt that, so far as public opinion is concerned, it must unreservedly support and co-operate with the efforts of the Government to enforce price and distribution regulations through penalties or other punishment wherever necessary.

Enforcement of controls, however, could only be a part of a policy for prices. It must be realized here that the controls themselves are strictly and sadly limited in scope. For a number of essential consumer goods, even theoretically sound schemes of control have in practice been repeatedly found to pose political and administrative problems of embarrassing complexity. It follows that controls or the enforcement of controls may at best be a measure of immediate relief of limited relevance to the public. Once the Government has made up its mind to secure effective enforcement of the truly essential controls, it becomes desirable that it should not stop there but proceed to deal with the more basic conditions underlying the price situation. As we have been reiterating in these columns, rising food prices are a symptom of developing inflation. The main task before the Government, therefore, is to contain this inflation. This has to be done by curtailing wasteful and unproductive public expenditure drastically as well as by deferring marginal investments on relatively long-term projects. The Finance Minister's recent offer to economise in Central Government expenditure to the extent of Rs. 70 crores is only a symbolic gesture considering the dimensions of the economy called for. It is imperative that the Government should make up its mind to adopt more heroic measures for bringing down substantially the aggregate level of Central and State Government expenditure, both consumption and investment, by say, about Rs. 400 crores over the next 12 months. It is only in this manner that some impression could be made on the

current disequilibrium in the economy. Simultaneously, it is most important that all steps should be taken to increase production all round. The output of consumer goods of all kinds should be stepped up wherever possible and, at any rate, no idle capacity should be allowed to continue in any important consumer goods industry, or indeed in any industry at all. This would mean a series of discussions or conferences with the industries concerned on immediate measures for stepping up output.

On the agricultural front, again, there is need for clear and purposive thinking. There is an obvious necessity for boosting the morale of owners and cultivators of medium and relatively large holdings. The truth must be faced that such farms alone could provide the marketable surplus on which the level of food supplies or food prices in urban areas depend. While facilities should no doubt be given to small and petty holdings to improve their farming, it is obvious that such holdings must necessarily operate on a subsistence basis. It follows that the problem of food supply and

prices can be dealt with only in terms of providing security and scope for profitable functioning to medium and relatively large holdings. Abstract and ideological experiments in land reform have already done much harm in inhibiting private capital or management in medium-scale agriculture. These negative and frustrating attitudes should now be abandoned. Once government policy recognizes the dynamic role which only medium and relatively large farms can play in agricultural production it would become possible to evolve an intelligent and integrated programme for assisting not only this market sector in agriculture, but also the subsistence sector. The policy we have so far pursued has demoralized market agriculture without strengthening in any way subsistence agriculture. It is possible that a good monsoon may bring some marginal relief to the food situation in the new agricultural year, but the time thus gained would be wasted if the Government were to fail to utilize it for thinking out a calm and coherent policy for promoting market farming while protecting subsistence farming.

Three Bags Full

FOR QUITE some time now a controversy has been going on, both in the press and elsewhere, about the possibility of substituting imported wool by Indian wool for the manufacture of woollen and worsted fabrics. The Ministry of Food and Agriculture (Directorate of Agricultural Marketing) has, on the basis of livestock census carried out in 1961, estimated the production of wool in different regions as under:

Himalayan Region	10.5 million lbs.
Dry Northern Region	40.6 " "
Southern Region	20.7 " "
Eastern Region	0.2 " "
TOTAL:	72.0 " "

It is estimated that if different varieties of indigenous wool are sorted out and graded, broadly, the availability of various categories will be as follows:

Region	(Qty. in million lbs.)			
	Below 40's	40's-46's	48's-50's	56's-58's
Himalayan	1.14	4.00	1.91	0.45
Dry Northern	13.70	15.40	7.02	2.90
Southern	20.70*	—	—	—
TOTAL:	35.54	19.40	9.11	3.35

* Mostly coloured and coarse wool.

According to the classifications cited above, almost 50 per cent of the total production viz., 35.54 million lbs. of coloured and coarse wool of quality below 40's is unsuitable for fabric or carpet manufacture. Some of this quantity is being exported while the balance is utilised for the manufacture of coarse blankets, druggets, etc. We then have 19.40 million lbs. of 40's-46's quality wool which is mainly of carding type and can be used for the manufacture of yarn for carpets. A part of this quantity is also being exported.

The wools that can be used for coarse types of woollen fabrics for apparel manufacture and hosiery goods fall in the range of 48's-50's (9.11 million lbs.) and 56's-58's (3.35 million lbs.). Some quantity out of this production of 12.46 million lbs. is utilised by the cottage sector, particularly in the Himalayan region. Some of the quantity produced in the Northern region is also utilised for the manufacture of carpets for finer varieties. The total estimated quantity that becomes available for mill consumption in respect of these qualities is of the order of eight million pounds. (This may increase to about 12 million lbs. by the end of the fourth five-year Plan). This quantity of eight million lbs. is also not yet properly classified and graded. Some of this may be suitable only for carding purposes while some can be utilised for purposes of combing for utilisation in the worsted industry. The combing yield from the Indian wool, however, is not more than 60 per cent. Even if all the eight million lbs. of 48's to 58's qualities are combed, we are not likely to get more than 4.8 million lbs. of wool tops or about four million lbs. of yarn (as against 28 million lbs. of worsted yarn requirements by the end of the third Plan). Even if this production increases and about 12 million lbs. of comb-worthy wool is available, we are likely to get only seven million lbs. of wool tops equivalent to 6.2 million lbs. of yarn during the fourth Plan as against the estimated requirements of 40 million lbs. of yarn. Therefore, for the major requirements of apparel manufacture we will have to rely on imported wools although, to the extent indicated above, the Indian wools can substitute the requirements of coarser types of imported wools in the grades of 48's to 56's.

The industry's annual requirements of imported raw materials have been estimated by the Indian Woollen Mills Federation at Rs. 20.5 crores, on two-shift

basis, by the end of the third Plan and Rs. 28.75 crores by the end of the fourth Plan. These figures do not take into account the additional productive capacity that will be created through modernisation of the industry during this period. In 1963-64 the industry was allocated no more than Rs. 5 crores for the import of raw materials. Together with export promotion entitlements, quota for defence production and 'allocation for nylon fibre' the total imports permitted were hardly worth Rs. 8 crores. This constituted only about 40 per cent of the industry's requirements.

The shortage of raw materials is by no means the industry's only problem. It is also in urgent need of modernisation of its outdated machinery which, in certain cases, is several decades old. The rationalisation aspect took a definite shape only after the working group set up by the National Industrial Development Corporation went into this problem and submitted its report in February, 1961. The report recommended that 20 per cent of the spindles in the woollen sector, 26 per cent in the shoddy sector and 54 per cent in the worsted sector, along with 34 per cent of looms, should be modernised by the end of the third Plan. This programme, on the basis of calculations made at the time of submission of the report, was to cost the industry Rs. 10.25 crores. The cost of machinery abroad has since gone up by 30 per cent and consequently the amount required would also go up to Rs. 13.50 crores. Out of this, foreign exchange worth Rs. 4 crores has already been allocated and actually utilised by the industry for the import of machinery, leaving a backlog of Rs. 9.50 crores. A working group of the Planning Commission and the Development Council of the woollen industry have also gone into the modernisation requirements for the fourth Plan and have recommended that the modernisation of woollen sector should be carried out up to 56 per cent, shoddy sector up to 40 per cent and powerloom sector up to 50 per cent of the installed capacity, whereas the modernisation in the worsted sector should be maintained at 54 per cent. The foreign exchange cost

of this programme has been worked out at Rs 4 crores. Adding this to the backlog of the third Plan, a total of Rs. 13.50 crores in foreign exchange is needed to carry through the rationalisation programme.

While this is the picture of foreign exchange requirements of the industry for the import of machinery and raw material, its potential for earning foreign exchange through the export of finished products is not inconsiderable, although it is at present being exploited only to a limited extent. As it is, the bulk of the foreign exchange earnings is being secured from the export of raw wool, shipments of which amount to 30 million lbs. valued at Rs. 8 crores. Only about a fourth of that amount is currently earned through the export of woollen fabrics. The value of such exports amounted to Rs. 1.99 crores in the year 1963-64 and it is interesting to find that Afghanistan alone absorbed woollen goods from this country of the value of Rs. 1.21 crores. Among the other customers were the USSR, Aden and countries in South and West Asia. Mill-made woollen and worsted piecegoods account for about 50 per cent in value of total exports of woollen fabrics and if the industry is given facilities for modernizing its machinery and is also assured of adequate imports of apparel wool, it may quite possibly be able to build up a respectable export trade in woollen fabrics. Meanwhile, the Indian Woollen Mills Federation has suggested to the Planning Commission that an attempt should be made to export carpet yarn and machine-made carpets for which there is a large market abroad. The Federation has proposed that, in the first instance, six mechanized carpet-making units should be set up to explore possibilities in this direction. It has been estimated that the export of carpets manufactured by these units could earn Rs. 22 crores per annum. The point is that the woollen industry, like quite a few other industries, is one which could reward handsomely a bold and imaginative policy of modernization and expansion. There is therefore no wisdom in negative or even merely passive attitudes.

Land Reforms

LAND REFORMS in India in the post-Independence years have attempted to create an atmosphere wherein the production efficiency of the farmer would improve. They were aimed at primarily removing the shackles of intermediaries, a class of zamindars who were land revenue collectors under the Permanent Settlement and their progeny. The laws also aimed at improving the working relations between the owners of land and their tenants. They sought to create an interest for the tenant in the land so that he may evince greater initiative and enterprise.

In several ways the reform Acts sought to protect the poorer sections. The Acts relating to the regulation

of tenures are of continuing interest. Several attempts have been made to assess the effects of these Acts on agriculture. The Planning Commission sponsored a series of field studies in different parts of the country some time after the reform Acts came into force. The National Sample Survey also in its 8th and 16th rounds (1954-55 and 1959-60) collected interesting data. The latest Census Report also includes valuable economic data on land holdings. While none would dispute the success of the laws relating to intermediary abolition and debt relief nor doubt their efficacy, opinion will be divided regarding the achievement of the desired objectives through the tenancy laws. Searching enquiries do not confirm the success that is claimed. On the other

hand some of the trends that are noticed are disturbing.

It has been claimed that, thanks to legislation, the tenants now take greater interest in land. As a token of this the increase in their investment in agricultural operations is cited. But is it all? Actually, the value of tenant-investment bears the same ratio to owner-investment as it was in the pre-reform period. Therefore, there has been no improvement which may be attributed to land reforms. As a consequence of tenancy reform there has been a widespread resumption of lands from tenants. And the owners who resumed tilling the land could not devote the same attention to these lands as they did to the others. Thus, while the area of owner-cultivated holdings had increased, there was no corresponding increase in yield. This has put the tenant in a favourable light which was not due to any extra effort on his part. The inference that tenant productivity had increased is erroneous, under such circumstances. However, the net result has been to reduce agricultural productivity which is not a gratifying consequence.

The average size of the holding has declined since 1946. While some of the studies sponsored by the Planning Commission in the early 50's did not find a material change in the pattern of the size of the holdings, the National Sample Survey (16th round) and the 1961 census have noticed a clear change for the worse since 1953-54. The decline is explained by (1) the increase in the pressure of population on land, (2) decrease in joint ownership and joint operational holdings (breaking of joint families), and (3) implementation of the ceiling limits on holdings. These disintegrating forces which were fanned by unimaginative land laws, have tended to bring down agricultural efficiency. In order to appreciate the situation, one may recall the fact that half of the land holders own about an acre of land and that often in small bits. It is not worthwhile to cultivate small bits unless more land was available on lease. Small holders, if they wanted to remain on land, had to procure more land on lease. A small farmer is, therefore, in part a tenant also. Conversely, it is equally true that a tenant is an owner too. Thus, the question is not a simple or straight one between a land owner and a tenant; while there is no doubt that a large percentage of area is leased out by big landlords yet such pure owners, like pure tenants, form a small percentage. A tenant may often find the law inconvenient; as a land owner he may find it embarrassing.

Small holdings are a handicap where human and animal labour and implements are not fully used. Thus, more land is required for proper employment of resources. When livestock and implements are lacking, credit facilities are required very badly which are attracted the least. Therefore, any law prescribing a ceiling on land holding is likely to hasten the process of sub-division and fragmentation that will eventually accentuate this trouble and aggravate the problem.

Tenure laws have not been able to fulfil their objective of promoting a favourable atmosphere for growth. They have brought in more discontent and mutual suspicion than the good they may have done to an illiterate farmer who often is unaware of the law. They have tended to lay emphasis on the legal aspect of securing the position of the tenant but have not considered whether he was equipped to fulfil his role as a good farmer. He has not come up to the measure in respect of size of holding, investment and productivity. The Government are obviously aware of these problems. In order to check further breaking up of individual holdings they have tried to persuade farmers to consolidate holdings. But there is no law to prevent recurrence of sub-division by inheritance. Where the law could usefully intervene with the least infliction, it fails completely. On the other hand, it sets out to modify contracts by a fiat. Consolidation generally is not a success in India for the simple reason that even after several decades, it has not spread out to the four corners of the country. The Government have now sought to enlarge the scope of the "Co-operative Movement" by bringing in agricultural operations. Today there are three types of such organised farming: (1) collective farming, where the landless are settled on government lands and the operations are government subsidised; (2) joint farming, where the land owners undertake to organise their farming operations jointly (the real co-operative effort) and (3) tenancy farming. The first is in its nascent stage attended with the basic uncertainty of a continuity in policy. Strangely enough, it was reported recently that the co-operative credit banks did not find these farms a good security. Again, the experiments in joint farming generally have not been a success. Where members need to cultivate new mental horizons and produce a strong leadership that will sustain, they have failed. Tenancy co-operatives, good as they are and healthy for economic farming, do not find a ready response from land owners; while a land owner may evict a tenant, he cannot do the same to a co-operative society. Co-operative farming is very good as an idea but is difficult in practice under democratic conditions. A rational approach to agriculture will be to consider it as two distinct sections, namely, the subsistence section where small farmers are concerned and the marketing section consisting of large holdings that can produce for the market. If the government policy and measures are based on this basic approach they will go a long way to improve the tempo of agricultural activity and growth. Secondly, the identification of the tenant and the owner in the same person needs to be recognised for an integrated approach. Thirdly, the policy should aim at increasing production and equipping the farmer for this purpose instead of merely securing a legal position. If the Government policy and measures are based on this basic approach, they will go a long way in improving the tempo of agricultural activity and growth.

Highlights of the Week

COMMONWEALTH CONFERENCE

THE COMMONWEALTH Prime Ministers' Conference in London was dominated by the Southern Rhodesian problem which had agitated considerably both the African and Asian Prime Ministers. The other issues which came up for discussion were apartheid in South Africa, the problem of British Guiana, a review of the world situation (including East-West relations, the Sino-Soviet conflict, Cyprus, Indo-China border dispute etc.), world trade and economic relations. It also provided an opportunity for a meeting between the Union Finance Minister, Mr. T. T. Krishnamachari, and the Pakistan President, Mr. Ayub Khan, when it was decided that the Home Ministers of India and Pakistan would meet later this month or early in August so as to pave the way for a meeting between the two leaders, Mr. Lal Bahadur and President Ayub Khan. The talks between the two leaders were held in a cordial atmosphere so as to evolve a way out of the present tangled situation. Mr. T. T. Krishnamachari delivered to President Ayub Khan a letter from Mr. Lal Bahadur inviting him to visit India.

Mr. T. T. Krishnamachari attempted to stress on the Commonwealth Prime Ministers that the threat from China was not limited to south-east Asia alone but was a menace to the whole world. If the great powers of the world including the United Kingdom did not take steps to save the neutralist Government in Laos, the whole of south-east Asia might come under the heels of China. The neglect of Laos — the only non-aligned Government sponsored by the international community — would become a serious threat. Also, the Plain of Jars needed to be restored to the neutralist Government of Laos; if that did not happen, Laos like Vietnam would be cut into two.

Next to Southern Rhodesia and South Africa, the attention of the Premiers was rivetted on British Guiana which had hit the headlines because of racial riots. A memorandum distributed at the Conference by Mr. Eric Williams, Prime Minister of Trinidad and Tobago, suggested that British Guiana should be put under a UN Commission. According to Mr. Eric Williams, that was the only way of restoring normal life in British Guiana. This put Britain in a difficult situation as by accepting this suggestion a demand could be made at a future date that Southern Rhodesia should also be handed over to a UN Commission.

An interesting point which loomed large during the discussions was whether Peking alone was the fomentor of trouble all over the world or Moscow also shared the responsibility in perpetuating tensions. The assessment presented by the British Prime Minister indicated that Moscow had considerably mellowed after the Cuban affair. This was, however, questioned by Pakistan President, Mr. Ayub Khan, who said that Moscow and Peking were equally responsible for tension all over the world. Tengku Abdul Rehman was of the view that much of the Malaysia dispute with Indonesia was caused by Peking.

Mention needs to be made here of some significant observations made by President Ayub Khan of Pakistan at a Press Luncheon regarding Pakistan's relations with India, the threat to India from China and the problem of defence of the Indo-Pakistan sub-continent. President Ayub Khan is reported to have stated that he had high hopes that Mr. Lal Bahadur "will do something positive to resolve Indo-Pakistan differences and to ensure that the two countries become friends". He went on to describe his impression that in his last days the late Prime Minister, Jawaharlal Nehru, had realised that the Indo-Pakistan sub-continent had to be defended jointly and had also exhibited anxiety to settle India's dispute with Pakistan on Kashmir. He also said that China's

military threat to India was of a limited character. He described as "utter military nonsense" the theory that India could be conquered by China from Tibet as a military base. On the other hand, he was afraid — and here he harped on his pet theme — that the massive military build-up in India was likely to be used against weaker nations, including Pakistan.

The Commonwealth Prime Ministers remained sharply divided on Southern Rhodesia. The British Prime Minister, Sir Alec Douglas Home, was not in a position to endorse the African demand regarding positive action to ensure "one-man one-vote" rule in Southern Rhodesia. He could not take any decision in this regard without discussing the issue with the Southern Rhodesian Prime Minister, Mr. Ian Smith.

The Commonwealth has emerged as a big talking shop. A free exchange of views takes place at these meetings though no one seems to be under any obligation to adopt any one of the suggestions made by the members. It does, however, serve a purpose in that it brings together on one platform leaders of Commonwealth countries following different domestic and foreign policies. The present Conference has one achievement to its credit in that it smoothened the path for further talks over Kashmir between India and Pakistan. The contribution may not be large but the fact remains that it is there and cannot be denied.

RAM KISHEN'S HEXAGON

THE NEW cabinet in Punjab has held out the promise to bring about a new look in the State. Mr. Ram Kishen, the new Chief Minister, who was elected unanimously has selected a team of ministers all of whom belong to the anti-Kairon faction. The key-man of the Cabinet is Mr. Darbara Singh who was also the leader of the anti-Kairon group. Most of the new ministers had at one time or another clashed with the former Chief Minister, Mr. Pratap Singh Kairon. Mr. Probodh Chandra had been fighting against Mr. Kairon's ways for a long time and only recently had to resign from the Speakership of the Vidhan Sabha because his impartiality had been questioned by the legislators, mostly of the Kairon group. The other members of the Cabinet are: Mr. Kapoor Singh who has been the Chairman of the Punjab Legislative Council since 1952; Mr. Sunder Singh, who was the Labour and Excise and Taxation Minister from 1952 to 1962 and Deputy Excise and Taxation Minister in Mr. Kairon's Cabinet in 1962; Mr. Harinder Singh, a member of the All India Congress Committee and the Punjab Pradesh Congress Committee, and Mr. Rizak Ram, the General Secretary of the Congress Legislature Party for a brief period in 1962. Mr. Sunder Singh represented the Harijan community and was sworn in as a Deputy Minister.

Mr. Ram Kishen has promised to clean up the administration. In order to impress his colleagues in the Cabinet and the public, he has taken a lead in declaring his assets. It is interesting to know that Mr. Ram Kishen's total assets are valued at less than Rs. 20,000. The Chief Minister has also warned his relations and members of the family not to interfere with the administration. It seems that he is determined to present a clean image to the public. In addition to a "clean rule", he has also held the assurance that prices would be stabilised and efforts would be made to reduce the prices of consumer goods. In the first policy statement, he put agricultural development in the highest-priority category.

The expansion of the Punjab Cabinet has been under discussion and in this connection the Chief Minister Mr. Ram Kishen had consulted recently the Prime Minister. Mr. Lal Bahadur, according to Press reports, he also had discussions with Mr. Nanda regarding the follow-up action to be taken on the Das Commission Report. The Punjab Chief

Minister has promised that action would be taken against those officers who had been censured in the Report. The Centre is reported to be dissatisfied with the progress made by the officer who had been sent from New Delhi to look into these cases. It is likely that another senior officer will be deputed to Punjab in order to expedite this work. The expansion of the Punjab Cabinet has been delayed because of the Chief Minister's anxiety to take a decision only after the former Prajatantra legislators were allowed to rejoin the Congress Party. The Congress Party in the State Legislature will be strengthened by 24 members (out of which 18 are former Prajatantrites) if the decision to let them join the ranks of the Congress is ratified. The Prajatantrites are mostly former Congressmen who had revolted against Mr. Kairon's rule and had formed a new group in order to oppose him. With the admission of these 24 legislators, the Congress Party's strength in the Vidhan Sabha will increase to 109 out of the total number of 154.

While the Chief Minister is busy creating a new atmosphere in the State, the first challenge that he is likely to face is the impending clash between the two Akali groups led by Master Tara Singh and Sant Fateh Singh on the Paonta Sahib Gurdwara issue. They are likely to start an agitation to take over the management of the shrine. Since this Gurdwara is located in Sirmur District of Himachal Pradesh and Himachal Pradesh Government is not in a position to face this challenge, discussions are currently going on between the Governments of the Punjab and Himachal Pradesh so as to face any threat to peace and security which this agitation may entail. Whatever the demerits of the Kairon rule in Punjab, it must be said to the credit of the former Chief Minister that he had put down all agitations, which tended to disrupt life in Punjab, with a determined and heavy hand. Mr. Ram Kishen will have to prove that he has the capacity to handle similar situations with the same degree of firmness.

NO FROM NAGAS

THE HOPES of a settlement with the underground Naga leaders have received a set-back due to the rejection of cease-fire terms by the Naga leaders. Earlier it had been reported that a workable solution had been thrashed out by the Peace Mission whereby the Government of India's security forces were expected to suspend operations some time in the third week of the current month. The suspension was to last one month during which negotiations were to take place with underground Naga leaders for creating permanent peace in the region. It was understood that the suspension was to extend to all areas inhabited by Nagas including Manipur and NEFA. These talks received a set-back because the Naga leaders did not accept "the terms of the memorandum" which the Centre had sent to the Peace Mission in connection with the holding of the Peace Conference.

The differences, according to the External Affairs Ministry, stemmed from the fact that the Union Government had refused to give up the patrolling of the international borders during the period of the cease-fire and had also declined to recognise the so-called Naga Federal Government. The Naga underground leaders had also been informed that the talks for future peace in Nagaland would be held between the Government of India in association with the Government of Nagaland on the one hand and the Naga underground leaders on the other. The underground Naga leaders were free to name themselves in any manner they liked but the Government of India would recognise them only as "underground Naga leaders". It is reported that at no stage the Naga leaders had raised the question of Mr. Phizo's presence at these talks.

Because of this deadlock, the original target date set for the cease-fire on July 21 may not be adhered to now. The Chief Minister of Assam, Mr. Chaliha, has, however, rightly stated that the situation in Nagaland needs to be dealt with care and consideration especially because the Naga leaders have requested the Peace Mission to continue its efforts. The future

course of action will be devised by the Peace Mission sometime later this month. The reservations put in by the Government of India regarding military patrolling on the international borders are genuine because no sovereign Government will surrender its right to patrol the land along the borders. The Peace Mission has the delicate responsibility to bring round the Naga leaders to the view that they would not impose impossible conditions for carrying on discussions with the Government of India. Unless the rebel leaders show some genuine anxiety to come to terms with the Government of India, the shadow of strife is likely to continue to hover over Nagaland, much to the detriment of the people.

RICE MILLS

ONE OF the decisions taken at the recent Chief Ministers' conference at New Delhi was that the rice mills in the private sector would not be nationalised and an effort would be made to set up large-sized, economic rice mills in the public sector. At first it was thought that all these rice mills would have to be imported. Now it is proposed that they should be manufactured in the country. The manufacture of the rice mills will be a major project since the total need for rice mills will be significantly large at 2,000 during the fourth Plan period. The basic objective of manufacturing the rice mills in the country is to ensure both certainty and speed in the setting up of the mills. Some of the large millers are currently manufacturing a few of the components of the rice mills. The Government would encourage them to expand their production so as to include all components. In order to achieve this objective, it will be essential to seek foreign collaboration. It has been estimated that the cost of a three-ton paddy processing mill is around Rs. 1,62,000; if 1,000 of such units are manufactured within the country instead of importing, the size of the rice mill machinery industry will develop into one of the major industries of the country. In addition to these three-ton paddy-processing mills, the country will need at least 1,000 units with one-ton capacity each. Another decision has also been taken that the manufacture of the rice mills would not be limited to the public sector alone. The private sector will also be induced to increase its capacity to manufacture rice mills.

Eastern Economist 20 Years Ago

JULY 14, 1944

THE PITIFUL experience during the war has showed us, as never before, how very ignorant we are about the elementary facts and figures of our agriculture. The Government has been literally fumbling and bumbling in an almost complete statistical darkness — especially so in regard to the Indian States and permanently settled areas. While Professors Bowley and Robertson pointed out that the data at present are quite insufficient to determine whether or not food is increasing in proportion to population, the Gregory Committee negatively concluded that since available statistics of food production or food imports do not show any trend, but since a population increase as large as 50 million in a decade "is itself inconsistent with any assumption of a progressive deterioration in the standards of consumption which would not have permitted such a population increase to take place," consequently there must be statistical defects. Such is the enormity of our statistical ignorance. The perfunctory treatment of agriculture in the Bombay Plan and even in the Government Plan is hardly to be surprised at. Let us confess that we know little about our largest occupation: we do not know how much land we have for extension of cultivation or what are the production and cost conditions in agriculture, or whether famine mortality in Bengal has been nearer half a million or nearer five million.

British Companies in India

ANALYST

THE PURPOSE of this article is to analyse the financial position of British companies in India in manufacturing and distribution (financial companies are not covered in this study) in relation to the performance of British companies in the U.K. and Indian companies in India. The basic statistical data for this study has been derived from the company finance studies made by the Reserve Bank of India and the U.K. Board of Trade. The importance of this study arises from the fact that the United Kingdom accounts for the highest volume of foreign investment in the country and any further flow of foreign equity capital into India will, to a great extent, depend on the performance of existing companies.

Profitability

Profitability of companies can be measured by various ratios such as the rate of profit before tax on the total capital employed, which gives an idea on the efficient use of capital or the rate of profit after tax on net worth, which is important from the point of view of the investor. A third way of measuring profitability is to find out the rate of profit before tax on the sales of a company and this shows the profit margin on sales. Since profit has its origin in sales this standard is also important, but the higher profit margin on sales may be either due to the lower cost of production or by exploiting any monopoly or near-monopoly positions. In this article profitability is considered by all the three criteria. Table I shows the rate of profit before tax on sales income in the case of British companies and Indian companies in India. Since data regarding sales is not available for British companies in the U.K., it is not possible to know the profit margin on sales there.

It will be seen from Table I that British companies in India made a higher rate of profit on their sales as compared to Indian companies in India during all the five years, 1957 to

TABLE I
GROSS PROFITS* ON SALES

(Per cent)			
Year	British Companies	Indian Companies	Differences
1957	9.8	7.3	2.5
1958	9.5	8.0	1.5
1959	10.3	8.3	2.0
1960	10.1	9.2	0.9
1961	10.0	9.2	0.8

* Including managing agency remuneration, interest charges and provision for tax but excluding depreciation.

TABLE II
PROFIT BEFORE TAX ON TOTAL CAPITAL EMPLOYED

(Per cent)			
Year	British Companies in U.K.	British Companies in India	Indian Companies in India
1957	10.6	11.3	5.1
1958	10.1	10.8	5.5
1959	10.7	12.2	7.1
1960	10.8	11.6	7.3
1961	9.3	11.5	7.2

1961. The higher rate of profit varies from 0.8 per cent to 2.5 per cent.

The rate of profit before tax on the total capital employed by British companies in the U.K., and India in relation to Indian companies in India may be seen in Table II.

It will be seen from Table II that British companies in India are making a higher rate of profit on the total capital employed than not only the British companies in the U.K. but also the Indian companies in India.

Since the shareholders are mostly interested in maximising their return, the rate of profit after tax on the net worth of the company is the most important consideration for them. Table III shows the rate of profit after tax on net worth.

TABLE III
PROFIT AFTER TAX ON NET WORTH

(Per cent)			
Year	British Companies in U.K.	British Companies in India	Indian Companies in India
1957	8.2	9.9	5.9
1958	8.2	9.2	6.8
1959	9.2	12.3	10.7
1960	9.2	11.7	10.5
1961	7.8	10.9	9.5

It may be seen from Table III that the British investor is earning a higher rate of profit after tax on the investments in India, compared to the investments in Britain. Besides, the British companies in India are making a higher rate of profit than the Indian companies.

Dividend

The higher profitability of British companies in India enables them to declare a higher rate of dividend. Tables IV and V show the rate of dividend declared by these companies in India and the U.K. on their paid-up capital and net worth.

TABLE IV
DIVIDEND ON PAID-UP CAPITAL

(Per cent)			
Year	British Companies in U.K.	British Companies in India	Indian Companies in India
1958	6.0	8.3	6.4
1959	8.7	12.2	10.5
1960	8.5	13.8	10.3
1961	8.3	15.0	10.0

Table IV and V show that British companies in India are paying a much higher rate of dividend on both paid-up capital and net worth, compared to both British companies in the U.K. and Indian companies in India. The rate of dividend on the

net worth paid by British companies in India is more than double what the parent companies have paid in the U.K. in 1961.

TABLE V
DIVIDEND ON NET WORTH

Year	(Per cent)		
	British Companies in U.K.	British Companies in India	Indian Companies in India
1958	2.9	5.3	5.2
1959	4.2	7.5	6.4
1960	4.2	8.2	6.3
1961	4.0	8.9	6.0

Assets and Liabilities

The higher rate of profit made by British companies in India and the consequent higher rates of dividends declared by them may be due to many reasons. An analysis of the pattern of assets and liabilities of British companies in India is likely to throw some light on the financing practices of British companies and their effect on profits. Tables VI and VII show the pattern of assets and liabilities of British and Indian companies.

TABLE VII
PATTERN OF ASSETS

	(Per cent)					
	British Companies in U.K.		British Companies in India		Indian Companies in India	
	1960	1961	1960	1961	1960	1961
Net fixed assets	40	41	28	30	41	41
Inventory	27	26	30	31	30	31
Loans, Advances, Debt Balances	20	19	20	20	15	16
Investments	7	6	7	5	6	5
Cash	4	3	10	9	4	3
Other Assets	3	4	3	5	4	4
TOTAL:	100	100	100	100	100	100

It may be seen from Table VI that British companies in India are not capital intensive industries to the same extent as either the British companies in U.K. or Indian companies, for the net fixed assets of these companies are only 30 per cent of their total net assets, compared to 41 per cent for British companies in U.K. and Indian companies.

As regards liabilities, net worth in the case of British companies in India is lower than British companies in U.K. for in U.K. it amounts to 62 per cent of the total liabilities compared to 54 per cent in India. The lower importance of net worth in India may partly be due to the lower importance of net fixed assets. Another possible reason is that since the profit after tax on net worth is higher in India, the manage-

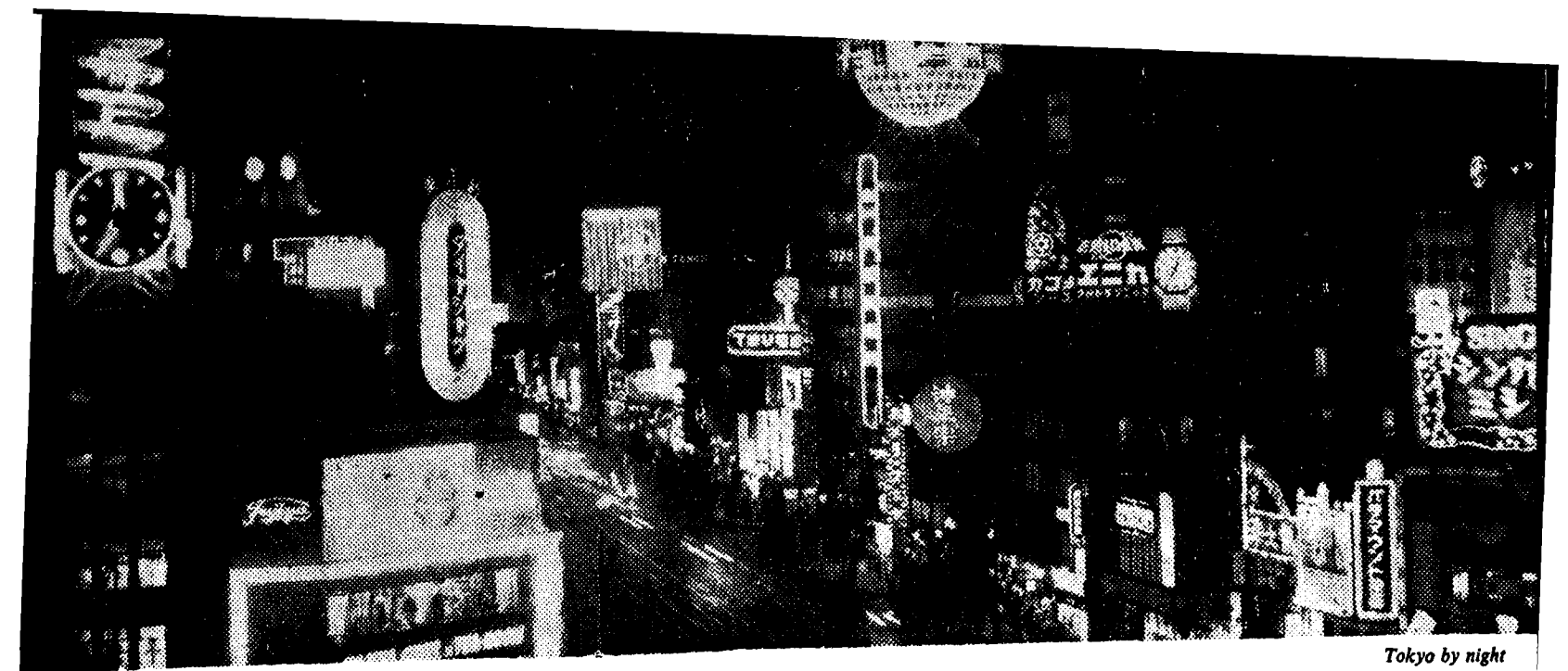
TABLE VII
PATTERN OF LIABILITIES

	(Per cent)					
	British Companies in U.K.		British Companies in India		Indian Companies in India	
	1960	1961	1960	1961	1960	1961
Paid-up Capital	31	30	33	32	26	25
Reserves and surpluses	32	32	23	22	17	17
Taxation provision	8	8	8	7	6	7
Bank borrowings	4	5	8	8	16	16
Long-term borrowings	8	8	4	5	8	8
Miscellaneous borrowings & creditors	18	17	26	25	27	27
TOTAL:	100	100	100	100	100	100

ment of British companies in India thought it better to raise borrowings to meet their increased financial needs rather than increase its net worth. In fact, the British companies in India had a high amount of miscellaneous borrowings and creditors, which carry little or no rate of interest, compared to the parent companies. The miscellaneous borrowings of British companies in India constituted 25 per cent of their liabilities, compared to only 17 per cent in U.K. Since the Indian companies also had about 27 per cent of their liabilities from miscellaneous borrowings, it may be inferred that British companies also were able to raise a higher amount of miscellaneous borrowings. Since these miscellaneous borrowings carried only a small rate of interest, it was possible for the British companies to pay the profit accrued by employing these borrowings also to shareholders. This was one of the reasons for their higher profitability.

The important points of this discussion may now be summarised:

- British companies in India make a higher profit margin on sales compared to Indian companies.
- The rate of profit before tax on the total capital employed is higher for British companies in India, compared to both the parent companies in the U.K. and Indian companies in India.
- The rate of profit after tax on shareholder funds (net worth) is higher for British companies in India, compared to both the U.K. companies in the U.K. and Indian companies in India.
- British companies in India are paying a higher rate of dividend both on paid-up capital and on net worth, compared to British companies in the U.K. and Indian companies in India.
- British companies in India have financed their assets by borrowings to a greater extent than their parent companies in the U.K. Since these borrowings carry a low rate of interest, the higher rate of profit earned by British companies in India was partly due to this reason.



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ROYAL DUTCH AIRLINES

WINDOW ON THE WORLD

Europe's Migrant Millions—I

From Our Special Correspondent

PARIS:

THE RAPID economic expansion of the Continental countries seems to be heading for a phase of less spectacular progress, as governments everywhere move to combat the inflationary contagion. The root cause of this relative slowdown (expansion no doubt will continue, but at a slower pace) is the shortage of manpower, which acts either directly or indirectly (through competitive wage increases leading to inflation). Paradoxically, the 185 million people who inhabit the Common Market and Switzerland are not enough to provide all the goods and services they desire. The proof is that today they are bringing men, at considerable cost, to work in their factories and mines from further and further afield: the case of the Arabs and Negroes in France is well known, but less so the Turks, Jordanians, Japanese and South Koreans in West Germany. Those exotic sources of manpower are being drawn on as the traditional sources — Italy, Spain, Portugal and Greece — are less and less able, for various reasons that we shall mention, to offer the numbers and the qualities of workers that north Europe needs. One Communist country, Yugoslavia, already sends migrant workers to west Europe and the question of getting more men from the Soviet bloc has been raised. Even the USA's unemployed are being coaxed to Europe by offers of work, and a first wave of this unexpected counter-migration has reached Scandinavia.

Manpower Hunger

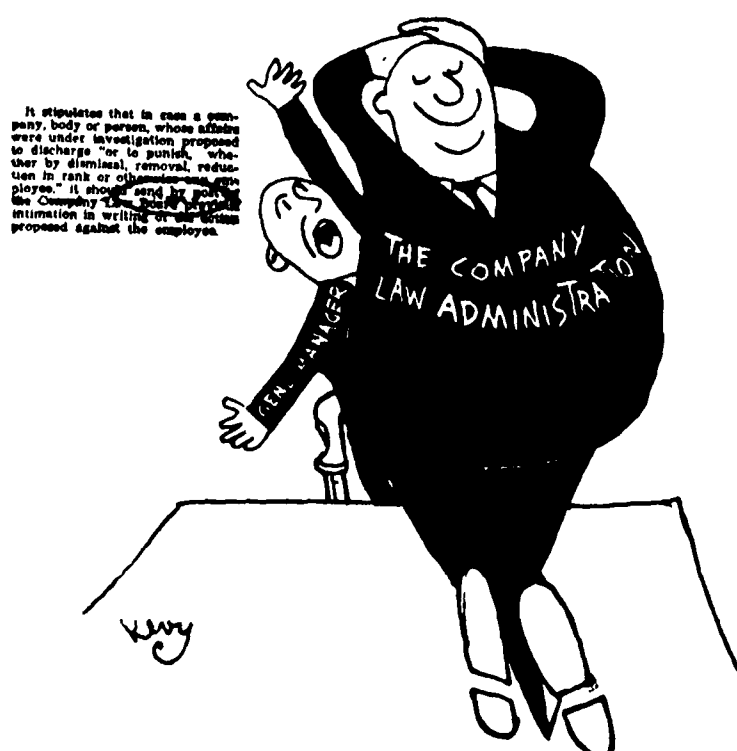
Even with a slower pace of expansion, these economic migrations will continue. Since they involve many millions, they constitute a phenomenon that deserves much more attention than it has received; there seems to be a certain reluctance among the wealthy Europeans to admit how much of their prosperity is built on the labour of lakhs of dark-skinned foreigners who live apart in shanty-towns. This is not a transient affair, and the prosperous countries of north-west Europe will be hungry for manpower for many years yet. We may make that prediction for various reasons. Firstly, the proportion of the active population in the total population will continue to fall in those countries for decades to come, both for demographic causes and because of longer schooling. Secondly, labour is successfully pressing for shorter working weeks and longer annual holidays, and will go on demanding earlier retirement ages.

Thirdly, the local reservoirs of manpower constituted by the peasantry and the unemployed female have been drawn on almost to the point of exhaustion in the past two decades. The percentage of the population employed in agriculture is approaching the minimum, while one woman in two who could work does so already in West Germany, France and Britain (one in three in Benelux). Fourthly, the type of economic development now going forward in north-west Europe is increasingly labour-intensive because it entails a vast expansion of the tertiary sector (services) where productivity is increasing only slowly, if at all. Fifthly, the millions of Mediterranean people who have come to work in north Europe in recent years have taken over the heavy, dirty jobs, and the local people thus released from that work will never return to it; there is a social promotion that is irreversible. Mining, house-building, hotel service, domestic service and municipal jobs (sweeping, sewage, etc.) are now-a-days almost wholly staffed by immigrants in the richer European countries, and many arduous or dangerous factory tasks are entrusted to them.

For all these reasons, the three countries West Germany, France and Switzerland alone will continue to need about

three million migrants even if industrial expansion slows down notably. Another reason for attracting migrant labour verges on the pathological, but has its importance in some places: north Europeans are as reluctant as ever to change their place of residence in order to secure work, so that any pocket of manpower shortage is apt to be met by increased immigration even when unemployed nationals are available elsewhere in the country. For example, a company in Alsace (eastern France) lately tried to coax 30 oxy-welders who were unemployed in Brittany to go to Strasbourg; they refused, so the firm got its labour from Turkey, 4,000 kilometres away. The collieries in Germany and northern France are bringing miners from Turkey and East Asia, when there are unemployed coalminers in central France who decline to leave their home-towns. These cases are not just oddities. They illustrate the important fact that rich Europe is depending on foreigners to supply that mobility of labour that is essential in a developing economy.

That particular use of immigrant labour is patently uneconomic. But one is tempted to ask how economic is the whole process of importing millions of foreign workers to deal with a labour shortage that will ultimately have to be met with capital investments. As has been noted, the appeal to masses of migrants has not prevented Europe running into a generalised inflationary crisis arising from rapid increases in wage-costs. (Incidentally, that is why the trade unions have not objected to immigration, as they used to do before the war: they have seen that it is consistent with constant wage increases). So capitalists would have done better to invest, from the start, in new machines and processes in higher productivity and in automation. Apparently, they preferred to take the easier course, which is cheaper and less intelligent, of boosting their staff. But that course is only easier if the workers are foreign, that is, if there is the idea that they can



"What is the point, sir, in mentioning 'by post' when you are very much here all the time?"

be got rid of fairly ruthlessly if business conditions turn down.

Migrant labour, then has simply encouraged Europe to postpone the inevitable rationalisation of its industry by means of concentration, automation, better use of local manpower, suppression of useless jobs in the administration and in the tertiary sector generally and even, perhaps, the suppression of labour-intensive sectors of the economy. It is probably irrational for north-west Europe to keep alive, with protective quotas and imported labour, sectors like textiles which would be much better located, with the aid of capital from north-west Europe, in regions whence the migrant workers are being drawn. Lack of enterprise often explains why a firm brings Spanish workers to the Ruhr instead of sending its capital and techniques to Spain. While, when one finds automobile factories in West Germany that are financed entirely by American capital and staffed very largely by migrant workers from the Mediterranean region, one wonders whether tariffs are not responsible for a grave perversion of the division of labour. However, against that, one must note that there have been cases lately of firms venturing abroad exactly because they have trained labour from the region where they are about to invest; e.g. German firms open plant in Spain staffed by the Spaniards who have worked for them in Germany.

Deplorable Aspect

The calculation that foreign workers could be much more easily retrenched in times of bad business than local workers (or new plant) in responsible for the refusal of some countries, e.g. Switzerland, to allow the migrants to bring their families after them. The excuse mostly given is a local housing shortage, yet the one country that allows the migrants to bring their families after them is France, whose housing situation is the worst. The separation of workers from their families is the most deplorable aspect of the large labour migrations in Europe today, and it has been denounced by religious and health authorities; but the employing nations insist on it because they

Exchange Rate Uncertainties

PAUL EINZIG

IT SEEMS probable that the period of comparative stability in the foreign exchange markets that followed the establishment of close co-operation between Central Banks is drawing near its conclusion. The outlook of the principal exchanges is now less settled than it has been at any time during the last two years. We must envisage the possibility of another period of exchange scares and the principal exchanges are likely to fluctuate within a wider range than they have been lately. At any rate, while it is hoped that spot rates will be maintained within their agreed support points, sharp movement of forward rates are likely to indicate the true basic trends in the markets.

Paradoxically enough, one of the main perturbing factors is the apparent consolidation of the international political situation in Europe. Although the D. mark has been persistently firm for a very long time owing to the strength of the West German economy, confidence in it was until recently not absolute, owing to the political uncertainty caused by the Berlin situation. While there were many investors, speculators and arbitrageurs who were keen on sending their money to Germany, others preferred to refrain from doing so, for fear that another Berlin crisis might flare up suddenly. But for this consideration the influx of foreign funds which, together with Germany's perennial export surplus, has kept the D mark firm, would have been even more pronounced.

Now that the Kreml'n has come to be more preoccupied with Peking than with Berlin, the European political outlook

shrink from the cost of the public services (housing, schools, hospitals, etc.) that the families would require, and they are afraid they could not so easily put the foreigners out in times of economic crisis.

Leaving aside the moral aspect of this attitude, we will note the economic significance of obtaining labour on these terms. Obviously, it is cheaper labour, even when the worker himself is given the same fringe benefits as the native worker, because the employing country is not supporting the social costs of his family. In fact, the worker, employed in these conditions, is not interested in fringe benefits even for himself. His one idea is to get the most direct pay, the biggest cash pay packet, so that he can save more and send more home. In turn, the repatriation of most of these workers' pay has its economic significance: a part of the income of the working class (and it may be a large part: one worker in three in Switzerland is a foreigner) has no impact on local prices, because workers consume the barest minimum. The disinflationary effect of this abstinence (and of the negative impact on the payments balance of workers' remittances home) must be considerable, and makes it all the more remarkable that countries like Switzerland have lost control of internal prices.

The point is worth emphasising because there are lakhs of workers in every northern European country today who are just workers and hardly consumers at all. The foreigners take all the overtime work they can, so they have no time left for leisure and even if they had they do not speak the local language or appreciate local customs. They live in primitive conditions, and this is so, often, even when their employers or the State have provided decent accommodation and facilities: they prefer to save money by paying less rent. Not that all their squalor is deliberately chosen; there is some scandalous neglect on the part of their hosts, too, but no doubt their conditions are vastly superior to those of their uncles who migrated to the USA at the start of this century. Other economic consequences of the substantial labour migrations will be looked at in a subsequent article.

has come to be viewed with an increasing optimism. More and more people who matter from the point of view of the behaviour of the exchanges have come to the conclusion that the last thing Soviet Russia would want is a war with the West, because, even if she were victorious, it would weaken her considerably in the face of the growing Chinese menace. While the Russian attitude towards Britain remains aggressive outside Europe — in the Yemen, in Malaysia, in Cyprus and elsewhere — West Germany is now considered to be reasonably safe from any threat of aggression. This must necessarily mean that the D. mark has come to be regarded even more attractive than before, and the influx of foreign funds is likely to continue increasingly.

This major influence is likely to produce a disturbing effect on foreign exchanges, especially on sterling and on the dollar. In any case, sterling will have to face the pre-election scare during the coming months. Even though the technical position is strong and there is a great deal of optimistic talk trying to play down the impending pressure, it is difficult to visualise the weeks that will precede polling day without heavy selling of sterling both through speculation and through transfers of capital from London. The material and psychological effects on the minor clashes outside Europe are also liable to become detrimental to sterling, and there is also an ever-present possibility that any of these clashes might develop into a shooting war on a large scale. The British authorities have, it is true, ample resources and drawing rights at their disposal to cope with the attacks on sterling, but their

in keeping with its role as Reserve Banker for the Free World. In the past several years, however, the US Government has begun to break out of this box with a diversified series of policies, containing several new and important features.

There has, for instance, been the active use of fiscal policy, notably the recently enacted income tax cut, to stimulate the domestic economy. There has been the innovation of the "twist" in monetary policy — keeping short-term rates up to guard against capital outflow and long-term rates down to avoid checking the domestic expansion. In addition, there is what President Johnson calls the approach of "friendly persuasion" with labour and management, aimed at keeping wage increases in line with productivity gains, thereby holding prices steady and forestalling inflationary pressures. Fourth, there are the new forms of international stabilization — such as currency exchanges and Central Bank borrowings — under-

taken in concert with other free countries to help keep the dollar and other currencies strong.

These and policies like them have been fashioned not to cope with theories, but with facts. They have not been hasty improvisation, but deliberately dodged moves to get the U.S. economy "moving again," in the memorable words of the late President Kennedy, while retaining that dedication to international responsibility which has been the hallmark of US policy throughout the post-war years. This may well be the most telling point of all. While every nation obviously will act in accord with its own situation, it is important that policies generally be reconciled with the overriding need for international co-operation and co-ordination. There is nothing to be gained through actions which help one nation at the cost of seriously hurting others. In an interdependent world, such actions may well be of no help at all in the final analysis.

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The moving finger writes

I SEE THAT Mr. L. K. Jha's appointment as the Prime Minister's Secretary has had a good press. This is not surprising. Mr. Jha has an enormous reputation for quiet efficiency and is, besides, a man of parts. He, of course, has been fortunate in his Ministers, or rather Minister, for it is Mr. T. T. Krishnamachari, more than any other Minister, who has had to do the most with Mr. Jha, first licking him into shape in the Commerce and Industry Ministry and then giving him his head in the Ministry of Finance. Mr. Jha is known to be quick on the uptake, but patient in argument; open to conviction, but sure of judgment. It is, therefore, possible to say that the Prime Minister has been wise in his choice. Only, Mr. Jha, like Mr. Lal Bahadur, has a history of heart ailment, and it is no secret that in the Finance Ministry, Mr. Krishnamachari had been extremely careful not to over-work Mr. Jha. The question is whether, in his new assignment, Mr. Jha will be able to avoid undue physical strain. As Secretary to the Prime Minister he will have to undertake a very considerable organizational job, and now that it has been decided that he should shoulder this burden, all that remains is to express an earnest wish that neither he nor his principal will ever yield to the temptation of underestimating the hazards of over-strain.

Mr. L. K. Jha, incidentally, is not the only senior civil servant who is being called to labours possibly inconsistent with the state of physical fitness of the person concerned. There is, for instance, a proposal that Mr. A. N. Jha, presently Secretary, Defence Production, in the Ministry of Defence should move to the Ministry of Information and Broadcasting as its Secretary. Mr. A. N. Jha, too, has been in indifferent health for some time now. I am rather unhappy about this because, as has been generally recognized, there is much vigorous work to be done in the Ministry of Information and Broadcasting. It is doubtful that Mr. Jha, in his present state of health, will not find his chores at the I and B Ministry too much for his physical resources or reserves. In any case, it is only sensible that, when key appointments are to be made in Ministries scheduled for policy or organizational overhaul, those who are responsible for making those appointments pay some attention to the factor of physical fitness.

★ ★
The ways of a man with a maid admit, no doubt, of infinite variety, and the wooing manners which the Finance Minister might choose to adopt for courting foreign capital could justifiably be flexible so long as they are not flighty. But I for one fail to see the point of Mr. T. T. Krishnamachari's denigration of Indian business men when talking in London about New Delhi's attitudes towards private enterprise. The Finance Minister reportedly said that, while the Government of India was ready to extend attractive treatment to foreign capital, it was not disposed to be equally benevolent towards domestic business since Indian industrial enterprise, according to him, was "vitiated by dynasticism". Apart from the fact that our politicians should be the last persons to decry dynasticism — seeing that they themselves have been pretty prompt in introducing it into our Central Government — it is rather surprising that such a well-informed person as Mr. T. T. Krishnamachari should be harbouring the impression that Indian private enterprise is dynastic. The question of "dynasty" arises only when an institution has been in existence for a sufficiently long time. Dynasties are not built in a day, but only over generations. Now, the most obvious single attribute of private industry in this country is its newness. Much the greater part of India's industrial leadership consists

at present of first-generation business men. This is true, with perhaps one or two exceptions, even of so-called big business in this country. Mr. Krishnamachari does not wear a hat, but he ought to have worn one when accusing the Indian business community of "dynasticism".

I should perhaps add that if Mr. Krishnamachari had been unfair to Indian business, he was even more unfair to himself. Does he have so little faith, then, in his own egalitarian fiscal measures that he thinks poorly of their potential for countering any "dynasticism" which may tend to develop in Indian business in the coming years? Finally, I would like to make the point that a policy of favoured treatment of foreign capital or enterprise is both short-sighted and self-defeating. It may have a stimulating effect temporarily on foreign investments, but the gain is likely to be neither large nor enduring so long as government policies towards domestic enterprise are also not equally liberal. The best way of attracting foreign capital is not by showing it special preference, but by maintaining in this country an economic climate which, in its totality, is wholesome and is conducive to all capital and enterprise, whether domestic or foreign.

★ ★
I would like to share with my readers an instance of the practical good sense which Mr. C. Subramaniam, Minister for Food and Agriculture, is capable of bringing to bear on his work. Recently the Delhi Administration went to him with a proposal that the Capital should get its sugar supplies from factories in eastern U.P., as the prices fixed for those factories were slightly lower than the prices for sugar produced in other areas. The bright idea was that this would help the Delhi Administration to stand well with the Delhi public by effecting a slight reduction in the price at which sugar is sold in this city. The suggestion, however, was turned down by the Minister who is reported to have pointed out that there was no justification for depriving some other part of the country of the cheaper eastern U.P. sugar for the benefit of people in Delhi who, after all, enjoyed on the whole higher incomes and a higher standard of living than those elsewhere.

The Minister, no doubt, was aware that the Delhi Administration was trying to play politics, but then who does not these days? Take, for instance, Mr. Subramaniam himself. The best that could be said for this business of rice mills in the public sector is that it is a slick way of getting around the absurd Bhubaneswar directive about nationalization of rice milling. It is, however, rather ridiculous that a Minister who was only recently so enthusiastic about steel mills in the public sector should now be exerting himself so obviously to work up an equal (but wholly artificial) enthusiasm for rice mills in the public sector. Having failed to grow two ears of corn where one grew before, the Government of India would now have us believe that it is going to extract two grains of rice from where only one grain was to be got before. While I do not deny that improved techniques will reduce wastage in milling, this surely is not why the Government has so suddenly developed a taste for rice mills in the public sector. In any case, if the aim is the avoidance of loss in processing, hand-pounding is definitely superior to the most modern processes of milling. At the present time, out of the total rice output of 30 million tons, nearly 18 million tons are hand-pounded; and since the taxpayer's money is being used to subsidize hand-pounding, I should like to know what logic there is in the taxpayer's money also being employed simultaneously to boost rice milling capacity which must necessarily cut into hand-pounding.

V.R.

strength will be put to a severe test, especially if the balance of payments should remain unsatisfactory. While there is no risk of a devaluation, the outlook is not very satisfactory.

Nor is the outlook for the dollar altogether reassuring. It is true, the balance of payments position has improved, and the resistance of American authorities to over-lending abroad is producing its effect. But the Presidential election has introduced an unexpected element of uncertainty as a result of the likelihood of Senator Goldwater being nominated as Republican candidate for the Presidency. In the ordinary way the possibility of a Republican victory would be, if anything, a bull point for the dollar. But the possibility of Senator Goldwater being in charge in the White House is causing widespread uneasiness in the domestic front. Should he be definitely nominated it would affect the dollar very unfavourably during the coming months.

Last, but by no means least, there is the Italian situation. Even if the acute political crisis which flared up at the end of June is solved, the underlying political and financial situation is likely to remain essentially unstable. A devaluation of the lira is widely anticipated in the foreign exchange markets. Nor is the lira alone that is affected by the Italian deadlock. Should it prove to be indefensible its devaluation or depreciation would inevitably revive speculative attacks on other currencies which are deemed to be vulnerable.

This is where the Bretton Woods system of orderly adjustment of currencies which are out of equilibrium is likely to prove unworkable. When in the 'twenties Mussolini declared his determination to defend the lira with the last drop of

his blood that remark gave rise to many sarcastic comments, especially after he felt impelled to abandon the rigid defences of the lira some ten years later. But the basic truth remains that, unless a currency is defended with that stubborn determination for which Mussolini's remark was the slogan, it cannot be defended at all. The moment the market comes to the conclusion that adjustment of exchange parties is a possibility, and that it has become once more fashionable to yield to pressures rather than resist them with the last drop of our blood, pressures will develop in plenty. The devaluation of any of the major currencies would greatly strengthen the attacks on other currencies by weakening our faith in the determination of the authorities to defend it "with the last drop of their blood."

At the same time, the failure of concerted action by the financial Great Powers to save the lira might strengthen the feeling that co-operation between Central Banks should not be used for bolstering up obviously untenable positions. A reaction against large-scale international support to currencies under attack is liable to set in. For this reason alone, it would be a very grave event in the post-war history of foreign exchanges if the lira proved to be indefensible.

On the other hand, financial commentators who maintain that a lira devaluation would necessarily let loose a cataract of speculation against sterling in particular appear to have overlooked the very close economic and psychological links between the lira and the other currencies of the Common Market. It is those currencies that are likely to be involved in the first instance, and sterling might even derive some strength from their weakness.

The Management of the U.K. Economy—I

JOSSLEYN HENNESSY

LONDON:

CRITICISMS TO post-war U.K. chancellors' "Stop and Go" policies (which have undoubtedly been one cause of the U.K.'s comparatively slow rate of growth) have arisen to such a crescendo in the past year or so that it is as well to remind oneself what Stop and Go is all about. Basically it is about full employment. It was because the inter-war governments did not "go" but remained "stopped", or neutral, towards the level of economic activity that the unemployed were counted in millions. In criticising post-war Stop and Go, one should not, however, forget how new the concept of maintaining the level of employment is, and how theoretical and untested Keynes' propositions were. In their application, the U.K. Government has played a pioneering role, beginning with its 1944 official statement, which pointed out that the measures proposed had never before been systematically applied by any government.

Chief among the U.K. Government's failures have been five: (1) the old trade cycle has persisted, though much attenuated. Output and employment have virtually not declined but there has been a cycle in the rate of growth of output; (2) there have been frequent adjustments of policy, which have led industry and the public to feel (rightly or wrongly) that they were being subjected to unnecessarily frequent reversals of policy; (3) prices have risen continuously; (4) the balance of payments has tended to be weak; (5) growth has not been as rapid as in Germany, Italy, and Japan.

But these failures have been relative only. By pre-war standards, economic fluctuations have been minor, growth has been faster than ever before in U.K. history, and the standard of living has risen every year. This is not, for one moment, to suggest that there is not room for improvement. The

trouble hitherto has, however, been that all proposals for diminishing the jerks of Stop and Go, for avoiding inflation, and for boosting exports to attain a better balance of payments, have become tangled with politics. While for all Socialists, the basic secret of success lies in planning, some Socialists see no harm in "a little" inflation, others would use import controls to cure adverse swings in the balance of payments; some advocate cheap money, others nationalisation. The Conservatives also advocate planning, but their main emphasis remains on fiscal and monetary controls; and they argue about "cost" and "demand" inflation; and their insistence on some margin of unutilised capacity in the economy is seized upon as proof that they really want to keep wages depressed.

Just as the approach of the general election is raising these controversies to apoplectic pitch, it is refreshing to find a book, which provides an historical narrative of what the Labour and Conservative chancellors actually did between 1945 and 1960, collects all the relevant economic facts, and analyses the methods used in official economic forecasting, the effects of direct controls, of fiscal and monetary policies, and of variations in public investment, rates of interest, and does all this with an academic detachment and single-minded interest in searching out the truth (as far as it can be ascertained), regardless of its repercussions on the fortunes of a political party. The book is "The Management of the British Economy — 1945-60" (Camb. Univ. Press, 60 sh.) by J. C. R. Dow, who spent the first eight post-war years struggling at first hand with these problems in the Treasury's economic section, the next ten years studying them at the National Institute of Economic and Social Research, and who has just gone as Assistant Secretary General to the O.E.C.D. in Paris. His book should be a boon to all Ministry of Finance officials, central bankers, and all responsible for, or puzzled by, the problem of managing an economy, because here for the first time are all the

facts assembled in one volume, which unflinchingly outlines the conflicting theories advanced by different schools of political and economic thought before offering its own conclusions.

Mr. Dow's conclusions are, on the whole, encouraging. He argues that the U.K. authorities are steadily absorbing the lessons of experience and getting better at keeping the economy in balance. He reminds one that for nearly ten years after the war ministers were not sure that they had found the secret of full employment. By the mid-fifties, the dramatic sterling disasters had forced attention on to the perils of inflation and more systematic efforts were made to regulate demand, but a great deal had to be learned about the timing, strength, and direction of government measures, and this meant that not only skill had to be acquired but statistical and other sources developed. The government failed to moderate the build up for the 1955 boom, went heavily into reverse with Mr. Thorneycroft's 7 per cent bank rate in 1957, followed by too blithe expansions in 1958-59, and the heavy hand again in 1960-61.

Quick Result Policy

Mr. Dow's detailed examination of these policy changes leads him to conclude that there was a too easy assumption that policy (particularly fiscal) could provide quick results, and that it was over-influenced by the superficial appearance of current events, particularly by the level of the gold reserves, and that this prompted heavier action than was necessary.

A good deal of the fluctuation in the balance of payments is random and, to this extent, movements, favourable or unfavourable, are unlike to go far, or for long, without being halted. Many of the factors depend on the trend in world trade. World commodity prices determine chiefly the U.K.'s terms of trade; these prices are very variable in the short term, but any large movement in prices tends to adjust supplies in such a way as at least partially to restore the position. Moreover, the immediate effect on U.K. import prices is likely to be ac-

companied in a year or so by compensating changes in other items of the external account: booming world trade may cause the U.K. to pay more for imports, but she can also sell more exports, and profits on overseas investments are high. Finally, much of the fluctuation has been caused by erratic swings in stocks of imported commodities; but stocks are not run up or down indefinitely, and any large movement is likely to produce its own reaction.

The speed with which these compensating factors work themselves out varies from item to item, and it is this which is the fundamental cause of short-period fluctuations in the balance of payments. A year is too short a period in which to expect all factors to balance out smoothly. The statistics for 1948-60 show that the extent of the swing in the U.K.'s balance of payments can be expected to be at least £200 million on either side of its average value. This should put into perspective the current (seasonally adjusted) deficit of £62 million reported for the first quarter of 1964, compared with a surplus of £6 million in the last quarter of 1963. There is, of course, no suggestion that the U.K., or any other country, can ignore a persistently adverse balance of payments. What is important is not the short term, but the trend. Taking a two to three year period, there are only two factors affecting the U.K. balance of payments, both under the U.K.'s control. The first is how competitive U.K. export prices are, which depends on the level of prices in the U.K., compared with those of her competitors. The second is the rate of expansion of demand in the U.K. (which — price levels being given — determines the rate of growth of imports) as compared with the rate of expansion in other countries (which — price levels again being given — determines the rate of growth of U.K. exports).

The argument applies, *mutatis mutandis*, not merely to the U.K.'s affairs but to those of any international trading country. Where it leads will be outlined in a concluding article next week.

U.S. Dollar Gains Strength

GUY SIMS FITCH

WASHINGTON:

THERE IS an ancient story of a group of men who went to sea in a small boat. One of them, to the consternation of his companions, began to drill a hole in the bottom of the boat. When the others protested this action which was endangering them all, he answered indignantly that it was no concern of theirs, as he was drilling the hole only under his own seat.

In the modern world of shrinking distances and growing interdependence, this little tale has its obvious application to nations as well as individuals. Whether we like it or not, we all are in the same boat, sailing the same international seas. To an increasing degree in the post-war era, the free nations have been formulating and pursuing their policies in this spirit of mutual concern. As never before in history, perhaps, they have been learning to work together in a co-ordinated attack on the economic imbalances which have affected one or more of them at one time or another. All this comes to mind with the recent judgment by the respected Bank for International Settlements in Basle that the world's "economic trouble spot has shifted from the US to Western Europe".

Today, it is Western Europe which is confronting problems of inflation and incipient international balance of payments difficulties. These pressures have induced Western European nations to take anti-inflationary steps, in varying degrees, and have tended to put a damper on their buoyant economic expansion.

This is a noticeable reversal of the situation of a few years ago, when the relatively slow economic growth of the

United States and its persistently high balance of payments difficulties combined to move gold and dollars to European centres. Now, with European costs rising and the United States in the midst of a sustained, vigorous and essentially non-inflationary expansion, U.S. exports have become more competitive, the US payments position has improved markedly, and the US dollar has gained further strength. Also, its current economic expansion has made the United States a desirable investment haven. In fact, the US growth rate, once the laggard among industrial countries, has now moved ahead of the European rate by and large although the present situation obviously affects different European nations differently. A complicating post-war element is the fact that nations no longer are bound to follow the traditional pre-war path of deliberate deflation to counter untoward domestic or international developments. The old answers are no longer acceptable.

Appropriate internal discipline in facing problems of economic imbalance is still an important element in public policy, of course, but now it is tempered by the acknowledged need to keep in clear view other important goals of high employment and growth. These, in fact, have become cardinal objectives of national policy, as was recognized formally in the United States with the adoption of the Employment Act of 1946, with its stress on maintaining high levels of production, employment and purchasing power. The United States may have had to pay a somewhat heavier price than other industrial countries in the way of slow growth and high unemployment in order to maintain the discipline and economic balance

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L'STENING POSTS

Decision on Oil Refineries Delayed

By Our Special Correspondent

NEW DELHI:

THE UNION Government's decision on the foreign collaboration arrangements for the proposed Madras and Haldia refineries, informed sources reveal, may be expected only some time next month. The Union Ministry of Petroleum and Chemicals, it is learnt, is yet to make up its mind on the various proposals received by it for these two projects.

The picture at present has become complex as a result of the understanding reached between the Government of India and the Bechtel International Corporation of the United States for setting up Indian Engineers Ltd., a company for providing designing, engineering, construction and management services for industrial projects (to begin with, for projects in the petroleum industry) and the provisional agreement arrived at, during Mr. P. R. Nayak's recent visit to Italy, on the Oil and Natural Gas Commission's collaboration as a partner in ENI and Phillips Petroleum's bid for off-shore oil concessions in Iran. Although the agreement with Bechtel International has been concluded more with an eye on the long-term development of the Indian oil industry, the Union Government's insistence on utilisation of the services of Indian Engineering Ltd., as contractors for building the Madras and Haldia refineries is not ruled out. The Union Government may as well like to associate this Indo-US partnership concern with part of the designing work of the two refineries. This, it is thought, would save at least part of the foreign exchange expenditure which may have to be incurred on payment of designing and construction fees to the foreign collaborators.

Important Condition

Another important stipulation that will have to be conceded by the collaborators in the Madras and Haldia refineries it is understood, will be utilisation of the crude which may be available if ONGC is successful in implementing its oil exploration plans in partnership with ENI and Phillips Petroleum in Iran or on its own at a later date in Kuwait. The crude found through ONGC's efforts in the Middle East is proposed to be treated on the same footing as Indian crude. The ONGC collaboration with ENI and Phillips Petroleum in the bid for off shore concessions in Iran, no doubt, gives the collaboration bids of ENI and Phillips Petroleum an edge over the proposals of the other contestants for the Madras and Haldia refineries. But it is not known whether the two companies will be able to arrange crude supplies in the interim period on rates competitive, quality-wise, with approximately 1.56 cents per barrel, f.o.b. Persian Gulf Ports, quoted by BOC-Shell International. Then, there is the consideration that the crude is to be such as would yield products suited to the demand patterns of the regions to be served by the two refineries and will not leave surpluses to be disposed of through exports. In entering into crude supply commitments with the collaborators, the Ministry of Petroleum and Chemicals, it is further learnt, will also like to have adequate flexibility which would enable it to take advantage of fall in crude prices at a future date.

The possibilities of setting up Madras and Haldia refineries as purely public sector enterprises are ruled out, for apart from arranging crude supplies till the period ONGC's Middle East crude can be available, if at all, in adequate quantities, there is the question of providing foreign exchange for import of equipment for the two refineries. Commercial credits are not considered feasible in the present circumstances because these not only involve payment of high rates of interest, but also repayment of principal at a time when our foreign exchange resources would be experiencing severe

strain on account of the external debt liability already incurred. Equity participation by collaborators has the advantage in that only dividend disbursements have to be arranged in foreign exchange in their case.

In view of such considerations, the Union Ministry of Petroleum and Chemicals is finding it hard to pick out the most suitable collaboration offers for the two refineries. Last week, it had discussions with a delegation of the National Iranian Oil Company on the NIOC's bid for collaboration in setting up the Madras and Haldia refineries and ONGC's plans to go in for off-shore drilling in Iran. The final round of talks with the other bidders for the two refineries are proposed to be held in the next few days.

The National Iranian Oil Company's delegation has also shown keen interest in supplying ammonia to India in exchange for Indian iron ore and bauxite. It has suggested to the Government of India that a panel of two engineers — one Indian and one Iranian — may be appointed to study the various aspects of this proposal.

★ ★
Hopes of finding oil in the Raxual area, it is understood, have been abandoned by the Oil and Natural Gas Commission. The core analysis of the structural well drilled here has failed to indicate any marine sediments up to a depth of about 4,000 metres to which this well had been drilled. Chances of striking oil in this eastern part of the Gangetic Valley at deeper levels may be there, but exploitation at such horizons is not considered economic.

Oil exploration in the Gangetic Valley is now proposed to be undertaken at its western end near Dehra Dun. Structural drilling in this area is expected to start soon. Two or three structural wells will be later on drilled between Dehra Dun and Raxual.

The first well drilled at Pattukotai, near Karaikal, in the Cauvery Basin, too, is understood to have failed to indicate any hydro-carbon horizons. Another site about 5 x miles south of Pattukotai is now stated to be being prepared for drilling.

Meanwhile, a decision is said to have been taken that the Oil and Natural Gas Commission should enter into a contract with ENI for drilling in the Nawagam area so that sufficient crude is available from the Ankleshwar, Kalol and Nawagam oilfields for running the Koyali refinery.

Negotiations with ENI for off-shore drilling in the Cambay area on contract basis are also understood to be progressing well. An agreement in this regard is expected to be reached between ONGC and ENI in the near future.

★ ★
As a part of advance action on stepping up pig iron output during the fourth Plan period, the Union Ministry of Steel, it is understood, will be asking, in another two weeks' time, three Indian technical consultancy firms, including Dasturco, to prepare feasibility reports for establishing blast furnaces at a dozen selected places. Only two or three furnaces, however, may be set up in the public sector on the basis of these feasibility reports during the fourth Plan period. The other schemes may be taken up later on. The selected sites are in Maharashtra, Andhra Pradesh and the coal and steel belt of East India. The technical consultants will be required to complete their assignments in eight or nine months.

To cover the gap between demand for and supply of pig iron from indigenous sources during the early fourth Plan period, the Ministry of Steel has recently issued four licences — one to Birlas and the other three to iron ore exporting

firms of Goa — to set up blast furnaces to a total capacity of one million tonnes. It is also expediting action for setting up one blast furnace each at Bhilai and Durgapur Steelworks as part of the fourth Plan expansion programmes of these two units. An agreement in regard to the extra furnace at Bhilai was signed here with the Soviet Union last week. The agreement with the British consortium for the additional furnace to be set up at Durgapur is expected to be concluded in the near future. Both these blast furnaces would go into production in the second half of 1967. No such proposal, however, is under consideration in regard to the Rourkela Steel Plant.

The Russian experts at the Ranchi Heavy Engineering Complex have been asked to prepare a technical report on the blast furnace equipment that can be manufactured at Ranchi.

★★
After discussions with the Union Ministries of Food and Agriculture, Community Development and Irrigation and Power, the Planning Commission last week decided to recommend to the forthcoming meeting of the National Development Council a growth rate of 5.6 per cent per annum for agriculture during the fourth Plan. It also endorsed the view that this rate of growth should be stepped up to 6.3 per cent a year during the fifth Plan period.

Although the target of 5.6 per cent annual growth in agriculture in the fourth Plan would be nearly 60 per cent higher than the likely achievement under the third Plan, it is not considered impossible of accomplishment provided effective steps are taken by the State Governments for implementing the agricultural development programmes that may be drawn up for the fourth Plan.

The Commission generally favoured the targets suggested for various agricultural crops by the Working Group on Agriculture, but preferred higher targets for cotton and oilseeds. The targets recommended by the Working Group for the principal crops are: Foodgrains 120 million tonnes; sugarcane 13.5 million tonnes; oilseeds 10 million tonnes; cotton 8.5 million bales; jute 8 million bales; mesta 2 million bales; tobacco 480,000 tonnes; coconut 5,113 million nuts; arecanuts; 110,350 tonnes and lac 60,000 tonnes.

The Commission was also inclined to the view that some of the targets visualised in the Working Group's paper for various agricultural development programmes could be revised upwards. It specified two such targets; the target for minor irrigation, it thought, could be pitched at 20 million acres as against 16 million acres recommended by the Working Group, and that for green manuring to over 64 million acres, the level proposed by the Working Group.

The Commission agreed that agriculture during the fourth Plan should continue to receive priority next only to defence build-up and all the resources required for stepping up agriculture output should be found and actually made available.

★★
The Government of India has constituted a two-member Tribunal, consisting of Mr. B. N. Gokhale, a retired High Court Judge, (Chairman) and Mr. G. Mathias, a senior officer of the Indian Audit and Accounts Service, to enquire into the cases

against managerial personnel of companies which may be referred to it by the Central Government, and also to exercise and discharge, with effect from July 1, 1964, all or any of the powers and functions conferred on the Courts by or under Section 155, Section 203 (in so far as they relate to granting of leave under that Section), Section 240 and Sections 397 to 407 of the Companies Act, 1956. The Tribunal has been set up under Section 10A of the Companies Act.

The powers and functions conferred on the Tribunal relate to the following matters:

1. Rectification of the register of members and the register of debenture-holders of a company;
2. Granting of leave to persons to manage companies in cases where they have been restrained from doing so by orders of the Courts;
3. Compelling certain persons to produce documents and requiring them to appear before an inspector appointed by the Central Government to investigate into the affairs of a company, and ordering examination on oath of a person whom the inspector has no power to examine on oath; and
4. Granting of relief in cases of oppression of any member or members of a company or mismanagement of the affairs of a company or where the affairs of a company are being conducted in a manner prejudicial to public interest.

The District Courts and the High Courts, as the case may be, shall not henceforth exercise these powers and functions. By virtue of sub-section (5) of Section 10A of the Companies Act, however, these Courts shall continue to have jurisdiction over any proceedings arising out of these matters pending before them immediately before July 1, 1964.

All applications and references required to be made to the District Courts or the High Courts, as the case may be, in regard to the matters in respect of which these powers and functions of the Courts have been transferred to the Tribunal are required to be addressed to the Tribunal's office at 25, Curzon Road, New Delhi.

★★
The International Development Association has extended a credit of \$33 million for the expansion and improvement of the tele-communications system in India. This brings the total IDA funds made available for this purpose to \$75 million.

★★
The Union Government, it is understood, is considering an increase in paper prices to offset the rise in freight rates and material costs. The decision is expected soon.

★★
Negotiations, it is learnt, are being carried on with Finland for collaboration in the Khetri Copper Smelting Project.

★★
Mr. L. K. Jha has been appointed Secretary to the Prime Minister. He is expected to be succeeded as Secretary for Economic Affairs, Ministry of Finance, by Mr. S. Bhoothalingam. The decision on Mr. Bhoothalingam's successor as Secretary for Co-ordination in the Finance Ministry will have to await the return of the Union Finance Minister, Mr. T. T. Krishnamachari, who is away in London for the Commonwealth Prime Ministers' Conference.

Wanted: Three Steel Mills in the South

From Our Correspondent

MADRAS:
THE REPORTS that the second World Bank team has given an estimate of steel requirements at a level which is very much less than the calculations of the Planning Commission and that in order to achieve this target, it would be enough if the capacity of the existing steel plants was expanded and an entirely new steel unit other than Bokaro was erected, has

caused some disappointment in the Southern States. It is not clear how the final target for the fourth Plan will be fixed though it has been tentatively indicated that it would be necessary to produce 11.5 million tonnes of finished steel. This would mean that there would be need for an installed capacity of 18 million tonnes of steel ingots. In order to bring about this capacity, it would be necessary to expand further

the size of the three public sector units by at least 3 million tonnes while Tata Iron and Steel Company and Indian Iron and Steel Company will between themselves account for 2 million tonnes. Taking into account the capacity of Bokaro plant as 14 million tonnes, there would be a gap of 2½ million tonnes which will have to be filled by new units which, it has been agreed by even the World Bank, should be erected in the South. In the opinion of the expert team, the Goa-Hospet area is considered to be most advantageous though it is not known how the required quantities of coal would be obtained and whether the unit could be located at Goa itself.

Mysore's Claim

There is considerable difference of opinion on the subject and the Mysore State Government is, naturally, anxious that an integrated plant having a capacity of one million tonnes should be located in the Bellary-Hospet area itself as iron ore of rich quality is obtainable in ample quantities and it would be possible to import coal from Singareni or from West Bengal by the sea-cum-rail route. The estimates of reserves of iron ore extend up to 3,500 million tons, the over-burden alone being taken at 350 million tons. Within a depth of 100 ft. iron ore of uniformly rich quality between 65 and 70 per cent — the best grade in the world — over 1,000 million tons is stated to be available while at greater depths much larger quantities could be secured. Even if the plant is located at Goa, it is contended that the required ore supplies would have to be transported from the Bellary-Hospet area which would mean very much additional strain on transport, as a broad-gauge line will have to be constructed in any case between Hospet and Goa and a large export trade built up. It is, therefore, argued that the return wagons from Madras and Goa could be used for fetching coal. Limestone and manganese can also be had from nearby sources and, therefore, it is emphasised that the Mysore State should be given an opportunity to have a steel plant of its own.

Andhra Pradesh is equally anxious to have a steel unit for itself as the Bailadilla area is being developed. The unlimited quantities of iron ore are proposed to be used for stepping up exports beginning from next year. It is stated that the newly constructed rail route should be utilised for transporting ore to the steel plant that would be erected at Visakhapatnam. Coal can, of course, be brought from West Bengal by sea to Visakhapatnam or from Singareni as the case may be. Both Hospet and Visakhapatnam are thus having identical claims for the erection of a medium-sized steel plant.

The Madras Government has not spoken out loudly so far. But its case would appear to be much stronger than that of others as the controversy, if any, relates only to the question of using lignite for purposes of steel-making. There is one school of thought which holds the view that available quantities of lignite can be utilised more effectively for power generation and for promoting other industries and that a steel plant would be using scarce raw materials. The Madras Government, however, would seem to be of the view that Salem iron ore is ideally suited for the manufacture of pig iron with low phosphorus content which will be helpful in producing alloy steel of various kinds. Also lignite reserves are ample and the experience gained in the past two years clearly shows that fresh reserves can be profitably exploited and without much difficulty. It is still to be decided whether the Salem project should produce common steel or alloy steel. Probably the ultimate decision may be in favour of an alloy steel plant. There will only be difficulty in finding the required resources. But the base of the industry has to be broadened as by the end of the 4th Plan, the existing five major units would have been fully developed and it would be easy to expand further in the fifth Plan only if more new units, which are capable of further expansion had been erected. From this point of view, three units in the South have to be constructed at an early date. Otherwise, a continuing increase in output of steel

in the next decade may not be achieved. The capacity of the three units need not be very big in the early stages, though it would be advisable to plan in such a way that future expansion is rendered easy. The State Governments have, therefore, been busy preparing the project reports in order to present their cases forcefully to the Planning Commission.

★★
The automobile industry in Madras City will be developing in a big way in the coming years. Already, considerable progress has been achieved in the establishment of allied and ancillary industries. As the Central Government is very keen on increasing the capacity for producing trucks, the existing manufacturers are being encouraged to undertake ambitious expansion plans. While Telco, Premier Automobiles and Hindustan Motors will be undertaking big expansion schemes and there will be a more than doubling of the output before 1966, in Madras, the producers who have collaboration agreement with British firms will also be expanding in a big way with the assistance provided by the latter. It was announced only a few days ago that Ashok-Leyland would be undertaking the manufacture of entirely new types of trucks which would be able to carry much larger loads, in fact 2½ times the load that the present trucks can handle. There will be two-axled and three-axled vehicles powered by engines of 185 h.p., the biggest so far to be produced in this country. The expansion programme is expected to cost £4 millions of which Leyland will be providing £2.5 million. The Indian shareholders will be asked to find £1.5 million. It will be necessary to construct larger factory buildings and expand also the facilities for castings and forgings at the Ennore Foundries, a sister company. Ashok-Leyland is already producing industrial engines up to 100 h.p. for sale to outside parties. Under the new scheme, it is proposed that more powerful industrial engines should be produced so that engineering units, manufacturing specialised equipment, can use these industrial engines. This expansion scheme comes immediately after the £3 million scheme which has just been completed.

Standard Motor's Expansion

The Chairman of Standard Motor Products of India Limited also indicated a few days ago at the annual meeting of shareholders that the company would be erecting its Press Shop before the end of this year and that body panels would be pressed in its own factory, leading to considerable economies of working. There is also a scheme for manufacturing one-ton trucks at the rate of 1,200 units annually. These trucks are expected to roll out of the assembly early next year, there being an initial indigenous content of 70 per cent. Standard Motor Products belongs to the Leyland Group and it is expected that this company also will undertake fresh expansion plans in a big way. There are proposals for doubling the output of the existing model of passenger car while it may be necessary to produce the one-ton trucks to a much higher level before long. The Government has not so far taken any clear decision as to how car manufacturers could be helped.

There is, however, the early prospect of Simpson and Company undertaking a big project for manufacturing truck chassis. Under the new scheme of integrated production of trucks by Telco, Hindustan Motors and Premier Automobiles, it will be necessary for Simpsons to embark on the production of trucks of their own. At the present moment, the diesel engines produced by them are being sold to Hindustan Motors and Premier Automobiles. It was announced some time back that these two companies should produce their own engines and that Simpsons should be asked to utilise the diesel engines that would be manufactured by them. Hindustan Motors will be producing a more powerful diesel engine to be fitted in the trucks while Premier Automobiles are already producing diesel engines. Simpsons will, therefore, have to utilise their output of diesel engines apart from any sales that might have to be made to outside parties for replacement purposes. For the truck project, negotiations are being carried on with a

number of foreign collaborators and it is expected that a final decision will be announced shortly. If this project materialises, as it must, Madras City will become even more important as a producer of cars, trucks, components and parts.

★ ★
There is also disappointment over the delay that has been happening in arriving at a decision regarding the collaborating firm for constructing the oil refinery at Madras. While it is agreed that a refinery will be erected in Madras and a large petro-chemical complex would come into being, it is difficult to understand what exactly is standing in the way of an immediate decision. It had been hoped that a final decision would be taken before the end of June and that the refinery would be erected by the end of 1965 or early 1966. When Mr. Humayun Kabir visited Madras recently, he stated that the refinery was definitely being established though it may not come on stream before 1967. The keen competition from foreign firms for collaborating in this project with the Central Government is no doubt welcome and it is also gratifying to know that there will be a great reduction in capital cost even as compared to the Cochin refinery. But what is intriguing is the emphasis on the difficulty that would be experienced in financing crude oil imports after the refineries at Madras and

Haldia have been erected. After the mistakes committed in the past, there is need to be careful when finalising arrangements with foreign firms. But it would not serve any purpose if a decision was unduly delayed simply to secure small gains. It is now clear that the capital cost will be considerably less and the foreign firms would be even prepared to process crude oil supplied by the Central Government and obtained from the Middle East. There would, of course, be objection to using Russian crude oil. It cannot be expected that the efforts to secure crude oil from Iran or the Middle East on a rupee payment basis, or as a result of collaboration agreements, would prove successful in a short period. What is necessary is to have a provision in the agreements that crude oil of acceptable qualities imported from the Middle East would be processed by the new refineries, if it were supplied by the Government. It is necessary to remember that the creation of fresh refining capacity would lead to the displacement of imports of finished petroleum products or at least prevent a further increase and that the saving on this account would be as much as Rs. 30-40 per ton. As we are now importing finished products on a large scale, any delay will be costly. It is, therefore, strongly felt that a decision should be taken within the next few weeks.

Vigilance Committees for Price Control

From Our Correspondent

BOMBAY:

MEETING HERE last week under the chairmanship of the Union Minister for Commerce, Mr. Manubhai Shah, the Cotton Textiles Consultative Board recommended that statutory controls should be instituted by the Government on the production and prices of the popular varieties of cloth produced by composite mills. Such controlled production, it suggested, might amount up to 40 per cent of the present total cloth output, excluding deliveries for export and defence. The remaining 60 per cent cloth manufactured in the mill sector, the Board felt, might not be subjected to production or price controls; the mills might be allowed to sell this cloth at prices to be determined by them.

The Board further recommended that statutory ex-mill prices, statutory retail prices, excise duty per metre and the words "controlled variety" should be stamped in red on each piece of cloth, the production and prices of which are to be controlled. In the case of non-controlled varieties also, the Board suggested, it should be made obligatory on the part of the mills to stamp in blue actual ex-mill prices, the corresponding retail prices, excise duty per metre and the words "non-controlled varieties" on each piece of cloth. This, the Board felt, would make it possible for the consumers to know the maximum prices for the non-controlled varieties and also ensure that the dealers or retailers would not mix the controlled varieties with the non-controlled ones.

For keeping a close watch over the working of the control system and for checking malpractices, it was suggested by the Board that vigilance committees of consumers, public workers and the other interests concerned should be formed in all towns and cities. According to another recommendation of the Board, the controlled varieties of cloth should be made available by suitable arrangements to all consumers' co-operatives and fair price shops in all parts of the country.

The Board recognised that it might not be possible for the Government to bring into force statutory controls immediately and some preparatory arrangements would have to be made. It fixed the time-limit for making the necessary preparations at three months. During the interim period, the

Board suggested, the present voluntary price control scheme should be continued and in view of the increase in production costs which have taken place since January 1, 1962, the existing prices of the old varieties i.e. the varieties which were in existence before January 1, 1962, and which are continued to be produced at present, should be refixed by the Textile Commissioner in consultation with the industry. No increase in prices, it felt, however, needed to be allowed in respect of the new varieties of cloth which came to be produced after July 1, 1962. No new varieties, the Board further recommended, should be allowed to be added by the mills during the next three months before statutory controls are brought into force. Enquiries here show that the prices of the old varieties of cloth might be increased by 8 to 10 per cent.

To ease the cloth supply position, the Board felt that mills should be asked to produce as much cloth as possible. The present stock position of cotton and imports already arranged, it pointed out, ensured satisfactory supply of the basic raw material to the cotton textile industry. The Board, however, suggested that Government should assist the mills to secure the balancing machinery and equipment required by them to step up production. If this machinery was not made available locally, imports should be allowed on a priority basis. The Board also recommended that efforts should be continued to step up third-shift working on looms in the composite mills. It noted with satisfaction the last four years' progress in this regard; during this period, third-shift working on the composite mills' looms has increased from 21 per cent to 30 per cent.

★ ★

Mr. G. L. Mehta, Chairman of the Indian Investment Centre, disclosed at the annual general meeting of the Centre that a team of West German industrialists would visit India some time in October-November next to study the investment conditions and opportunities in the country. The proposed visit was being sponsored by "Bundesverband in Deutschen Industrie", a leading federation of German industrialists. It was also proposed to invite a team of Japanese experts some time in August next, who would explore the possibilities of developing petro-chemical units in India and the prospects of Japanese participation both technically and financially. This visit will be sponsored by the Japan Consulting Institute,

which was established ten years ago with a view to helping Japanese industrialists to export technical know-how to developing countries. It was the intention of the Centre to bring to India at a later stage similar teams from France and other countries. Referring to the trend of enquiries received by the Centre, Mr. Mehta said that there had been a distinct fall in the number of enquiries. During the year ended March 31, 1964, the total number of enquiries of all kinds received from India and foreign entrepreneurs was 750 against 1,050 during 1962-63 and 1,272 during 1961-62. Of these 750 enquiries, about 310 were from Indian and foreign entrepreneurs for establishing joint ventures in India. During 1963-64, eight proposals resulted in technical collaboration agreements, while 22 proposals matured into joint-venture agreements involving a total capital cost of Rs. 3.05 crores. This brought the total number of joint ventures assisted by the Centre during the past three years to 66 with capital cost at Rs. 55.6 crores and foreign equity participation at Rs. 6.5 crores.

★ ★
Mr. S. K. Wankhede, Maharashtra's Finance Minister, at a Press Conference at Nagpur said that he was confident that about 50 per cent of the present foodgrain shortage in the State would be made up by the food production drive during the fourth Plan. Replying to questions, he said that the total outlay of the State's third Plan had already been increased from Rs. 390 crores to Rs. 418 crores. A further increase was likely. As many as 37 schemes were being implemented in Vidharbha division. Besides, there were 20 divisional level schemes of irrigation, of which eight were spill-over schemes from the second Plan. The total Plan provision for all these schemes, was Rs. 1,617.15 lakhs. The Rs. 2.17 crore Nalganga project, which would irrigate 24,500 acres, had already been commissioned and the first stage of the Ekburji tank project had also been completed. The Itiadh and Bagh projects in Bhandara

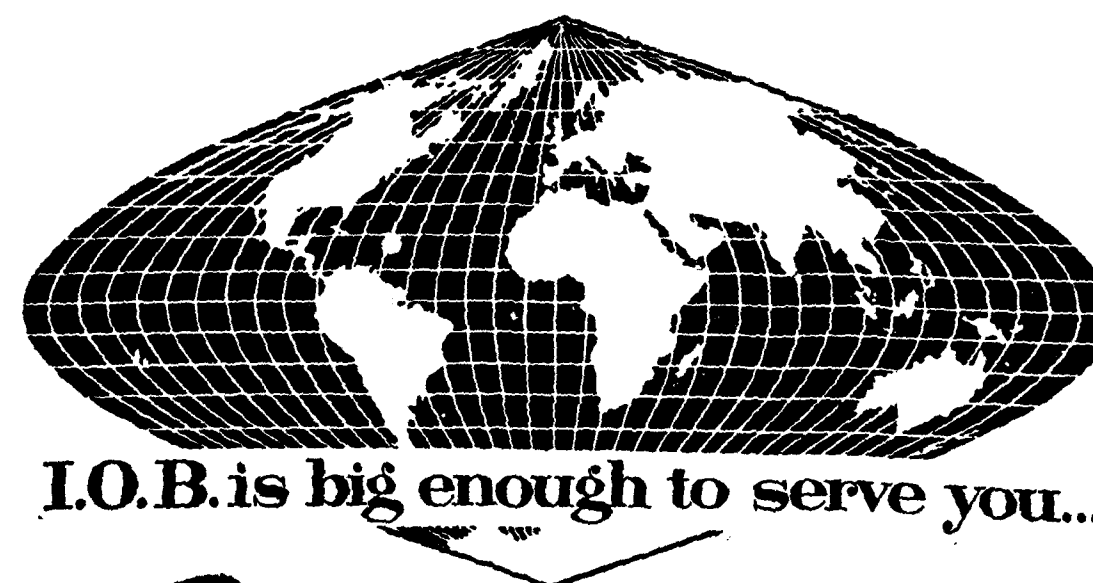
district, would jointly irrigate 1,04,000 acres and would cost Rs. 12 crores. Nagpur division had made satisfactory progress in regard to the generation and distribution of power. As many as 1,310 villages in the eight districts of Vidarbha had been electrified so far. In the remaining two years of the current Plan, 300 more villages would be electrified. During the last three years, 5,400 electric pumps had been installed in the division taking the total number of pumps to nearly 12,000. Mr. Wankhede further said that, by and large, the Department of Technical Education had fulfilled its targets. In every district, an industrial training institute and a technical high school centre had been established. Of the additional Rs. 28 crores provided in the third Plan, Rs. 10 crores would be spent in Vidarbha on agricultural production, irrigation, rural electrification and helping the educationally backward classes.

★ ★

Broadcasting a talk on the progress of the ports in Gujarat, Mr. Vijayakumar Trivedi, Gujarat's Minister for Public Works and Ports, stated that about 60,00,000 tons of cargo was expected to be exported from the ports of Gujarat by the end of the fourth Plan, excluding the major Kandla port. He said that Rs. 65 lakhs had been allotted by the Union Government for the development of the ports of Gujarat. The Union Government had decided to undertake the survey work of Magdalla port; the survey of the Bhavnagar creek was also in progress, while the surveys of Bedi and Okha had been completed. A scheme costing Rs. 7 crores was drawn up to make Porbandar an all-weather port and it was hoped that work would commence as soon as the sanction by the Centre was received.

★ ★

Do the bank employees want nationalisation of banks?



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This question remained unanswered in mid-April this year when the "Demand Week" was observed by the Communist-sponsored unions of bank and insurance employees. It was clear that opinion on this vital question was divided at that time among the employees. A clear lead in this regard was, however, given recently by the General Body of the employees working in the Reserve Bank of India at its headquarters at Bombay. A resolution passed by an overwhelming majority at a special meeting on July 3, 1964 stated "this Association

is opposed to the nationalisation of banks, since experience shows that nationalisation of banks would not be conducive to the interests and welfare of the employees. As such, this meeting decided to dissociate itself and the Association from the campaign for nationalisation of banks and to take all such steps necessary in furtherance of this decision." It is expected that other organisations of bank employees in the country will follow the line taken by the Reserve Bank employees and will pass resolutions against the nationalisation of banks.

Accelerated Exports of Engineering Goods

From Our Correspondent

CALCUTTA:

THANKS TO the enterprise of the manufacturers, Indian engineering goods have now become a new and promising line of export. Not only have the foreign exchange earnings from this source increased steadily over the past few years, but the range of goods exported keeps widening. For example, exports during 1963 fetched Rs. 13.45 crores as against Rs. 9.37 crores in 1962, itself a big improvement over the 1961 performance. The 1963 earnings represent as big a rise as 43 per cent over those of 1962, and trends of exports during the first five months of the current year show an increase of over 36 per cent during the same period of last year. Foreign demand for such Indian products as bicycles, railway track materials, cast iron soil pipes, transmission line towers, wood screws, brass builders hardware, diesel engines, dry batteries, non-ferrous alloys and semis and electric wires and cables have been noticeably increasing. During the past six months, the manufacturers have done substantial business in these items with customers overseas. It is of great significance that a good part of this business has been done with highly developed countries including the United States. India was already selling foundry products like castings to that country, but now, for the first time, a sizable quantity of pipes, tubes and fittings has been sold. Also for the first time, New Zealand has bought railway track materials worth about Rs. 12 lakhs. India sold roughly 150 million razor blades to the USSR last year, and orders for a similar quantity for the current year have already been accepted. In fact, if India could find the raw materials to make them, she could secure orders for another 2 million blades. East Germany is in the Indian market for storage batteries and orders so far booked amount to Rs. 25 lakhs.

Firm Contacts

As for the developing countries in Asia and Africa, natural markets for Indian engineering goods, the industry has not only established wide contacts, but has taken steps to make the contacts firm and permanent in some of them. In Ceylon, a bicycle factory is being set up in collaboration with an Indian manufacturer and a factory for making Hume pipes is being established in Libya on a similar basis. Much of the credit for such success as has already been achieved should go to the Engineering Export Promotion Council. Mr. S. L. Kirloskar, Chairman, however feels that the progress of the steps which are being taken to organise exports more vigorously are not as satisfactory as the Council would like it to be. In his view, India should be able to export more of her engineering products, especially those of simple manufacture and semi-processed goods, to the highly developed countries, for the obvious reason that India enjoys appreciable cost advantages in these items. On its part, the Engineering Export Promotion Council is setting up offices in London, Düsseldorf and Chicago, where its officers will do active promotion work on the spot. East European countries offer scope for increasing India's engineering goods exports and the Council recently sent a trade delegation to those countries to explore trade opportunities. The delegation has not submitted its

final report yet, but its preliminary findings point to the opportunities which can be exploited profitably. Mr. Kirloskar has advised the industry to understand the trading methods of East European countries which are naturally different from those of free-market economies, and should adjust their ways accordingly if trade is to expand.

While the Council is anxious to maximise exports, the Government of India obviously is not. In the first place, the latter is doing precious little to tackle the basic causes of inflation which has now reached a very serious stage. Secondly, it follows no stable export policy. In fact, it is this lack of stability in the Government's export policy which is hindering the country's export promotion efforts. In the case of engineering industry in particular, the Government has recently taken four steps, which have greatly discouraged exporters; it has increased the price of steel even for export products; it has increased the floor prices of steel; it has reduced the import entitlement for exporters of a number of non-ferrous items, and a grouping system has been introduced for the purpose of utilising import entitlement. In the absence of a stable policy and because of frequent changes, exporters are unable to enter into long-term contacts with their overseas customers, and without being able to enter into long-term commitments it is difficult to do business, let alone increase it. The Government has, however, subsequently assured the exporters that they would be enabled to honour their existing commitments at old rates but the announcement has come rather late; in the meanwhile, many exporters had to suspend their work. Mr. Kirloskar suggests that in order to enable the engineering exporters to plan their business on a long-term basis, it is necessary that there should be no change in the policy until at least the end of the fourth five-year Plan. Mr. Manubhai Shah who has brought a greater sense of purpose and direction to India's export drive will have to do something to help the engineering industry. Steady and expanding export business is an essential condition for the growth of this industry, which now stands at the centre of this country's industrialisation effort.

★★

The current congestions in Calcutta and Bombay Ports could well hamper the country's overall export promotion effort as it is officially claimed 'they are doing. In Calcutta port particularly, serious congestion for the past few weeks has thrown the loading and unloading operations completely out of gear, and at one stage, as many as 20 ships were waiting at Sandheads for lack of berthing facilities. The Central Government is naturally concerned about this, and the Deputy Minister for Transport, Mr. M. Mohiuddin, who has just returned to New Delhi after making an on-the-spot study of the congestion problem is of the view that low output by stevedore labour is mainly responsible for the present conditions at the port. Mr. Mohiuddin seems to be right, considering that the port authorities have been investing substantial sums of money in modernising and expanding the facilities. The Port Trust has already borrowed Rs. 4.28 crores from the World Bank, and during the current financial year, it proposes

to borrow Rs. 3.25 crores from the Government and Rs. 6.43 crores from the World Bank — all for capital expenditure. A market loan of Rs. 1 crore will also be raised. Among the development schemes which are being implemented, there is one to mechanise the unloading of food ships, which is scheduled to be completed by the end of this year. In Madras port, similar facilities already established have helped improve the efficiency of food unloading operations remarkably. Facilities for dry-docking and repairs are being extended to cope with the increasing number of ships now calling at the port, which during the current financial year is expected to handle a little more than 11 million tons of cargo as against 10.5 million tons handled during 1963-64. Moreover, 45 electric cranes have already been installed.

Defective Wage Rates

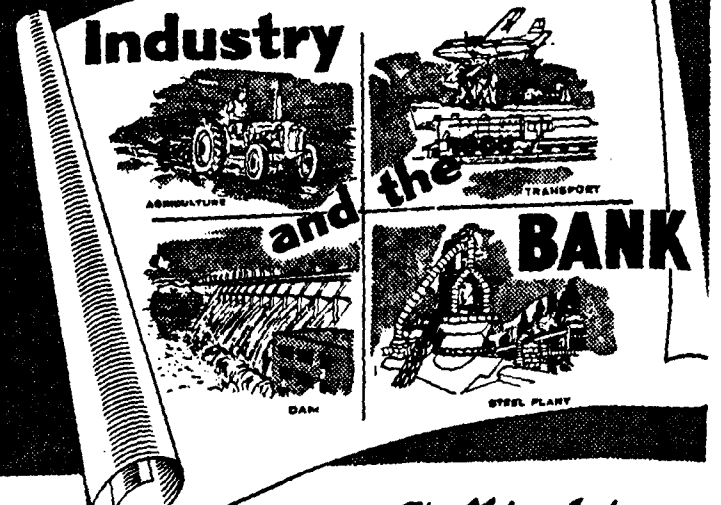
Mr. Mohiuddin however did not have the time to talk to the representatives of labour. His senior colleague, Mr. Raj Bahadur, who was to come to Calcutta last week, has postponed his visit by a few days, but the labour unions at the docks had prepared a memorandum for the Union Transport Minister, which they will submit when Mr. Raj Bahadur actually comes here. They appear to attribute the difficulties mainly to the system of wage rates prevailing in Calcutta for dock labour, prescribing two rates of payment for those working on board the ships and those on the shore. In Madras and Bombay, there is only one piece-rate system operating uniformly for the two categories of labour and that has paid good dividends. In Calcutta, the need for a similar system is obvious. In fact, a committee appointed to go into this question as early as 1956 had recommended a uniform piece-rate system for different types of workers. Bombay and Madras ports implemented the recommendation, while Calcutta has shelved it. However, under the pressure of circumstances, Calcutta port authorities have just commissioned a few of their senior officials to prepare a piece-rate payment scheme. A good deal will depend on this.

Like labour, the other interests affected, that is, the shipping lines too, have a memorandum for the Union Transport Minister. They are reported to be ready with a full account of their loss since the current congestion started. A day's delay means a loss of Rs. 10,000 for a shipping company, it is

said. They also make some suggestions as to how the cargo handling facilities might be improved with existing facilities. This could be done by changing the emphasis on priorities. If 35 berths could be available for big draft vessels, capable of handling 1,000 tons a day each, the total for a month would be over 1 million tons. In Bombay and Madras, the rate of handling per big berth is already much higher than what the shipping companies recommend for Calcutta. But here again, much will depend on labour efficiency. If workers continue to go slow as some sections are doing now, in Calcutta, mere ready availability of berths would not spectacularly improve matters.

★★

The electric transmission line, inaugurated last week by Mr. P. C. Sen, West Bengal's Chief Minister, to bring power from a new 75 MW unit in Durgapur to Calcutta via Bandel, will ease the power problem of the city and the industrial belt considerably, but it is not obviously certain that West Bengal's power shortage will be over by the end of the current year, as Dr. K. L. Rao, the Union Minister for Power, once hoped. The State Government has of course put up its outlay on power projects by Rs. 80 crores, but much will depend on the Finance Ministry's sanction of foreign expenditure for a 150 MW power plant which West Bengal also proposes to build in Durgapur during the third Plan. Overall power requirements of West Bengal, as calculated by the Sachdev Committee, by the end of the third Plan are 1,184 MW. On a subsequent reassessment, this has been raised to 1,219 MW a year. As against this estimated demand, supply from existing source plus the new projects (including the 150 MW plant, the fate of which is even now uncertain) would be 51 MW short the end of 1965-66. Since the 150 MW plant has little chance of materialising by the end of the third Plan, the gap should be actually wider. New Delhi, however, still maintains that West Bengal has no reason to worry since the super thermal power station at Chandrapura being put up by the DVC will have been commissioned by the end of the current Plan, and would wipe out the entire power deficit in the State; in fact, these sources claim that there may be a little surplus in the first year of the next Plan. No comment from the State Government sources is immediately available, but they maintain that 150 MW plant in Durgapur is still necessary.



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Trade Winds

INTERNATIONAL CAPITAL MOVEMENTS

THE FLOW of international capital to the world's developing countries increased in the three-year period 1960-62, but at a slackening pace and without a uniform pattern for the various geographic regions. This is revealed in the recent United Nations study report "International Flow of Long-term Capital and Official Donations, 1960-62", which examines the amounts and types of funds provided by the developed countries, the official and private capital and grants received by developing countries, and the international economic assistance provided by countries with centrally planned economies. During 1960-62 the annual flow of funds from the developed countries to the rest of the world averaged about \$6,300 million i.e. about 14 per cent above the annual average of \$5,500 million for 1955-59 period. By far the largest proportion of the flow went to international institutions, which in turn contributed to the developing countries. This flow has tended to concentrate on a relatively small number of countries. Fifteen out of the 52 developing countries and areas received about two-thirds of the long-term capital and official donations in 1961-62. The share of official loans and grants increased while the proportion of private capital decreased during this period. While in 1960 the private capital amounted to 22 per cent of the total flow its ratio fell to 16 per cent in 1962. In transactions among the developed countries, on the other hand, private capital was dominant. The United States accounted for three-fifths of the total net flow. It was followed by France with 18 per cent of the total and the United Kingdom with 10 per cent. Contributions from developed countries to international institutions rose by about 21 per cent between 1960 and 1961, and by about 42 per cent the following year. The aid provided by these institutions, in turn, has often been on terms 'relatively favourable' to the developing countries.

Regionwise, the developing countries of the Far East received the largest share, followed by Africa, Latin America and West Asia. More than one-third of the total net flow of capital and official donations went to five recipients: India, Argentina, Puerto Rico, Brazil and Indonesia. Private capital went largely to Latin America, whereas more than 70 per cent of the total official funds received by developing countries in 1960-62 went to the Far East and Africa. There was a definite shift, during this period, towards loans rather than grants, accompanied by an easing of loan terms. Rising prices of manufactured goods imported by the developing countries, however, reduced the real aid provided by international funds. The 10 per cent rise in capital and official donations in 1961, and the 4 per cent rise in 1962, amounted, in actual effect, to 9 per cent and 3 per cent increase respectively in capacity to finance imports. In some countries, and in some years, interest and dividends paid out by developing countries offset the funds they received.

As regards the aid provided by the centrally planned economies, the Soviet Union continued to provide, during 1960-62, the major part of the credits granted by the centrally planned economies. Its share in the over-all total declined, however, largely because of the substantial credits granted to the developing countries by Czechoslovakia, Hungary and Poland. Regionwise, Africa received the largest share of the credits in 1961. The Far East's share was largest in 1960 and 1962. The total commitments of these countries to the developing countries rose from \$393 million in 1960 to \$1,163 million in 1961.

BOARD OF TRADE RECONSTITUTED

The Board of Trade, which was set up in May, 1962, has been reconstituted for another term of two years. It will now have 22 members as against 15 in the last Board, the number of non-official members having been doubled. In

view of the growing importance of foreign relations on the country's trade prospects, the Secretary-General of the Ministry of External Affairs has now been made a full-fledged member of the Board. Other official members are the secretaries of the Ministries of Commerce, Finance, and Food and Agriculture and of the Planning Commission. The presidents of the Federation of Indian Chambers of Commerce and Industry and the Associated Chamber of Commerce are ex-officio members. The members of the reconstituted Board are: Mr. Manubhai Shah, Minister of Commerce (Chairman), Mr. S. V. Ramaswamy, Deputy Minister of Commerce (Vice-Chairman), Mr. D. S. Joshi, Mr. K. P. Goenka, Mr. Ogilvie, Mr. Bharat Ram, Mr. Sachin Chaudhury, Mr. E. P. W. da Costa, Mr. Khandubhai Desai, Dr. B. N. Ganguli, Mr. H. V. R. Iengar, Mr. S. L. Kirloskar, Dr. P. S. Lokanathan, Mr. Prabhuv V. Mehta, Mr. A. Ramaswamy Mudaliar, Mr. Padampat Singhania, Mr. P. L. Tandon, the Secretary-General, Ministry of External Affairs, Secretary, Ministry of Finance (Department of Economic Affairs), Secretary, Planning Commission, Secretary, Ministry of Food and Agriculture (Department of Agriculture), and a Joint Secretary, Ministry of Commerce (Member-Secretary).

COTTON PRODUCTION

According to the Directorate of Economics & Statistics, Ministry of Food & Agriculture, the "All-India Final Estimate of Cotton, 1963-64" puts the area and production of cotton at 19,569,000 acres and 5,493,000 bales (of 392 lbs. each) respectively. This production is the highest on record. As compared with the 'Partially Revised Estimates' of 19,385,000 acres and 5,374,000 bales for 1962-63, the Estimates for 1963-64 show an increase of 184,000 acres or 0.9 per cent in area and 119,000 bales or 2.2 per cent in production. The increase in area is shared mainly by Punjab, Madhya Pradesh and Rajasthan and is attributed to favourable climatic conditions at the sowing time. In Punjab it is also attributed to attractive prices of cotton. The increase has, however, been offset to some extent by the decline in area reported mainly by Maharashtra and Gujarat. The decline in area in these States was due to inadequate and untimely rains during June and July, 1963. The increase in production is accounted for mainly by Punjab, Maharashtra and Madhya Pradesh and is attributed to more favourable weather conditions during the growing period. In Punjab and Madhya Pradesh, it was also due partly to the increase in area. This increase has, however, been offset to some extent by the decrease in production reported mainly by Gujarat where it was due to a severe cold wave in January, 1964. Production estimates in respect of Andhra Pradesh, Gujarat, Maharashtra, Madhya Pradesh, Rajasthan and Uttar Pradesh are based on the results of random sample crop-cutting surveys. These States together accounted for 72.4 per cent and 73.5 per cent of the total area and 63.5 per cent and 66.5 per cent of total production of the crop during 1963-64 and 1962-63 respectively.

JUTE DEVELOPMENT COMMITTEE

In place of the 'Central Supervisory Body for Jute' the Government of India has set up a 25-member central committee for jute development. This committee will scrutinize the development programmes formulated by State Governments in respect of jute and allied fibres, review progress of jute development in the context of targets laid down and recommend measures for accelerating the tempo of development. It will also suggest special schemes for improving the quality of jute and allied fibres. Appraisal of prices for jute and allied fibres in the producing States, recommendation of measures to stabilize prices and facilitating movement of the produce to the marketing centres are among the other functions of the Committee. The Special

Secretary in the Ministry of Food & Agricultural Research will be the Chairman of the Committee. Among its members will be the Agriculture Secretaries of the producing States of West Bengal, Bihar, Assam, Orissa, Uttar Pradesh and Andhra Pradesh and of the Tripura Administration, two representatives of jute growers and a representative of the Indian Jute Mills Association. The Planning Commission, the State Trading Corporation and the National Agricultural Co-operative Marketing Federation will also be represented on the Committee. The Chief Jute Development Officer, Indian Central Jute Committee, Calcutta, will be the Member-Secretary.

INDO-SOVIET TRADE

The flow of trade between India and the Soviet Union nearly doubled in the first four months of 1964 as compared to the first four months of 1963. Exports from India were worth Rs. 23 crores in the first four months of 1964 as compared to Rs. 11.1 crores in the corresponding period of the previous year. Imports from the Soviet Union in the first four months of 1964 also totalled about Rs. 23 crores. According to the new Five-Year Trade Agreement between India and the U.S.S.R., which came into force in January, 1964, exports from India to the Soviet Union in 1964 are estimated at Rs. 85 crores as against Rs. 50 crores in 1963.

PRECISION INSTRUMENTS

A contract for the supply of equipment and materials and for rendering technical assistance for the establishment of a precision instruments plant at Kota in Rajasthan was signed, on July 7, 1964, between the Instrumentation Limited (A Government of India Undertaking) and V/O Prommash-export, the Soviet supply organization. The contract provides for the supply of 616 tons of machinery, equipment and instruments costing Rs. 133.7 lakhs for the establishment of the plant. It also provides for technical assistance by Soviet specialists in setting up the plant as well as for the training of about 120 Indian engineers and technicians in the U.S.S.R. The Soviet assistance for the project will be financed from the Indo-Soviet Credit of September, 1959. When this public sector plant goes into full production, electromagnetic and electronic instruments and accessories

comprising 138,000 instruments and 400,000 transmitting elements will be produced annually. A second plant for the manufacture of mechanical, hydraulic and pneumatic instruments is also proposed to be established in Kerala with Soviet financial and technical assistance.

EMERGENCY INSURANCE SCHEME

The Emergency Risks (Goods) Insurance Scheme and the Emergency Risks (Factories) Insurance Scheme have been modified so as to provide for an automatic extension by a further period of three months, with effect from July 1, 1964, of all the policies already issued under the two schemes. No premia are to be charged on these policies for the three months — July, August and September, 1964 — and no fresh applications need to be made for their renewal. In respect of property which becomes insurable for the first time on or after July 1, 1964, applications are to be made to the Oriental Fire and General Insurance Company in the prescribed manner, but without treasury chalang, for the issue of policies as provided under the schemes.

REFUND TO I.M.F.

The Government of India has arranged to refund to the International Monetary Fund a sum of \$25 million (Rs. 119 crores) as the second instalment of repayment of the credit of \$250 million (Rs. 119.04 crores) drawn from the Fund on August 1, 1961. The first instalment, also of \$25 million, was repaid to the Fund on February 20, 1964. The balance credit of \$200 million has to be repaid to the Fund in suitable instalments before the end of July, 1966. The IMF made available this \$250 million credit to India in six currencies — \$110 million (Rs. 52.38 crores) in US dollars, \$60 million (Rs. 28.57 crores) in Pound-Sterling, \$45 million (Rs. 21.43 crores) in Deutsche Marks, \$15 million (Rs. 7.14 crores) in French Francs, \$15 million (Rs. 7.15 crores) in Italian Liras and \$5 million (Rs. 2.38 crores) in Japanese Yen.

SURVEY OF INDIAN PORTS

The Naval Hydrographic Office, Dehra Dun, has completed a survey of almost all the major and minor ports of India and prepared navigational charts on the basis of data

collected by its field survey ships, covering an area of about 1,48,000 square miles along the coastline of about 4,000 miles. The Naval Hydrographic Office is the only authority in India which can prepare navigational charts. It also represents the Government of India in the International Hydrographic Bureau which has a membership of over 50 countries.

MECHANISED BRICKS

An agreement has been signed between the Governments of India and Rumania for setting up a mechanised brick-making plant in Delhi. The plant will produce about 112,000 solid, hollow and perforated bricks per day. It will also

manufacture special types of decorative bricks and roofing tiles. The total cost of the project is expected to be Rs. 24.5 lakhs. The estimated cost of the machinery is Rs. 8 lakhs. Machinery worth Rs. 5.5 lakhs will be imported from Rumania. About 55 acres of land have already been acquired by the National Buildings Construction Corporation at Sultanpur, a village near Delhi, where the plant is to be installed. The cost of bricks produced by the factory is expected to be about Rs. 25 per thousand. The perforated and hollow bricks to be produced by the plant will be lighter but as strong as the traditional bricks and will help in bringing about economy in the cost of construction.

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APPLICATIONS ARE invited for the posts of Junior Officers Grade II (on probation) in the Bank in the scale of Rs. 375-20-535-25-560-EB-25-660-30-720.

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

In addition to pay, the selected candidates will be eligible to draw local pay at 10 per cent of the pay rounded off to the next higher complete rupee when stationed at Bombay, Calcutta, Madras, New Delhi, Kanpur, Ahmedabad, Bangalore and Hyderabad and dearness allowance at prescribed rates. The present rate is 20 per cent of pay with a maximum of Rs. 100 per mensem. In addition they will be eligible for house rent allowance at 15 per cent of pay with a minimum of Rs. 60 per mensem.

QUALIFICATIONS:

Applicants should have a good academic record and possess a first or high second class Bachelor's or Master's degree in Science, Arts or Commerce of a recognised Indian or Foreign University. Practical banking experience in a commercial bank will be considered as an additional qualification. Preference will be given to those who have passed the Institute of Bankers' Examination.

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

AGE LIMIT AS ON 1ST AUGUST, 1964:

Between 21 and 25 years. The maximum age limit is relaxable but not beyond 30 years in the case of:-

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

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

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

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

2. Applicants for the above post must remit with their application a fee of Rs. 7.50 by cheque or bank draft on a Scheduled Bank payable at Bombay or by Postal Order. The application fee is in no case refundable. In the case of candidates belonging to Scheduled Castes/Tribes, the fee will be reduced to one-fourth.

3. Applications in the candidate's own handwriting in the prescribed forms obtainable from the Reserve Bank's offices at Bombay, Calcutta, Kanpur, New Delhi, Nagpur, Madras, Bangalore, Hyderabad, Trivandrum, Lucknow, Patna and Jaipur accompanied by copies (originals should not be sent) of certificates regarding age and educational qualifications, statements of marks secured in the Graduate and Post-Graduate degree examinations and copies of two testimonials should be forwarded to the Secretary, Central Recruitment Board, Reserve Bank of India, Central Office, Post Box No. 406, Bombay No. 1 so as to reach him on or before the 1st August, 1964.

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

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

6. Candidates must be prepared to serve in any office of the Bank in India or group of departments to which they are posted, and to undertake tours when required.

7. Selected candidates will have to appear for interview/s before the Selection Board at any of the Bank's Offices. 8. Appointments will be subject to candidates being found medically fit for service in the Bank by the Bank's Medical Officer.

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

10. Canvassing in any form will be regarded as disqualification.



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Company Affairs

EXPANSION OF AUTOMOBILE UNITS

THREE UNITS engaged in the production of automobiles — Hindustan Motors, TELCO and Ashok Leyland — have made financial arrangements for their respective expansion programmes. The US Government authorised three credits totalling \$37.8 million (Rs. 18 crores) to Hindustan Motors and TELCO to expand and modernize their production facilities and to increase their heavy engineering capacity. These credits are to be used for the purchase of machinery to increase annual production in India by 10,500 trucks, 15,000 heavy duty automobile engines and 24 power shovels. The loans, extended by the US Agency for International Development are: two credits of \$23 million and \$3 million to Hindustan Motors Ltd. and a credit of \$11.8 million to Tata Engineering and Locomotive Co. Ltd.

The loan of \$23 million to Hindustan Motors will enable it to expand its production of Bedford trucks from 10,500 to 15,000 every year, and to produce its own engine for this truck, as well as to modernize its over-all plant facilities. An earlier U.S.A.I.D. loan of \$15.8 million is financing an expansion programme, expected to be completed by the end of this year, to increase the production of truck chassis from 6,000 to 10,500 per annum. Hindustan Motors is manufacturing Bedford trucks with the collaboration of Vauxhall Motors Ltd. of the United Kingdom, which is owned by General Motors Inc., of the United States. The trucks manufactured by Hindustan Motors are currently powered by an engine produced by another firm. The new loan will enable Hindustan Motors to manufacture Bedford engine which is of greater horse power, at its factory located at Uttarpara, eight miles north-west of Calcutta. The engine will have an indigenous content of 85 per cent at the time of commencement of production. It is expected that the entire expansion programme of the company will be completed by the end of 1966.

The loan of \$3 million to Hindustan Motors will be utilized by its heavy engineering division to expand its output of Hind-Marion power shovels from 12 to 36 per annum and to increase the indigenous content of this versatile machine from 28 to 70 per cent. The ultimate goal of the company is to produce 48 shovels per year of 95 per cent indigenous content.

A power shovel is a portable digging machine which is of great use in the mining industry and in many construction projects. The Hind-Marion 2½ cubic yard diesel powered shovel has several attachments which render it convertible to back-hoe, dragline, clamshell and lift crane operations. The shovel, the basic machine, digs in earth or rock located above the base of the machine. It is useful in the mining of coal, iron ore and limestone and in moving earth during the construction of dams. The back-hoe enables the shovel to dig pipeline trenches in rugged terrain. The dragline is suited for operations, such as the construction of large-sized irrigation canals, which involve scooping up a large quantity of loose material and casting it aside. The clamshell is used primarily for operations in narrow working spaces. The lift crane is used for erecting steel in building construction, for driving piles, and for magnet lift and other lifting operations. The Marion Power Shovel Company, Marion, Ohio, USA, a division of the Universal Marion Corporation, is assisting Hindustan Motors in this venture. Under the loan agreements the machinery will be purchased in the United States.

The loan to TELCO will enable it to expand its production of Mercedes Benz truck chassis from 18,000 to 24,000 per annum. The firm expects to complete by December 1964 its current expansion programme, financed by an earlier U.S.A.I.D. loan of \$13.7 million, to increase its production capacity from 12,000 to 18,000 vehicles. The equipment to be financed under the latest loan including some foundry and forge machinery to

fill out the expansion programme begun under the first U.S.A.I.D. loan, but mostly it consists of production machine tools and attachments, such as dies and fixtures. By the completion of the entire expansion programme in 1968 TELCO expects to have increased the indigenous content of its truck to more than 90 per cent.

The Indian firms will repay to the Government of India the rupee equivalent of the U.S.A.I.D. dollar credits over a period of ten years, with an initial grace period of two years. They will pay the Indian Government interest at the rate of 5½ per cent. In order to reduce the burden on India's balance of payments, the Government of India will be able to make repayments on the credits over a period of 40 years, including an initial grace period of 10 years. During the grace period the Government of India will pay interest at the rate of ½ per cent annually and during the remaining 30 years at the rate of two per cent.

Ashok Leyland Ltd., has finalised its £4 million expansion plan aimed at increasing the installed capacity of the company, along with the manufacture of new and more powerful vehicles, in association with Leyland Motor Corporation Ltd., of England. Under the new manufacture programme Leyland Motor Corporation will invest £2.5 million in Ashok Leyland in the form of special plant and machinery. Ashok Leyland on its part, will invest over £1.5 million to meet the requisite financial outlay for its £4 million expansion. The Indian capital will finance new factory buildings and increase the Indian-made and multi-purpose machinery in the factory. The work on the project is likely to start immediately. Under this new manufacturing programme, two-axled and three-axled vehicles will be manufactured with gross ratings of up to 107,520 lb. (compared with the present Comet tractor-trailer maximum of 40,320 lb.) with 185 H.P. Leyland plus 0.680 diesel engines. Nearly £750,000 worth of vehicle components have already been ordered for the construction of the first of the new vehicles. It is also undertaken to produce a military version.

TISCO DIVIDEND

The Tata Iron and Steel Co. Ltd., for the year ended March 31, 1964 has declared an equity dividend of Rs. 12 per share as against Rs. 11 per share distributed last year. This increase is quite in line with the company's turnover which has crossed the Rs. 100-crore mark this year. The total turnover has risen from Rs. 99.53 crores to Rs. 110.44 crores. The gross profit, according to the preliminary statement of financial results, has gone up from Rs. 22.21 crores to Rs. 24.44 crores. From the gross profit the directors have provided Rs. 797.04 lakhs for depreciation and Rs. 475 lakhs for taxation. The directors have transferred Rs. 100 lakhs to development rebate reserve, Rs. 270 lakhs to deferred taxation reserve, Rs. 275 lakhs to general reserve and Rs. 525 lakhs to dividend reserve. The balance carried forward is Rs. 244 lakhs.

PRIVATE SECTOR OIL COMPANIES

The three principal private sector oil refineries operating in India — those of Burmah Shell, Esso and Caltex — reported record output in 1963. Burmah Shell increased the throughput of its refinery to approximately 3.76 million tonnes, Esso to nearly 2.4 million tonnes and Caltex to about 1.04 million tonnes (7.77 million barrels), from 3.68 million tonnes, 2.2 million tonnes and 0.94 million tonnes (7.08 million barrels), respectively, in 1962.

But despite increased throughputs — in Burmah-Shell's case to slightly over the sanctioned capacity of 3.75 million tonnes and in the case of Esso and Caltex to near-sanctioned capacities of 2.5 million tonnes and 1.05 million tonnes — the directors have proposed to maintain the interim dividend

gross profits (after providing for depreciation) showed decline during 1963 compared to the previous year. The net profit after taxation was also lower except in the case of Caltex. Burmah-Shell earned a gross profit of Rs. 6.35 crores in 1963 — Rs. 42.9 lakhs lower than in 1962. After providing for income-tax, surtax and tax on dividends, the net profit of this company came to Rs. 2.49 crores. Esso's profit before tax in 1963 totalled Rs. 3.72 crores, as against Rs. 3.76 crores in the previous year. The net profit after making provision for taxes at 1963-64 rates amounted to Rs. 1.11 crores; it may be slashed by approximately Rs. 3.19 lakhs when the final accounts of taxation liability are prepared in the light of the 1964 taxation changes. In 1962, Esso's net profit amounted to Rs. 1.89 crores. Caltex earned a gross profit of Rs. 52.02 lakhs in 1963, as against Rs. 54.87 lakhs in 1962. Its net profit at Rs. 17.12 lakhs, however, was higher than a bare Rs. 68,519 in 1962. Esso and Caltex have provided out of their net profits, a sum of Rs. 2.05 lakhs and Rs. 64,885, respectively, for development rebate reserve. The fall in profits is attributed to increased costs of processing material and in the case of Burmah-Shell also to higher local taxes and in the case of Caltex to discontinuance from April 1, 1963, of duty protection on diesel and fuel oils.

The 1963 profits of the three companies should dispel the popular belief that the private oil companies in India are making fabulous profits. It is only in the case of Burmah-Shell that the percentage of net profit to net worth (paid-up capital plus reserves and surpluses and balance profits brought forward) works out to 10.6. In Esso's case this percentage works out to approximately 7.91 and in the case of Caltex to 1.62 only. The percentage in even Burmah-Shell's case cannot be said to be unduly high in comparison with most of equally-efficient-run units in the other key sectors of the Indian economy. The net worth of the three companies at the end of 1962 worked out to: Burmah-Shell Rs. 23.5 crores; Esso Rs. 15.23 crores; and Caltex Rs. 11.01 crores. At the end of 1963, the net worth of the Burmah-Shell and Esso improved to Rs. 23.63 crores and Rs. 16.10 crores, respectively. The net worth of Caltex, however, was slightly lower at Rs. 10.71 crores.

A feature of the working of the three oil companies has been that, following sound financial practices, they have not been frittering away their profits in paying dividends. All the three companies have built up sizable reserves which should stand them in good stead when expansion is allowed (though the expansion of the private sector in oil has been stalled notwithstanding the delays incurred in the commissioning of the public sector refineries and rapid y increasing demand for petroleum products, the Perspective Planning Division in its exercise on the fourth and fifth Plans takes into account a possible expansion of Burmah-Shell and Esso refineries by one to two million tonnes and that of Caltex by 0.45 million tonnes). Esso has been investing its profits from refining in marketing in India. Since its inception, it has paid dividend only in two years — Rs. 27 lakhs in 1960 and Rs. 10.24 lakhs in 1962. No dividend has been proposed as yet for 1963. The total dividend of Esso at the end of 1963 amounted to Rs. 13.09 crores, serves of Esso at the end of 1963 amounted to Rs. 13.09 crores, as against a paid-up capital of Rs. 3 crores and borrowings of Rs. 8.02 crores. Burmah-Shell's reserves on December 31, 1963, totalled Rs. 9.09 crores, against the paid-up capital of Rs. 14.54 crores and borrowings of Rs. 8.45 crores. For 1963, Burmah-Shell has paid a taxable dividend of 27.5 per cent, as against 25 per cent in 1962. Caltex had built up by 1963-64 reserves to the extent of Rs. 6.21 crores, against the paid-up capital of Rs. 4.5 crores and borrowings of Rs. 6 crores. It declared a tax-free dividend at the rate 9.42 per cent in 1963, against 10.58 per cent in the previous year.

Income from refining per tonne/barrel crude showed decline in 1963 in the case of Esso and Caltex when it went down to Rs. 32.42 per tonne and Rs. 3.38 per barrel, respectively, from Rs. 35.86 per tonne and Rs. 3.71 per barrel in 1962. Burmah-

Shell's income from refining showed a slight improvement; it increased from Rs. 37.13 per tonne in 1962 to Rs. 37.36 per tonne in 1963. But not much can be read in this inter-company comparison in the absence of details about the product-pattern of the three refineries and also about stocks of petroleum products held at the end of the year. One inference, however, is relevant and that is that the refining margin of all these three companies is much lower than \$1.35 per barrel (approximately Rs. 45 per tonne) allowed by the Government of India in the case of the Cochin refinery.

The fixed assets of Burmah-Shell at depreciated value amounted to Rs. 13.91 crores at the end of 1963. The depreciated value of Esso's assets on December 31, 1963, was Rs. 9.04 crores and that of Caltex Rs. 9.09 crores. The three companies had by that date provided for depreciation to the tune of Rs. 14.72 crores, Rs. 8.08 crores and Rs. 5.70 crores, respectively. The private sector refineries have contributed well to the growth of ancillary industries in India. They are increasingly buying their stores locally.

Caltex commenced production of liquid petroleum gas in 1963. Esso and Burmah-Shell have plans to manufacture lubricants in India. Esso also intends to produce Solvent 2,445 which is extensively used in the textile industry. It has as well planned to alter its jute batching oil refining facilities in order to help the jute industry to maintain export market.

BOMBAY NYLON PLANT

The Arthur Import and Export Co. of Bombay has concluded a collaboration agreement with M/s. Invest Export, Berlin, of the German Democratic Republic, for the installation of a three-ton nylon manufacturing plant in the State of Maharashtra. The German firm will supply the plant equipment worth nearly Rs. two crores. The shipment of machinery will commence by the end of the 1965 or early 1966 and will be completed in about six months. The project is expected to go into commercial production by the end of 1966. The total capital outlay on the project is expected to be around Rs. 4 crores. The German Democratic Republic has agreed to supply plant and equipment on a deferred payment basis and the remaining capital will be provided by the promoters and their friends, various industrial credit institutions in the country and by equity capital subscribed by the public. A new company named Bombay Nylon Spinners Ltd., will be floated to undertake the project.

NEPA EXPANSION

The National Newsprint and Paper Mills, Neapanagar, has embarked on an expansion programme at a cost of Rs. 8 crores, which will be financed by the Madhya Pradesh State Government. After this expansion the company will have a capacity to produce 75,000 tons of newsprint every year against the present annual capacity of 30,000 tons. Under the expansion programme a 10 mw steam power station with an extraction unit will be installed. Apart from the expansion of the paper mill, five 800-HP pulp grinders, pulp digestors and a caustic soda and chlorine plant will be set up. For meeting the power demand of 8 mw for the expansion, it is proposed to use high pressure steam for pulp digestion and low pressure steam for drying of paper. Mechanical equipment is being obtained from a Finnish firm and electrical equipment from a West German firm. The erection work will be handled by a German firm on rupee payment. In order to improve the quality of paper a new method of drying wood pulp is being tried. The management hopes that by utilising caustic soda produced in their own plant and adoption of new methods for drying hard wood, the quality of paper would be improved both in colour and tensile strength.

DENA BANK

Devkaran Nanjee Banking Co. Ltd., has shown satisfactory progress during the half year ended June 30, 1964. The net profit, subject to audit, has amounted to Rs. 16.58 lakhs com-

of equity shares at the rate of Rs. 2 per share of Rs. 25 each, which comes to 8 per cent, which will absorb Rs. 4 lakhs. The amount carried forward to the next half year is Rs. 14.63 lakhs against Rs. 1.79 lakhs brought in.

BANK OF BARODA

The directors of the Bank of Baroda have declared an interim dividend of Rs. 4 per equity share of Rs. 25 each for the half year ended June 30, 1964. The profit, subject to audit, has amounted to Rs. 35.55 lakhs in the first half-year compared to Rs. 26.10 lakhs in the corresponding period of 1963. The interim dividend will absorb Rs. 18 lakhs, the same as in 1963. A sum of Rs. 22.52 lakhs has been carried forward against Rs. 2.97 lakhs brought in from the previous account.

ANIL HARD BOARDS

Anil Hard Boards Ltd., has been granted a licence for the manufacture of granulated rock wool with a capacity of 12,000 tonnes per annum to be used as raw material, instead of bagasse, for the manufacture of fibres board, acoustic tiles and ceiling boards. It has entered into an agreement with M/s. Conversion Development Corporation, US, a sister concern of M/s. Wood Conversion Company of USA for the patents of rights and the manufacture of fire-proof fibre boards, acoustic tiles and ceiling boards. It has also entered into an agreement with another US firm for the manufacture of granulated rock wool. Both the agreements have been approved by the Government of India. This will be the only factory of its kind in this part of the world and will have export market in South-East Asia and many other countries. It has already received firm orders from certain Middle East countries.

BURN AND COMPANY

The working results of Burn & Co Ltd. for the year ended April 30, 1964 show a profit of Rs. 32.56 lakhs, after making provision for taxation, development rebate reserve etc., as against Rs. 31.55 lakhs last year. The directors have proposed the payment of a dividend at a rate of 15 per cent, subject to deduction of tax. The annual report reveals that the company is seeking to raise the output of its new factory set up in collaboration with M/s. A. Reyrolle and Co. Ltd., of UK. This new company called Reyrolle and Burn Ltd. was formed with equal share holdings of the two collaborators and its factory was constructed within 18 months. The initial operations were trained in the Howrah Iron Works during the construction period which made it possible to start production almost immediately. The Howrah Works continue to show reasonably good results and the order books remain at a satisfactory level. The directors have noted with satisfaction the improvement in the supply of matched steel and hope that this trend will continue. Various mines and refractory works belonging to the company continue in production but sufficient remunerative work was extremely difficult to secure. The directors have reported a small increase in the value of magnesite exported.

LICENCES ISSUED

During the week ended June 13, 1964.

COAL

M/s. Bharat Mining Corporation Ltd., 9, Old Court House Street, Calcutta (Babisoile Colliery, Dist. Burdwan, West Bengal) — Coal: 1964 — 5,24,000 tonnes, 1965 — 6,07,548 tonnes; Shri S. K. Palit, Rajpura Coal Co., P.O. & T.O. Mugma, Dist. Dhanbad (Bihar), (Dist. Dhanbad, Bihar) — Coal — 9,700 tonnes; M/s. Khas Joyramdih Colliery Co., P.O. Nawagarh, Dist. Dhanbad (Dist. Dhanbad, Bihar) — Coal — 8,800 tonnes; M/s. K.B. Seal and Sons, Kalithan Jinagorah Colliery, P.O. Jharua, Dist. Dhanbad (Kalithan Jinagorah Colliery, Dhanbad, Bihar) Coal — 18,000 tons.

CONVEYING EQUIPMENT

M/s. Westerwork Engineers Private Ltd., Bhandup Village Road, Bombay-78 (Maharashtra) — Electric Overhead Travel-

ling Cranes (capacities up to 30 tonnes) — 60 numbers.

INORGANIC HEAVY CHEMICALS

M/s. Kanoria Chemicals & Industries Ltd., 9, Brabourne Road, Calcutta-1 (Distt. Mirzapur, Uttar Pradesh) — Phosphoric acid (wet process) — 3,500 tonnes; M/s. P.K. Veli & Co. (Pvt.) Ltd., 11, Mahatma Gandhi Road, Post Box No. 514, Bombay-1 (Bombay, Maharashtra) — Phosphoric acid (dry process) — 1,000 tonnes.

ORGANIC HEAVY CHEMICALS

M/s. The Mysore Sugar Company Ltd., Post Box No. 564, Sri Jayachamaraja Wadiyar Road, Bangalore-2 (Mandya, Mysore) — Twelve tons of Acetic Anhydride per day.

INSECTICIDES ETC.

M/s. Cyanamid India Ltd., 16, Queen's Road, P.O. Box No. 1994, Bombay-1 (Gujarat) — (1) Malathion 50 per cent Emulsifiable VON — 40 tonnes, (2) Malathion 25 per cent WP — 18 tonnes, (3) Malathion 5 per cent Dust — 84 tonnes.

COTTON TEXTILES

M/s. Palani Sri Murugan Textiles Ltd., 789, Trichy Road, Singanallur Post, Coimbatore (Coimbatore, Madras) — 13,000 spindles for the manufacture of cotton yarn; M/s. Sree Sivakami Mills Ltd., "Meenakshi Nilayam", Tirupparankundram Road, Madurai-3 (Madras) — 2,944 spindles for the manufacture of cotton yarn — M/s. Shree Vivakanand Mills Ltd., Ahmedabad-10 (Gujarat) — 4,600 spindles for the manufacture of cotton yarn; M/s. Soundara Raja Mills Ltd., P.B. No. 15, Dindigul (Pondicherry) — 13,000 spindles for the manufacture of cotton yarn; M/s. Sri Kannipiran Mills Ltd., Sowripalayam, Peelamedu Post, Coimbatore-4 (Madras) — 2,628 spindles for the manufacture of cotton yarn; M/s. Sree Chandrodaya Mills Ltd., Chitradurga Road, Davangere (Mysore) — 6,000 spindles for the manufacture of cotton yarn.

PAPER

M/s. Rajendra Paper Mills, 2, Brabourne Road, Calcutta (Faridabad, Punjab) — (i) Light Weight Speciality, paper — 3,240 tonnes, (ii) Pulp — 3,240 tonnes; M/s. Paper and Pulp Conversions Ltd., 376, Shukrawar Peth, Poona-2 (Khopoli, Dist. Kolaba, Maharashtra) — Paper — 4,030 tonnes, Pulp — 4,000 tonnes.

GLYCERINE

M/s. Bengal Immunity Co. Ltd., 153, Dharamtala Street, Calcutta-13 (West Bengal) — Tooth-paste — 3,000 Kg. per annum.

FIRE BRICKS

The General Manager, The Kerala Ceramics Ltd., Kundara (Kerala) — Firecement — 120 tonnes per annum.

CHANGE IN NAMES (Owners and Undertakings)

During the week ended 13th June, 1964.

(Information pertains to particular licences only)

From M/s. Windsor Engineering (P) Ltd., Thana to M/s. R.H. Windsor (India) Ltd., Thana; From (Name of the undertaking): M/s. Central Weaving and Manufacturing Co, Bombay to (Name of the new owner): Shri Manmohan Anand, Bombay; From (Name of the Licensee): M/s. The Mysore Sugar Co. Ltd., Bangalore to (Name of the new undertaking): M/s. The Mysore Acetate and Chemicals Co. Ltd., Bangalore; From M/s. American Products Company Ltd., Bombay to M/s. U.S. Vitamin and Pharmaceutical Corporation (India) Limited, Bombay.

LICENCES REVOKED OR SURRENDERED

During the week ended 13th June, 1964.

(Information pertains to particular licences only)

M/s. Forbes, Forbes Campbell & Co. Ltd., Bombay — Drawn Wire; (Licensee): Mr. E. Jagen Philpote, Alleppey. (M/s. Mankott Co'r Industries, Alleppey) — Tapioca Starch; M/s. Textile Store Dealers Ltd., Calcutta — Cotton yarn; M/s. Khemraj Nemichand, Raipur — Rice Bran Oil.

RECORDS AND STATISTICS

Depreciation of Money

A PROVOCATIVE study of the comparative rates of depreciation of money in 42 countries during the decade 1953-63 has been published in the July issue of the Monthly Economic Letter of the First National City Bank of New York. The study reveals that among the currencies of the industrially advanced countries, the U.S. dollar recorded the least rate of annual depreciation at 1.3 per cent (compound) during the decade under study. The shrinkage in purchasing power of most of the European currencies ranged between 2.5 to 4 per cent, while the Indian rupee registered a moderate rate of erosion at 2.5 per cent per annum. Unbridled inflation in Latin American countries resulted in a serious loss of purchasing power of national currencies. Some of the interesting findings of the study are reproduced below:

With an average annual rate of shrinkage of 1.3 per cent for the decade ending 1963, the United States suffered the lowest rate of depreciation among the major industrial nations; its performance, for the first time since 1956, was better than that of Germany and Switzerland. In most European countries, the rates of depreciation over the decade have been of the order of 2.5-4 per cent. The fact that dollar has lost value at a far slower rate than most other currencies helps to explain why it continues to be so widely used and

respected as an international standard of value.

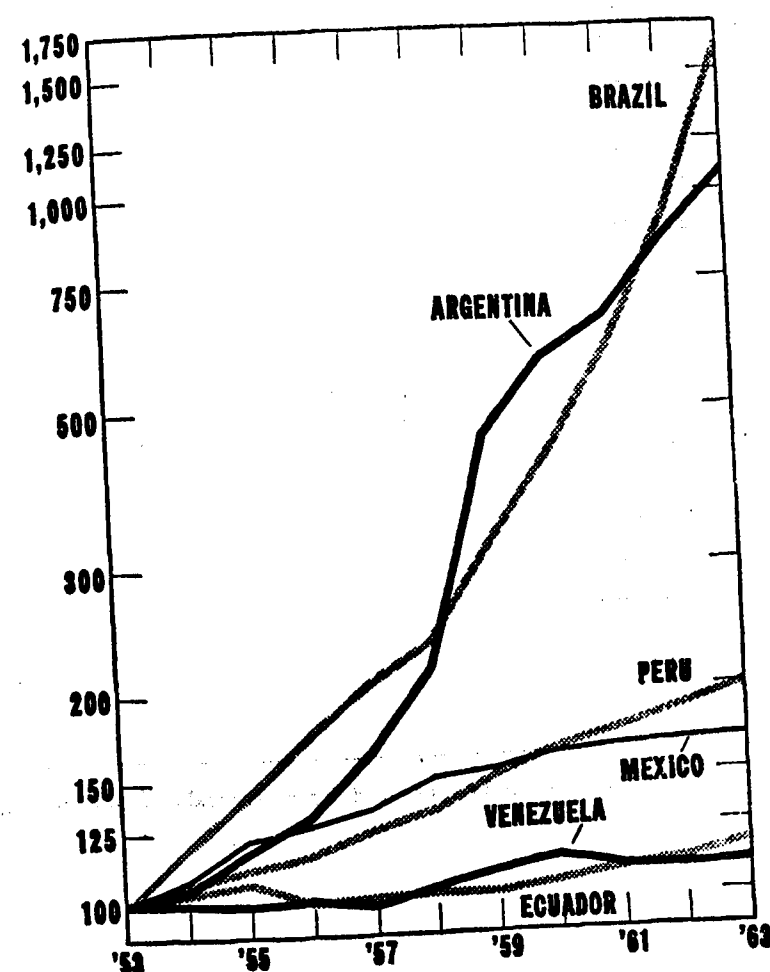
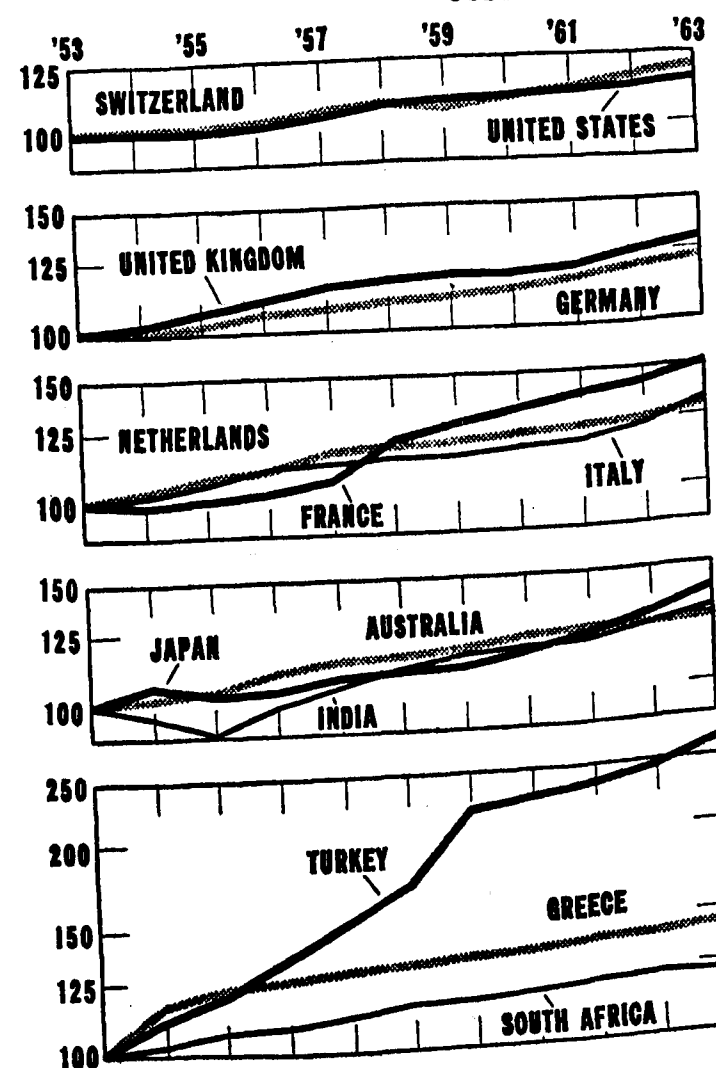
In Western Europe, where gains in industrial output have been accompanied by narrowing profit margins and an outbreak of wage-price spiralling, the rise in the cost-of-living indices of the major countries has accelerated over the past three years. Acknowledging the need for price stabilization, the Council of Ministers of the European Economic Community approved in April a programme to combat inflationary pressures in the EEC through joint application of monetary, fiscal and "incomes policies," with particular emphasis on checking the over-rapid growth of public expenditures. The Council's recommendations are expected to reinforce individual country programmes, results of which are already discernible.

Reasonable monetary stability is an essential pre-requisite for restoring the faith of people in long-term promises to pay. If, for example, a 2.5 per cent annual rate of shrinkage in the value of a currency were projected over the life of a 20-year bond denominated in that currency, the real value of the bond would be reduced by 40 per cent at maturity. Europe is engaged in developing its capital markets to provide long-term funds to finance European growth, but, until a better record of price stability is regained, it will be difficult to build investor confidence in bonds denominated in European currencies.

Inflation joined with political unrest to trouble several of the major countries in Latin America last year. Brazil suffered the most serious loss in purchasing power—43 per cent in one year — while the value of Chile's currency sank by 31 per cent and that of Argentina by 20 per cent.

COST OF LIVING IN SELECTED COUNTRIES

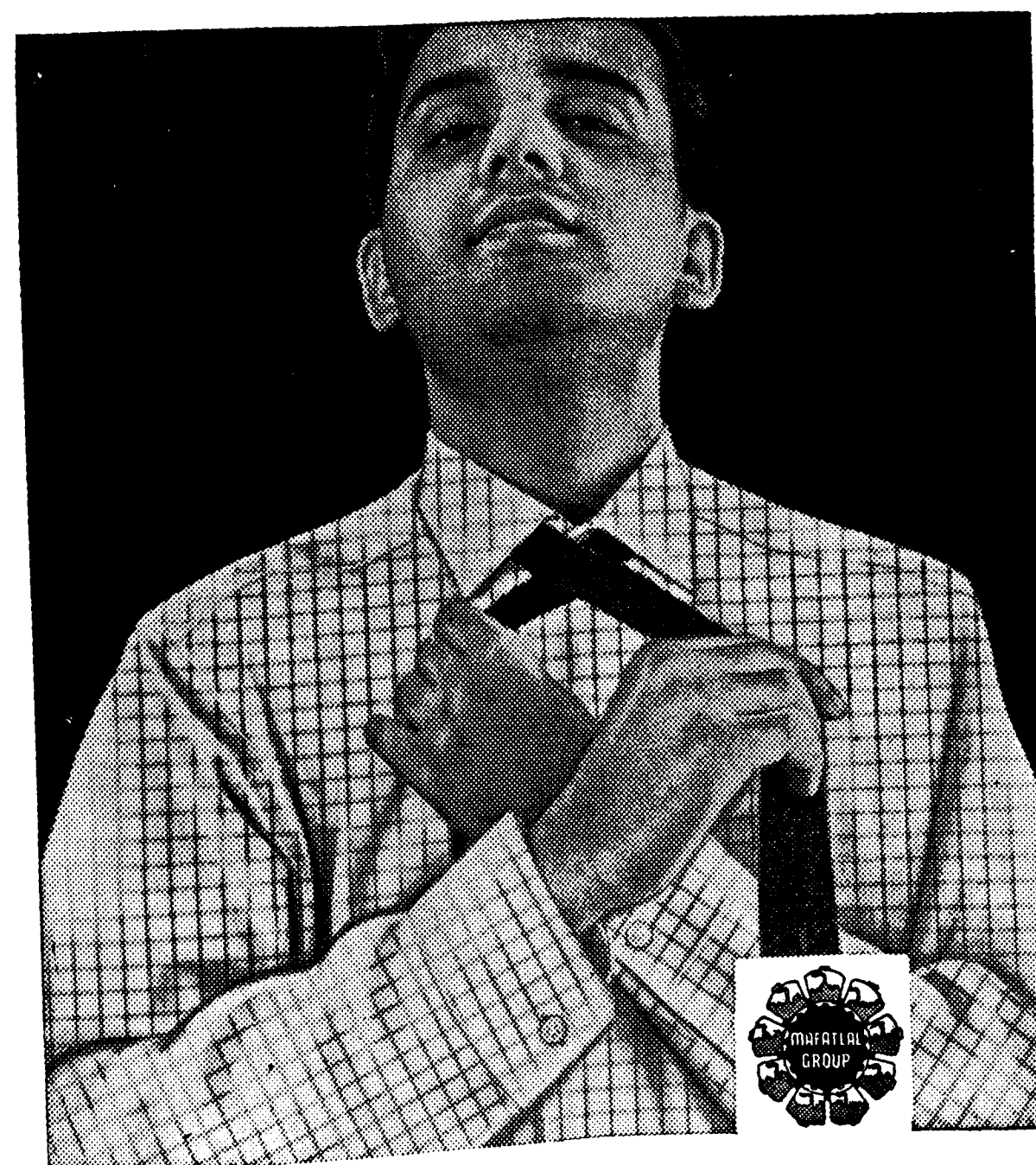
(Base: 1953=100)



DEPRECIATION OF MONEY

Country	Indices of Value of Money			Annual Rates of Depreciation (Compounded)		
	1953	1958	1963	1953-'58	1958-'63	1953-'63
Guatemala	100	95	95	1.0%	...	0.5%
Ceylon	100	97	93	0.6	0.8	0.7
El Salvador	100	90	92	2.1	-0.4	0.9
Venezuela	100	97	92	0.6	1.2	0.9
United States	100	93	88	1.5	1.2	1.3
Belgium	100	92	87	1.7	1.2	1.4
Canada	100	92	87	1.7	1.2	1.4
Portugal	100	95	86	1.0	1.0	1.5
Pakistan	100	91	86	1.9	1.2	1.5
Ecuador	100	98	85	0.4	2.7	1.6
Switzerland	100	93	84	1.5	2.1	1.8
Germany	100	92	82	1.7	2.2	2.0
South Africa	100	87	82	2.7	1.2	2.0
Philippines	100	95	81	1.0	3.1	2.1
Australia	100	88	81	2.5	1.7	2.2
India	100	91	78	1.9	2.9	2.4
Austria	100	90	78	2.1	2.7	2.4
Ireland	100	86	78	3.0	1.9	2.4
Netherlands	100	85	77	3.2	1.9	2.5
United Kingdom	100	86	77	3.0	2.2	2.6
New Zealand	100	85	77	3.2	2.1	2.6
Italy	100	86	75	2.5	3.1	2.6
Norway	100	85	75	3.2	2.6	2.9
Sweden	100	84	73	3.4	2.7	3.1
Japan	100	92	72	1.7	4.7	3.2
Denmark	100	86	71	3.0	3.8	3.4
Greece	100	76	70	5.3	1.7	3.6
Finland	100	78	67	4.9	3.1	3.9
France	100	83	66	3.7	4.4	4.0
Mexico	100	66	59	8.0	2.1	5.0
Iran	100	72	56	6.4	4.9	5.6
Spain	100	71	55	6.6	4.9	5.7
Israel	100	72	55	6.4	5.1	5.7
Peru	100	74	50	5.8	7.6	6.7
China (Taiwan)	100	68	46	7.4	7.6	7.5
Colombia	100	66	40	8.0	9.4	8.7
Turkey	100	58	38	10.3	8.2	9.3
Uruguay	100	57	18	10.6	20.6	15.8
Argentina	100	46	9	14.4	27.3	21.1
Brazil	100	42	6	15.9	31.9	24.4
Chile	100	13	5	33.5	18.2	26.3
Bolivia	100	4	3	47.5	7.9	30.5

Note: Depreciation is measured by reciprocals of official cost-of-living or consumer price indices.



MAFATLAL GROUP

POPLINS and SHIRTINGS

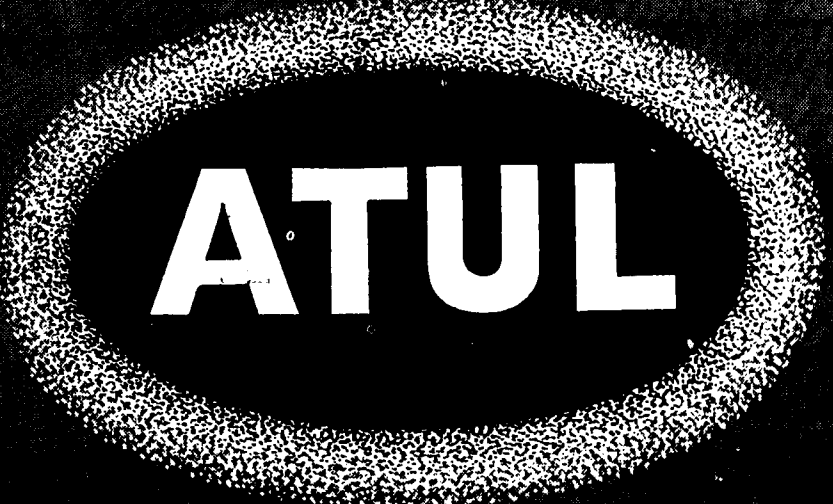
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EASTERN ECONOMIST

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Malthus, Mehta and Dr Rao

IN A LEADING Article in our issue of January 31 (Pp. 168-172) we urged an immediate and massive effort for the control of population through a drastic reduction in the fertility rate. We cited evidence to show that people as a whole were inclined towards family planning and that where education, instruction and facilities were being provided, they were not only being availed of but were also being reflected in the moderation of the fertility rate. Proceeding, we pointed out that this country, its people and its Government were therefore entitled to take a positive view of the practicability of an organized nation-wide family planning programme and its vast potentialities. The success of the programme, we emphasized, would depend on the provision of enough finance for family planning campaigns and the whole-hearted and sufficiently extensive propagation of decisive techniques for the avoidance of pregnancies or births.

While conceding the desirability of a multi-pronged attack on the population problem through the employment of every method or instrument available in the armoury of contraception, we suggested that, for the achievement of considerable results within a reasonable period of time, there would have to be a concentration of effort on quick-yielding programmes. Spelling out the possible contents of such an effort, we advocated a bolder and more positive approach than is presently prevailing for the popularization of surgical sterilization. Expressing the view that current official, semi-official or voluntary family planning propaganda is still unnecessarily feeble or apologetic where surgical sterilization is concerned, we wrote: "We strongly recommend that decisive advice in favour of sterilization should be given in all cases where there are already two children in the family and it appears unlikely that the parents concerned would or could regularly accept the discipline of mechanical or chemical contraceptives".

Secondly, we deprecated the squeamishness surrounding the discussion in this country of the legalisation of abortion under controlled conditions for the specific purpose of limitation of families. We pointed out that clandestine termination of pregnancies by surgical intervention does take place to a certain extent and in circumstances which not only impose an avoidably heavy financial burden on the family but are attendant with grave risk to the life or health of the woman. We, therefore, suggested that while resort to abortion should not be encouraged as a regular substitute for other methods of family planning, it was desirable that abortions should be legalized where the mother already had two children living and the mother or the father was prepared to undergo surgical sterilization.

We are now glad to find that a special study group set up during the deliberations of the All-India Honorary Family Planning Education Leaders' conference held earlier this month has made recommendations along the lines we had urged. This group has come to the conclusion that it is necessary that the sterilization programme should receive top priority in the family planning campaign and that the Central Government should provide full financial and other assistance to the State Governments for achieving the target of 2.5 million per year set for surgical operations on either the wife or the husband. The group also discussed at length the question of liberalizing the present laws of abortion and this resulted in a majority favouring such liberalization. According to this thinking, in view of the urgent necessity for bringing down the birth rate,

abortion might be permitted after three children, provided it was followed immediately by sterilization of either the wife or the husband. The point was stressed that such legalized abortion would have to be conducted under proper medical supervision in certified hospitals. Incidentally, the view was also expressed that legalization of abortion with the recommended safeguards would discourage a large percentage of illegal abortions currently being carried out by untrained hands.

Eastern Economist is naturally gratified that its advocacy of sterilization and legalized abortion under controlled conditions for the purpose of population control has now received this valuable endorsement. It is, however, only too ready to record its appreciation of the fact that the purposive recommendations made by the study group owe a great deal to the lead, both imaginative and realistic, given by the Deputy Chairman of the Planning Commission, the Union Health Minister and others who addressed the conference on family planning.

Lt. Col. B. L. Raina, for instance, made the very helpful and positive assertion that, in the prevailing conditions, sterilization was the method most calculated to assist in securing a large and early reduction in the birth rate and that, while we might supplement sterilization by other family planning programmes, it was clearly necessary that we should concentrate on it as the main campaign for population control. Dr. Sushila Nayar, again, while commending the good work done by the Orientation camps organized for disseminating family planning education, declared that each Orientation camp should serve as a sterilization camp as well. Underscoring the prime place occupied by the sterilization programme in the strategy of population control, the Health Minister declared that the success of Orientation camps and other family planning activities should be measured by the yardstick of the number of vasectomies effected, but it was to Mr. Asoka Mehta that the lion's share of the credit should go for setting the conference on the steady course of stern realism.

Pleading that the family planning effort had to be "objective-oriented and time-bound", Mr. Mehta conceded that there were various methods of family planning and only the experts could tell us which were the best. It was, however, obvious that we should not wait for the perfect method to discover itself. It was necessary that the family planning strategy should attempt at deploying effectively the various tactics available and here the campaigners' experience of popular responses to different methods would certainly be significant. Mr. Mehta, proceeding, disclosed that his discussions with State Governments had shown that many of them were anxious to organize sterilization on an extensive scale. His own view was that, if we were to seek results with a sense of urgency or on a war footing, it was time that a decision was taken in favour

of a crash programme of vasectomy and advise State Governments to go ahead with schemes and plans for mass scale vasectomy operations. Mr. Asoka Mehta felt that it might not be possible to strike straight away the target of 2.5 million operations per year, but he regarded an annual rate of half a million to a million operations as a possibility almost immediately.

Not that the conference was without its clown. For reasons known only to himself, Dr. V. K. R. V. Rao, a Member of the Planning Commission and consequently a colleague of Mr. Asoka Mehta, elected to engage himself in a pointless, public wrangle with the Deputy Chairman. In an amazingly irresponsible demonstration of frivolity, Dr. Rao injected the jargon of the class war into the discussion and exclaimed that there should not be two sets of rules, one for the masses and one for the classes. It would be a waste of time to probe into the extent of ignorance and prejudices disclosed thus, and it is in any case obvious that Dr. Rao was not taking either his audience or even himself seriously. The fact, however, remains that speeches of the kind he made are misleading and could be mischievous. At a time when there is great need for mobilizing national awareness and effort for popular control in the short period, Dr. Rao is doing no service to his country or his people, nor is he discharging his obligations as a Member of the Planning Commission by his negative and sterile attitudes or his deliberate cultivation of contrariness. Views could differ almost on everything under the sun and sterilization as a method of population control cannot claim immunity from critics, sceptics or protestants. But discussion and argument, in matters of this kind, have an obligation to be responsible. For Dr. Rao to hint vaguely, but nevertheless darkly, at the "sociological" and "psychological" impact of sterilization is, in our view, a thoughtless exercise in the display of dangerous half-knowledge. Even normally, there are bound to be popular fears and prejudices where sterilization is concerned. Their root-cause is ignorance and this ignorance can only be gradually dispelled by the steady propagation of knowledge and instruction. Thanks to the widening experience of sterilization among the people themselves, it is coming to be gradually recognized that sterilization, especially of the male, is nothing worse than simple minor surgery and that no adverse effects, either psychological or physical, have generally been noticed and may, therefore, be reasonably discounted. So far as medical opinion is concerned, it does not seem to share Dr. Rao's nervousness, and in the circumstances, we must repeat that it is clearly irresponsible on his part to have sought to give currency to notions which could come in the way of something practical being done about a problem so urgently demanding a solution.

We certainly agree with Dr. Rao that the raising of the age of marriage of girls from 16 to 19, the spread of education among women and the strengthening of their

property rights would help in restraining the tendency towards large families, but it is obvious that the influence of such developments can only be indirect and gradual. This is not to say that their usefulness is to be denied on this ground, but while they and other influences could provide supplementary support to programmes of population control, it is impossible to take seriously Dr. Rao's suggestion that they could be substitutes for more direct approaches. Finally, we must state emphatically that we do not share the pessimism of this Member of the Planning Commission on the practicability of "targetry" in the matter of family planning. We are certainly puzzled by Dr. Rao's assertion that family planning is not the same thing as agricultural or industrial planning where targets could be fixed and results achieved. If, say, in agriculture the manufacture of a certain quantity of fertilizers and its distribution among and use by cultivators could reasonably be expected to lead to increased agricultural production, we see no reason why similar credence should be withheld from programmes for propagation of the use of contraceptives or techniques of contraception. Talking of targets, it stands to reason that if a certain number of vasectomies are aimed at and effected in a particular area or during a period, there should be a corresponding impact on the fertility rate. Dr. Rao is sceptical about popular acceptance of family planning techniques, particularly sterilization. Fortunately, prejudiced publicists or propagandists notwithstanding, family planning programmes have in fact been able to make a substantial impression already on public opinion as well as individual or family consciousness for the simple reason that they answer a felt need. Here we quote with pleasure from an official report on the progress of the family planning programme in this country during 1962-63:

"The proposed main goal from now on is to accele-

rate the rate of adoption of family planning so as to reduce the birth rate in India (by 50 per cent) as soon as possible. It is known from the experience of other countries that fairly rapid changes in birth rate are biologically and socially possible. Sound preparatory steps for such a mass movement in India have been taken extending over the last 40 years, and accelerating more recently. The proposed goal has already been achieved by the segment of people in the highest socio-economic level throughout India. The goal has been nearly achieved by the heterogeneous population of Bombay City, where the birth rate, corrected to be comparable with all-India population, has gone down to about 27 per 1,000 population. The same trend is visible in other urban areas. In some rural areas, such as districts of Maharashtra State, the trend towards acceptance of family planning is already on the scale of a mass movement. Studies of popular attitudes and practices among groups of people through rural India have all indicated that there is a basic awareness of the problem of excessive births, that there is interest in learning how to do something about it, and that there is virtually no specific opposition to family planning. All evidence supports the proposition that the main problem is one of organizing a sufficiently extensive programme, which can accelerate the normal process whereby the strong latent interest of individuals is converted into new social norms and group action."

It follows that we have no reason to regard the population problem, however difficult or menacing it may seem, as impossible of solution. What is needed are adequate purposiveness, organisation and finance. There are welcome signs that these resources are being increasingly committed. What remains is for those who would confuse counsel to keep out or be kept out. The problem of population is too important to be left to the professors.

Off and On

OURS IS a nation which misses no opportunity of taking days off from work under one pretext or the other. At every turn in the climate, the folk-lore has prescribed certain festivals and festivities. Then there are the innumerable gods and goddesses of a vast Pantheon to whom due homage must be done. Equally numerous are the prophets, sages and saints of many religions, who again, claim to be properly honoured. On top of this is the growing galaxy of historic personalities, whose birth and death anniversaries cannot be permitted to go unnoticed. And, as if all this were not enough, days of national pleasure, pride or prestige have to be duly observed — and the number of such special dates has appreciably grown. In the result, it is not surprising that a large number of man-days is being lost every year because of the national lack of restraint in the matter of holidays.

Table I shows that among the States, there is a marked divergence in the number of public holidays. The figures relate to the year 1964. In Jammu and Kashmir, the number is the largest at 30 even after ignoring the regional and sectional holidays. At the other end of the scale is Andhra Pradesh whose total number of public holidays is only 14 excluding the sectional holidays. Members of different religious communities are permitted to enjoy leave on specific days which are considered sacred by them. If to these large number of holidays are also added the total number of Sundays — 52 in a year — the aggregate in most of the States comes to nearly 20 per cent of the working days; it increases further, if regional and sectional holidays are also taken into consideration.

The same problem of wastage through these holi-

days may be looked at in another way. Table II below shows the number of holidays allowed in one State or the other in all the 12 months of the year. It demonstrates that in addition to 52 Sundays, there are 66 other days — again excluding regional and sectional holidays — when one State or the other is enjoying a holiday. There is certainly need for curbing our enthusiasm for festivals and festivities without, of course, infringing upon the liberty of people to celebrate religious functions and festivities. It is suggested that the number of public holidays should be restricted to around 16 and no State should be allowed to exceed that limit. The

TABLE I.
PUBLIC HOLIDAYS (STATES* AND CENTRE)
IN 1964

	No. of Holidays
1. Andhra Pradesh	14
2. Bihar	20
3. Gujarat	18
4. Jammu & Kashmir	30(13)
5. Madhya Pradesh	15
6. Madras	16
7. Maharashtra	16
8. Orissa	16
9. Punjab	15
10. Rajasthan	20
11. Uttar Pradesh	21
12. West Bengal	22
13. Central Government	16+2(12**)

Note: (a) figures in brackets indicate the number of regional holidays as distinguished from State holidays.

(b) In addition to 16 holidays each Central Government employee is allowed to choose 2 holidays out of the 12 restricted holidays.

*Excluding the States of Mysore, Kerala, and Assam.

**Figures indicate the number of restricted holidays.

States which will have to slash the number of public holidays are Bihar, Gujarat, Jammu and Kashmir, Rajasthan, U.P., and West Bengal. It might be asked as to which are the particular holidays in these States which should be abolished. A study of the public holidays of all the States (excluding Kerala, Mysore and Assam for which details were not available) has brought home the conclusion that there are a number of public holidays which some of the States could reasonably do without.

Let us take the case of the New Year's Day. There are a number of States, such as Gujarat, Madhya Pradesh, Madras, Orissa, Punjab, Rajasthan, and U.P., where the New Year's Day is not observed as a public

holiday. There are some States such as Andhra Pradesh, Bihar, Jammu and Kashmir, Maharashtra and West Bengal which do observe the New Year's Day as a public holiday, though the Union Government has it as a restricted holiday. Again, there are a number of States, such as Bihar, Gujarat, Madras, Punjab, U.P., West Bengal and the Central Government which declare a holiday on Good Friday, while the others do not. This type of difference between the States applies to a number of other public holidays, such as Lord Buddha's Birth Day, Ramzan, Muharram and Idulmilad which are not observed as public holidays uniformly by all the States. There is, thus, ample room for reducing the number of public holidays in all those States which are currently permitting a considerable number of man-days to be lost to the public services, the national economy and the work and the well-being of the community generally.

TABLE II.
PUBLIC HOLIDAYS IN 1964
(States* and Centre)

Month	Total number of holidays	
	All-inclusive	Excluding Regional holidays
January	7	6(a)
February	8	8
March	4	4
April	7	6(a)
May	6	5(a)
June	7	4(b)
July	4	3(a)
August	5	5
September	7	5(c)
October	10	10
November	5	5
December	6	5(d)
TOTAL	76	66

*Excluding the States of Mysore, Kerala and Assam.

(a) After excluding one Regional holiday in Jammu and Kashmir.

(b) After excluding three Regional holidays in Jammu and Kashmir.

(c) After excluding two Regional holidays in Jammu and Kashmir.

(d) After excluding one Regional holiday in Jammu and Kashmir.

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Highlights of the Week

SPOTLIGHT ON FOOD PRICES

A NUMBER of steps have been announced by the Union Food and Agriculture Minister, Mr. C. Subramaniam, for checking the uptrend in foodgrain prices, both in the short-term and in the longer run. At a Press Conference in New Delhi this week, Mr. Subramaniam stated that for bringing out hoarded stocks, maximum sale prices of foodgrains would be fixed shortly. In the first instance, maximum prices are proposed to be fixed for rice in the Southern Zone. These will become operative with effect from August 1, 1964. The ceiling prices in the other areas, both for rice and wheat, are envisaged to be announced by the middle of August.

As another short-term measure, the Union Food Ministry has decided to take resort to the Defence of India Rules for making the foodgrain stockists declare their stocks. Notifications to this effect have already been issued by the Maharashtra and Andhra Pradesh Governments. The other State Governments are being advised to follow suit. The State Governments are also being asked to follow the procedure of West Bengal for distribution of Government's stocks in the urban areas on the basis of household cards. The enforcement machinery is proposed to be strengthened in all the States so that the Government's policy for bringing out hoarded stocks can be implemented effectively. Fifty per cent of the extra expenditure to be incurred by the State Governments in this regard will be borne by the Centre.

An Ad hoc committee has been set up under the Chairmanship of Mr. L. K. Jha, Secretary to the Prime Minister, for working out producer, wholesaler and retailer prices of foodgrains for the coming season. The Committee has been asked to submit its report in regard to rice before the next harvest in September. For fixing reasonable producer and consumer prices over the longer run, a Technical Team will be constituted shortly. It will study in detail the cost of production of foodgrains and suggest the producer and consumer prices for the 1965 harvest season.

A decision has also been taken to set up a Foodgrains Trading Corporation. There will be only one Corporation in the whole of India to deal in both rice and wheat. It may have, however, branches in various parts of the country as the necessity arises. The FTC will be a wholly Government-owned commercial organisation registered under the Companies Act. It will buy foodgrains from producers at fixed prices. The wholesalers may also be required to hand over their stocks to this Corporation at declared wholesale prices. For direct purchases from producers, the Corporation will utilize the services of co-operatives and may also nominate private traders as its agents. In the course of time, the FTC will be handed over import trade of foodgrains. It is proposed to give the FTC monopoly of movement of foodgrains by rail. The private traders will, however, be allowed to move grains over shorter distances by road. The Corporation is expected to start operating with effect from January 1, 1965.

Mr. Subramaniam cited figures to show that three to four million tonnes of additional wheat and rice as compared to the last year's were available for distribution. The availability of foodgrains being better this year than in the preceding year, he was of the opinion that the complaints of scarcity of foodgrains were not justified. His interpretation was that because of rising prices, the market arrivals had dwindled resulting in holding back of stocks by both the producers and dealers in the hope of realising higher prices later.

Mr. Subramaniam gave a State by State analysis of the food position. Punjab along with Delhi, Jammu and Kashmir and Himachal Pradesh were in a class apart as the producers were not realising high prices. The States of Maharashtra and Kerala were passing through a critical situation. U.P.

was described by the Minister as a "sick-child" and said that a large number of wagons had been allotted to carry wheat to that State. The food situation in Assam and Orissa was satisfactory and there was not much pressure from Bihar, though the Government had despatched increased food supplies to that State.

At the same Conference, Mr. C. Subramaniam also announced the appointment of a third committee for reviewing the production, distribution and prices of sugar in the coming season. This committee will look into the licensing policy also. He conceded the fact that the controls instituted in October last year on the movement of gur and khandsari had not worked satisfactorily. An immediate withdrawal of the restrictions on the movement of gur was announced by him. He would have liked to withdraw restrictions on khandsari also but for the legal complications involved.

ANGRY BANKMEN

THE GOVERNMENT of India's decision to extend the Desai Award in respect of the scheduled banks has not been favoured by the bank employees who have in recent weeks adopted "go-slow" tactics, resulting almost in paralysis of the banking work in some of the big towns and cities. The Award has been in operation for two years only. The Government decided to extend it till July 31, 1965 because it was thought that the appointment of a new tribunal would involve considerable time, expense and effort. It is the view of the Government that the Desai Award had been given after great thought and labour and it was in the interest of both the parties to extend it for another year, the maximum period prescribed in the Industrial Disputes Act being three years.

Taking note of the deteriorating relations between the employers and the employees, the Government of India has asked the Chief Labour Commissioner to hold discussions with the bank employees and the employers in the early part of the next month. The Commissioner will make an effort to bring about an amicable settlement on such of the issues which deserve favourable consideration on merits. It is believed that the intervention of the Commissioner will bring about a better climate and that the bank workers would resume their work, shedding the "go-slow" methods adopted by them recently.

The associations of bank employees have put forward the plea that the Desai Award suffers from a number of anomalies and that due to a steep rise in prices, the circumstances under which the Award was given have also changed. The bank employees' associations had been asked earlier by the Government of India to list all the alleged anomalies so that they could be discussed with the employers for arriving at an agreed solution. The Government had also given an assurance that the extension of the Award need not in any way be used as a ground for not discussing the grievances of the bank employees. The employees' associations, however, did not provide the Government with any details regarding the inadequacies or anomalies and it was only in June, 1964 that one of the employees' organisations forwarded their memorandum. The Government, however, has asked the Indian Banks' Association and the Bombay Exchange Banks' Association to consider the points raised by the representatives of employees. Broadly, the employees' association sought some modifications in the provisions of the Award, especially those relating to the calculation of basic pay for provident fund and gratuity. It also suggested the abolition of area IV and demanded 20 per cent increase in pay for all categories of bank workers.

The Desai Award had in 1962 merged a major portion of the dearness allowance with the basic pay and a new system of linking dearness allowance with the All-India Working Class

Consumer Price Index was evolved. In other words, the bank employees are fully compensated for any increase in cost of living as indicated by the All-India Consumer Price Index. There does not seem to be much weight in the claims of the bank employees; in any case, the promise of Chief Labour Commissioner to look into the legitimate demand of the employees should help to create normal conditions in the banks.

In any consideration of the demands of the bank employees, an important fact which should be noted is that from September this year the banks will be required to keep a higher percentage of their deposits for purposes of liquidity and they will be required to open a large number of new branches in order to mobilise deposits. Both these factors will reduce the margin of profit available to the banks and should, therefore, be considered as relevant factors in any decision which tends to increase the wage bill of the banks.

AFRICAN UNITY

THE SECOND summit conference of the African States which concluded in Cairo on July 21 was dominated by the forceful move by President Nkrumah of Ghana to hasten the formation of a Federal Government of Africa to which the response from most of the members was not very favourable and which even invited a scathing attack from President Nyerere of Tanganyika and Zanzibar. President Nasser — wiser after his attempts at Arab unity — suggested that the proposed Federal Government should be set up stage by stage. The gulf between the member States on the unity issue was too wide to be bridged at one go and hence the Conference is reported to have decided to refer this question to a Special Committee which has been asked to consider all aspects of the question. Mr. Diallo Telli, Guinea's Chief Permanent Delegate to the UN and Chairman of the UN Special Committee on Apartheid, has been chosen as the Secretary-General of the Committee. The headquarters of this new organisation will be located at Addis Ababa.

There seemed to be unanimity of opinion amongst all the 34 African leaders regarding the economic boycott of South Africa, increased support to guerillas in Portuguese territories and sincere efforts at bringing together all the nationalist forces in Southern Rhodesia to intensify the struggle for independence. According to President Nasser, 90 per cent of the African trade was with non-African countries and, hence, the economic sanctions against South Africa and Portugal would not be hard to operate. The summit also made a specific appeal for a boycott of passengers to and from South Africa passing through the territories of the member countries. The oil producing countries were asked to stop the supply of oil and other petroleum products to South Africa. An exception was provided by Mr. Hastings Banda, Prime Minister of Malawi, who frankly admitted that his country was not in a position to implement the economic boycott of South Africa because it would hurt the economy of his country severely. The impression was created that only those countries which had nothing to lose by this decision were in the forefront of its advocacy. Since most of the African economies are in the primitive stage, any move which brought forth economic hurdles needed to be avoided. It is perhaps advisable that the African States should join hands on the political plane to exert pressure on the colonial powers; that may evoke more interest all over the world and in Africa.

If and when a united Africa emerges from the current efforts of the African leaders, it will be a force to reckon with. The manner in which President Nkrumah of Ghana tried to push through the formation of the Federal Government with whatever support he could muster aroused the suspicion of a number of other African leaders. His assertion that there was no need for a stage by stage unity was countered by President Nyerere who said: "To rule out a step by step process in the march to unity is to rule out unity itself."

At the same time it must be conceded that the getting together of so many African leaders in itself is an achievement of no mean order. They will be well advised not to set their sights too high but to evolve policies which may be possible for all members to follow. A fair evaluation of the second summit would be that the unity plan has still to work out in real terms. Unity in negative terms against South Africa, Southern Rhodesia and Angola does exist but the bonds on the positive side are not very strong. May be, by September 1965 when the third summit will be held, some progress in this direction will have been made.

DEMOCRACY FROM GRASS ROOTS

AT THE two-day meeting at New Delhi of the State Ministers of Community Development and Panchayati Raj, great stress was laid on measures for stepping up agricultural production. It was recommended that agriculture should receive the highest priority in the fourth Plan and funds earmarked for this purpose should not be diverted to any other project. The Community Development and Panchayati Raj institutions were asked to make all-out efforts towards increase in agricultural production by maximum use of rural man-power. For this purpose, the co-operatives and the panchayati raj institutions must come closer so as to meet mutual requirements.

The meeting was also addressed by Mr. Jayaprakash Narayan — the renowned Sarvodaya leader — who described the present progress of panchayati raj as slow and hesitant. Panchayati raj institutions, Mr. Narayan said, were conceived primarily as agencies and instruments of self-government and State Governments must take all possible measures to introduce the elements of self-government at the village, block and district levels. Non-official organisations, he said, should be formed both at the State and the all-India level. It was recommended that, at the State level, a panchayati parishad should be set up on which the three tiers of panchayati raj should be represented. At the all-India level also, there should be a panchayati parishad but an effort should be made to eliminate all rivalries between these associations at different levels.

The State Ministers' Conference also considered the report of the Study Team on gram sabhas and suggested that panchayat samitis must take active interest in convening meetings on more important subjects in their jurisdiction. Some of the Ministers put forward the view that it would be desirable to have studies of the actual working of the selected gram sabhas so as to benefit from their experience. The Ministers also discussed the Santhanam Study Team on panchayati raj finances. The view that prevailed at the Conference was that expenditure on staffing village panchayats should be shared equally by the Centre and the State Governments. In case this arrangement was not acceptable, the Conference suggested the adoption of the recommendation of the Santhanam Study Team for providing one rupee per head per annum for village panchayats which again should be shared equally by the Centre and State Governments. The Conference also felt that panchayati raj finance corporations should be set up in one or two States which had shown their willingness to do so. In the light of the experience gained in these States, the programme of setting up similar corporations in other States should be examined.

Various schemes for assisting the weaker sections of the community were discussed at the Conference. The opinion prevailed that assistance could be provided through the rural works and industries programmes and through labour co-operatives and co-operative farming societies. The panchayati raj institutions and the block extension agencies were expected to assist the co-operative farming societies in drawing up agricultural production programmes. The impression prevailed at the Conference that all was not well with the community development and panchayati raj institutions and that considerable work needed to be done in various directions in order to tone them up.

World Bank's Role in Economic Development

GEORGE D. WOODS

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ANY COUNTRY or group of countries prepared to adopt economic development as a central objective of its policy will find the World Bank, together with its affiliates, a willing and, I hope, a powerful ally.

Our own developmental role has been constantly expanding and our operations have, over the years, proceeded at an ever faster tempo. Loans and investments made by the Bank group of institutions in support of projects to increase production in the less developed countries now aggregate more than \$5,500 million. In the 1963 calendar year, the level of our financing reached the equivalent of a thousand million dollars and for the current fiscal year ending June 30, it may be above that figure, to stand at the highest level in our history.

Of this record and of the momentum it reflects we can justly be proud. We are proud, but we are not satisfied. The decade of the 1960's confronts the Bank with problems different from those it faced in the 1950's; the approaches and solutions which have served the Bank well in the past as it sought to meet the needs of its members are no longer fully adequate or appropriate.

Among other things, we had only 56 members 10 years ago; now we have 102, and 20 of these became members in the last year. Many of our most recent members are new not only to the Bank but to the international community. Inexperienced in development administration, they need different kinds of assistance, both financial and technical, from those countries which have been longer on their own.

Challenge and Response

If the Bank is to go on being a dynamic agent of economic progress, it must adapt itself to the changing development environment and respond to the changing needs of its membership. The Bank, no less than its members, must continue to grow. And so we have embarked on a programme of critical self-analysis to consider wherein and to what extent our policies and internal organization need to be modified and the direction or emphasis of our activities changed.

The first consequence of this re-examination has been a decision to expand the scope of our financing. Up to now, the Bank has been concerned chiefly with large-scale projects to develop better transportation and new sources of energy. We do not propose to abandon these fields, and indeed, they no doubt will continue to absorb the major portion of our funds. Building infrastructure, however, is not an end in itself. We have concluded that we should now greatly increase our assistance to agricultural and industrial production which infrastructure is intended to support and promote.

We have in mind, for example, assisting comprehensive agricultural schemes to increase productivity on individual land holdings, and hope especially to help strengthen organizations which extend credit or technical help to farmers. And because the investment requirements of agricultural projects call primarily for local currency expenditures, I am recommending to the Executive Directors that the Bank evidence greater willingness to help finance such expenditures.

Moreover, I am pleased to say, we have enlisted the cooperation of the Food and Agriculture Organization of the United Nations (FAO) in our plan to intensify our support of

agricultural development on this broader scale. We are also seeking ways to vary and broaden the nature of our assistance to industry. One approach will be to provide long-term financing for programmes to import individual pieces of equipment, components and spare parts in cases where existing industrial capacity is not fully used because there is a lack of foreign exchange with which to buy such equipment from abroad. Other approaches, designed particularly to enable us to be of greater help to private industrial enterprises, are being explored. Above all, we intend to press forward with our support of private industrial development companies. Seventeen such institutions, in Asia, Africa and Latin America, have already been set up or strengthened by the Bank group under the leadership of the International Finance Corporation (IFC).

New Impetus

This growing network of organizations, equipped to tap both international and domestic capital and to provide managerial and technical assistance for growing industries, is giving a new impetus to the economic development of many of our member countries.

The success of our efforts in the fields of agriculture and industry depends in large part, however, on how effectively the initiative, intelligence and skills of the people of the borrowing countries are mobilized for productive purposes. Efforts to enable human beings to realize their fullest potential must be made of many different kinds, but somewhere near the root of the process must be education.

The International Development Association (IDA) entered this field some time ago and the Bank expects shortly to make its first loan for education purposes. In our efforts to do more to help create the facilities for the spread of education, we shall have the co-operation of the United Nations Educational, Scientific and Cultural Organization (UNESCO), with which we plan jointly to explore and support new projects. We hope that one important consequence of our decision to enter the field of education financing will be to encourage others to intensify their efforts in this sector.

So much for an indication of the ways in which the Bank is determined to expand the horizons of its lending.

A second result of our re-examination of our policies has been the adoption of some greater flexibility in the terms of the Bank's financing. The Bank has already, in one significant case, given a borrowing country the usually long grace period of eight years before requiring the first amortization payments on our loan, in order to take account of the borrower's difficult short-term financial situation.

We have also begun to lend at somewhat longer term than was our practice in the past, where this is justified by the prospective life of the project and is desirable in light of the country's economic position. And we are examining the whole problem of local expenditure financing which I have already mentioned in connection with the agricultural projects.

A third decision which has emerged from the review of our activities is that our technical assistance and training activities must be greatly enlarged.

The Bank decided long ago that the effective discharge

of its development responsibilities required it to supplement its lending operations with many types of technical assistance. We have been particularly concerned, up to now, with development planning. For example, we have helped 25 countries to draw up programmes of economic development; we maintain an Economic Development Institute as a senior staff college whose purpose is to improve both the formulation and execution of development programmes; and we have established a Development Advisory Service whose members are now functioning as programme advisers to 11 governments in the less developed world. Without in any way reducing these efforts, we propose now to put greatly increased emphasis on assisting our members to identify and prepare projects.

We have come to this decision because the flow of sound, economically viable projects coming forward from many developing countries today is not enough to enable these countries to realize the growth rate which is within their capacity to attain. It is not that good investment opportunities are lacking; what is lacking is initiative and proper organization to enable those opportunities to be realized.

"Insiders" in Stock Exchanges

"OBSERVER"

ONE OF the undesirable practices, the existence of which is well-known in the stock exchange circles, is the betrayal of their fiduciary duties by directors and officers of companies who use their positions of trust and the confidential information, which comes to them in such positions, to aid them in their stock exchange operations. Closely allied to this type of abuse is the unscrupulous use of information by the Auditors of companies.

The Securities Contracts (Regulation) Act, 1956, which came into force from February, 1957 and which repealed the Bombay Securities Contracts Control Act, 1925, contains provisions directed against undesirable transactions in securities by regulating the business of dealing therein, by prohibiting options and by providing for certain other matters connected therewith. The prohibition of dealing in options in the securities of the companies in which they are directors, which was recommended by the Jenkins Committee in the U.K., applies in India by virtue of Section 20 of the Securities Act, 1956, not only to directors but to everybody, as this section prohibits all options in securities. The Bhabha Committee on Company Law Reform was also aware of this problem and Section 307 of the Companies Act provides for the maintenance of a Register of Directors' shareholdings which will be available for the inspection of shareholders. Section 307 stipulates:

- "(1) Every company shall keep a register showing, as respects each director of the company, the number, description and amount of any shares in, or debentures of, the company or any other body corporate, being the company's subsidiary or holding company, or a subsidiary of the company's holding company, which are held by him or in trust for him, or of which he has any right to become the holder whether on payment or not.
- (2) Where any shares or debentures have to be recorded in the said register or to be omitted therefrom, in relation to any director, by reason of a transaction entered into after the commencement of this Act and while he is a director, the register shall also show the date of, and the price or other consideration for, the transaction.
- (3) The said register shall also be produced at the commencement of every annual general meeting of the company and shall remain open and accessible

In recent months we have given increased attention to the project problem. We have added specialized courses in project evaluation to the curriculum of our Economic Development Institute. We have undertaken more and more pre-investment studies of possible projects and sector programmes, both as Executing Agency for the United Nations Special Fund and on our own.

For the future, we are giving serious consideration to increasing the number of our field representatives responsible for providing assistance in project planning on the spot. And the partnership arrangements with FAO and UNESCO which I have mentioned are designed, among other things, to expand the number and improve the quality of agricultural and educational projects available for financing.

But we are fully aware that these efforts, in relation to the need, are modest and we are anxious to explore suggestions for helping still further to accelerate the flow of good investment projects. For such a flow is a 'sine qua non' for economic progress.

during the continuance of the meeting to any person having the right to attend the meeting."

The Companies Act thus secures that the information relating to the shareholdings of directors is available to the Government and to the shareholders. Although this provides for some publicity, it is thoroughly inadequate. A large amount of shares can still be held through "benamis" and the legislation does nothing to prevent top executives of companies from misusing inside information.

Comprehensive Legislation

The absence of any effective legislation to curb the misuse of inside information by directors and top executives of companies, while speculating on the stock exchanges, has resulted in several abuses. Apart from enabling this section of speculators to make undue profits, this practice is standing in the way of creating confidence among investors in the stock markets of the country. Speculation with "inside" knowledge is also harmful to the company concerned. This arises out of the fact that prices of the quoted shares rise or fall not because of genuine economic reasons, but due to "insiders" operations. Such extraneous fluctuations in the share prices affect the credit worthiness of the companies giving rise to the serious problem of managing the finance of companies. The unnatural rise or fall in the quoted shares of companies would also give an appearance of financial strength or weakness to certain companies which would stand in the way of a rational allocation of the financial resources of the community.

Comprehensive legislation should prevent "insiders" from trading in the stock exchanges in the shares of companies of which they have inside knowledge, either directly or indirectly. Under "insiders" should be included not only the directors and top executives but also the auditors and underwriters of the company. In this context it would be useful to see how the evils of "insider" trading are sought to be removed in the U.K. and the U.S.A. and whether the steps taken in those parts of the world could serve us in dealing with the problem here.

The Cohen Committee in the U.K. was of the opinion that "whenever directors buy or sell shares of the company of which they are directors they must normally have more information than the other party to the transaction, and it would be unreasonable to suggest that they were thereby debarred from such transaction, but the position is different when they

act not on their general knowledge but on a particular piece of information known to them and not at that time known to the general body of shareholders." On the basis of the recommendations of the Cohen Committee, the English Companies Act of 1948 stipulates in Section 195 that every company should keep a register containing particulars of the share and debenture holdings of each director in that company or its subsidiary or a subsidiary of its holding company. Purchases and sales are to be recorded therein giving dates and prices. The Jenkins Committee has agreed with the Cohen Committee that the best safeguard against improper transactions by directors and against unfounded suspicions of such transactions is to ensure that disclosure is made of all their transactions in the shares or debentures of their companies. The Indian Companies Act has adopted the recommendations of both the Cohen and Jenkins Committee Reports, as discussed earlier (Section 307).

In the United States, Section 16 (a) of the Securities and Exchange Act of 1934 provides that every officer or director of a company with an equity security registered on an exchange, as well as every person who is directly or indirectly the beneficial owner of more than 10 per centum of any class of an equity security so registered shall file with the Securities and Exchange Commission and the stock exchange an initial report of his holdings of all the issuer's equity securities and a further report within ten days after the close of each calendar month in which there has been any change in his holdings. The reports are made available to the public both at the Commission and at the exchange. The Commission also compiles and publishes the information contained in all these reports in a monthly pamphlet which is available at every ex-

change and every regional office of the Commission and is widely distributed. The only sanctions for enforcing compliance with Section 16(a) — unless the person required to file happened to be an exchange member or a registered broker dealer, against whom the Commission might take disciplinary action administratively — are criminal prosecution and mandatory injunction.

Apart from disclosure, by virtue of Section 16(b), any profit realised by director or top executive, from any purchase and sale, or any sale and purchase, of any equity security within any period of less than six months shall be recoverable by the company.

Although in the United States, both disclosure of share transactions and surrender of profits are necessary, an insider who holds for six months or more before selling does not become liable under Section 16(b), no matter how much proof is adduced of unfair resort to non-public information. Again under this Act, there is no guarantee against evasion by mutual "back scratching" of insiders in different corporations, or by trading through friends or relatives.

Since the evil effects of insider trading is increasing in this country, legislation comparable to Sections 16(a) and 16(b) of the Securities and Exchange Act of the United States, providing further that even the six month limit will not apply for surrendering the profits to the company, would appear to be desirable. Since the profits are surrendered to the company, and not to the persons harmed, it may even be better if legislation comparable to the Dominion Companies Act of Canada which prohibits directors from speculating in shares of their companies is enacted.

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WINDOW ON THE WORLD

Europe's Migrant Millions—III

From Our Special Correspondent

PARIS:

HAVING SEEN the economic implications of the immigration of million of workers, for the rich employing nations, in two previous articles, one must look at what this means for the so-called "over-populated" nations that are providing north-west Europe with these second-class citizens. The nations concerned are Italy, Spain, Greece, Portugal, Turkey, Yugoslavia, Algeria, Morocco, Tunisia and, accessorially, Negro Africa and some Asian countries. One cannot pretend to strike an exact balance-sheet of advantages and disadvantages in a field where even the barest statistics are lacking: there are no precise figures for the number of unemployed in any of those countries, much less for the number of under employed; there exist only "official" figures on the number of migrant workers leaving for Europe, and these can be far short of the truth; and there is no exact figure for the remittances sent back by those workers, because of currency smuggling. We are in the dark, and liable to remain there because none of the governments concerned are particularly proud of the emigration while the dictatorial regimes of Spain, Portugal and Yugoslavia are evasive and misleading on the subject.

Soulless Muscle Power

One country has no complexes about it, the big provider of migrant labour, Italy. This is because the same phenomenon is going on inside that country, as lakhs of workers move from the poor south to industrial Lombardy and Piedmont, and there is little difference, economically or in point of law, if workers go further north still to the other countries of the Common Market. There, their reception and employment are subject to agreements between the Six, and the Italian migrant and his host-employer can feel that their relations pre-figure the united Europe that is being built. Enjoying exactly the same conditions and benefits as local workers, and being well received by the local population, the Italians can feel that, though foreigners, they are not sub-citizens — at least in places where they have a chance of mastering the language and of living a life not too different from what they are used to. That means, essentially, in France, Belgium and south Germany; further north, and singularly in Holland, they suffer such a degree of isolation, ostracism and depression that they become soulless providers of muscle-power keen to make a pile and clear out fast. And that is always their condition in Switzerland, where it is made plain to them that nothing is wanted but their work — a typical case of unhealthy economic expansion founded on robots instead of human beings.

Besides, Italy's function as a reservoir of men is coming to a close. The current economic crisis in the peninsula might slow down this process (though the latest forecasts are that Italian unemployment will drop 15 per cent this year, against 10 per cent last year, despite current difficulties), but that is a passing incident; the days are gone when Italy supplied labourers to four continents. Compared with permanent emigration abroad, the temporary migration of workers to north Europe has been much more advantageous for Italy. The remittances were bigger: officially \$335 million last year but in reality much more, maybe twice as much. And the men came home, often with industrial qualifications not to be had in their own country, but now useful to that country because of its own industrial progress. One sees full-page advertisements in French and German newspapers by Italian enterprises offer-

ings work to trained men abroad, and the Lancia motor works lately got 1,000 men from the German auto industry whom it could never have hired at home. In sum, the affair is profitable for Italy because it mostly concerns a genuine economic association to which she belongs and where her own industrial expansion matches, and is complementary to, that of her partners.

The case is rather different for the other providers of muscle-power. Migration is officially described, in these cases, as profitable for both sides in that it gives professional training to ignorant workers and advances European unity. However, one must be sceptical of a 'unity' that is not expressed in a precise charter of mutual obligations like the Rome Treaty, while one must be quite incredulous about the value of professional training given to peasants in a country that has no domestic industry where that training could be applied. The Greek workers who work for two and three years in the Ruhr to accumulate a nest-egg of 5,000 or 10,000 DM do not take home any talents that can be employed there, except in quite exceptional cases. If there were a movement of German investment in Greece, and if it were related to the training of Greek workers in Germany, one could advance the professional training argument; but that will only happen when Greece is a full member of the Common Market, whereupon her situation will be comparable with Italy's now. Meantime, Greece gains little more than Morocco does when her workers go to French steel mills for three years, namely nothing in the way of know-how that can be used at home.

Overloading the Economy

As for the nest-egg of the returning migrant, it is seldom a useful contribution to his country's capital-stock. The men concerned come, after all, from the most backward parts of the Mediterranean world and on their return they find little to do with their savings but buy land or a small shop, or repair a house, or pay off a debt. For the most part, they contribute, then, to overloading the already hypertrophied primary and tertiary sectors of the economy, without assisting the birth of secondary industry. There are exceptions, when workers trained in the building and mechanical trades have found employment, and even a use of their savings, on returning to North Italy and Spain, provided industrial progress had got going in their absence. The Turkish Government has seen the need to avoid the waste that is more common when migrants come home, for it has organised a system of loans and subsidies for returning workers who consent to put their savings in a savings account and set up in a suitable trade. One could conceive variations of this system that could be applied in North Africa to ensure that some lasting benefit emerged from the migration of millions of men to industrial Europe.

Before returning with these savings, the migrant has been sending money home each week or month to his family, and there are whole provinces of southern Spain and Turkey that are supported by this inflow. For the countries concerned, it is a source of foreign exchange comparable to, or even larger than, the massive earnings from the tourist trade. For the year 1963, the official transfers of emigrant workers' wages were \$335 million for Italy, \$200 million for Spain, \$40 million for Greece and perhaps \$10 million for Yugoslavia. But all these figures are vast understatements, while no figure at all can be given for Turkey, whose currency is so over-valued

that no worker would be foolish enough to send money home otherwise than by the black-market. But even taking the official figures, the transfers sent by workers to Algeria, Morocco and Tunisia equal a good part of those countries' respective national incomes. The gain here is indisputable and, in countries where some industrialisation has begun, such as Spain now, these exchange earnings are being put to good use from which the nation will benefit permanently.

Emigration naturally relieves unemployment — but in the worst possible way—by denuding a region of its best men and by raising its wages (especially agricultural costs) without promoting productivity. Exact figures are lacking but there seem to be a million unemployed in Greece, a million in Portugal (out of a total population of less than nine million!), three and a half millions in Turkey, under a million in Italy and unknown numbers in North Africa, Yugoslavia and Poland. It is better that these millions, living on the fringe of fabulous European prosperity, should have work of some sort, but it is as well to be clear on the fact that the departure of most of a region's active men (there are parts of Spain, Portugal and Anatolia where this has happened) marks the beginning of a decline into a condition of backwardness that will be much more costly to repair than the "over-population" now complained of. It would be easier, right now, to stimulate development in crowded parts of Greece than

to do so in areas that have sunk into age-old slumber because of loss of their menfolk, such as Auvergne.

Finally, there is the question of the spiritual impact of advanced Europe on the countries who send there millions of workers. Apparently, that impact has no short-term political implications since Messrs. Franco and Salazar are content to let their subjects go abroad, and have had no more cause to regret it than to regret opening up their countries to the tourist trade. The truth is that the migrant worker in Europe lives a quite isolated life, lacking the time, language and inclination to take any interest in matters other than earning cash as fast as possible, and meeting no encouragement from his hosts to do otherwise. Most of the migrants are peasants, who have not seen urban life in their own countries and cannot read or speak correctly their own language; efforts to initiate them into a foreign tongue and culture, therefore, usually fail. Where there is a prior political emigration, such as the Spanish Republicans, attempts to indoctrinate the temporary newcomers are made, but seem to be no more successful. These migrant workers, too, are seeing the least appealing side of industrialism for they get the worst jobs and poorest living conditions; they would scarcely go back as advocates of that way of life. Apart from the immense envy evoked by the sight of Europe's prosperity, the spiritual impact of emigration seems slight.

The Spirit of Bretton Woods

PAUL BAREAU

LONDON:

A TWENTIETH ANNIVERSARY is now being celebrated, but hardly with the flourish of trumpets which it deserves. It was in July 1944 that the Allied Powers, still locked in the battles of the World War II, sent their delegates to the conference of Bretton Woods in the United States and agreed on plans for setting up an International Monetary Fund and an International Bank for Reconstruction and Development. This was a remarkable gesture of faith and optimism. It had been preceded even more significantly by the preparatory work done in 1942 and 1943, years when the Allied fortunes had sunk to their nadir. It was at that period that John Maynard Keynes and some of the best brains that were working with him at the British Treasury, elaborated the first "blueprint" of a new international monetary system. This was the International Clearing Union complete with a new international unit of account, based on gold, to be known as the "bancor".

These labours were indeed symbols of faith and hope, with some tinges of charity in the outlines of the World Bank project. The greatest contrast between the immediate aftermath of the first and the second World Wars can be explained by the thought that had been given during the second war to the economic problems that would have to be faced at the end of hostilities. In 1918 after the end of the first war the formula and the limits of human intelligence and foresight were encompassed in the phrase "back to normalcy".

The world was soon to know what that meant. In terms of monetary policy it was the sharp deflation of the early 1920s and in Britain a premature return to the gold standard at the wrong parity. Soon thereafter came the great crash which began in Wall Street in 1929 and the depression that was to sweep the world and lead to the breakdown of the gold standard and the international monetary system for which it stood. This was no great testimony to Western economic civilisation and intelligence.

We were saved from all this by the revolution in economic thinking that was largely inspired by Keynes. It is easy to find fault with his mathematical formulae and to accuse him of apparent inconsistencies. But there can be no quibbling with his basic condemnation of the sacrifice of the economy

to the concepts of financial "normalcy" and orthodoxy. There can be no quarrel with his basic teaching that man was not made for money but that money should serve humanity — to which should be added that if money is to be a good servant it must have reasonable stability.

The work that was done during the war years in preparing the blueprints for the brave new world that was to emerge after victory had been won was suffused with this Keynesian philosophy. It is this which provided the happy contrast with the bitter experience of the immediate post world war one period. After 1946 we had continued economic expansion, the gradual move towards currency convertibility, the reasonable stability of exchange rates; and as the other side of the medal, a persistent though relatively modest depreciation in the value of money.

Having paid this compliment to what might be called the spirit of Bretton Woods, we must after this span of twenty years ask whether all the hopes that had been placed on it have been realised. The answer is very clearly "No". On the monetary front we are still groping for ways of increasing the international reserves without which the expansion of world trade, the freer movements of capital, must be hampered. The International Monetary Fund has not become the central bank of central banks and filled the role which Keynes had cast for it in his own Clearing Union scheme. Its functions have been much more limited. It has provided short-term credits to member countries in temporary balance of payments difficulties. It has given copious good advice. It has provided a meeting place where the monetary authorities of the world have been able to discuss their common problems. But the system it has instituted is still operated with the help of a series of compromises and improvisations. The search for a more satisfactory and permanent solution is evident in the labours that have been proceeding amid the "group of ten" in Paris and the working party of OECD to improve the international monetary system.

The Fund, however, was merely one leg of the tripod that was to support post-war reconstruction. The second leg was the Bank for Reconstruction and Development. The third was an International Trade Organisation which was to provide

for world trade, the code of conduct and the meeting place for the discussion of tariffs, quotas and related matters, which the Fund provided for world payments. The work which has been done on the trade front through the General Agreement on Tariffs and Trade, the legatee of the stillborn International Trade Organisation, has been based on the philosophy of multilateral freedom of trade, as symbolised by the most-favoured-nation clause.

This philosophy has great virtues, but it also has shortcomings. The doctrinal free trade approach will probably lead to a permanent segregation between primary producing countries and those that are industrialised. Given the vast advances in industrial technology and the capital resources needed in the new electronic and computerised industrial revolution upon which the world is entering, free trade would lead inevitably to a constant widening of the gap between the richer and the poorer nations.

This danger has been recognised. It dominated the recent United Nations Trade and Development Conference in Geneva. This marked a definite retreat from what might be called the

"spirit of Bretton Woods". That spirit as interpreted in the United States included a phobia against preferences. Yet one of the major proposals made at the Geneva conference was an extension of preferences in favour of all developing countries. This may well be the line along which the new trade organisation that will parallel GATT will be working.

The gap between the poor and the rich is the primary responsibility of the World Bank and its affiliates. Not enough has been done to fulfil the high hopes that were engendered on this score at the Bretton Woods conference. Reconstruction has been achieved; development has a long way to go. Even here however good work is being done. The World Bank's latest affiliate, the International Development Association, whose resources are being substantially increased, serves the cause for which the Bank was set up.

The spirit of Bretton Woods is still alive and the institutions which it created show reassuring signs of flexibility and capacity for empirical adjustment. We can still look back to that conference held in the hills of New Hampshire, with gratitude and a feeling of admiration for the foresight of its participants.

Trade or Aid?

PAUL EINZIG

RELATIVELY LITTLE attention has been paid in Britain to the lesson that has emerged forcefully from the recent Geneva conference on aid to developing countries. The demand put forward by these countries that their exports should enjoy preferential treatment caused resentment in all quarters. Even those liberal circles which have always been in favour of giving developing countries the maximum of assistance are against this formula on the ground that its application would prejudice the chances of the Kennedy round for tariff reductions, and it might even threaten the very existence of GATT.

This attitude is in keeping with the general attitude of advanced countries — in particular the United States and Britain — to prefer giving financial aid to less favourably placed countries rather than permit their goods more freely. To put it succinctly, they prefer aid to trade. Throughout the early post-war period the United States resisted efforts to lower the American tariff wall preventing Europe and other continents from balancing their accounts with her by exporting more to the United States. Rather than accepting larger quantities of imported goods, the Washington Administration distributed lavishly foreign aid in various forms, enabling the rest of the world to buy more American goods without having to pay for them in the form of exporting to the United States more of their own goods. Powerful vested interests have arisen, American firms whose prosperity has come to depend on maintaining American foreign aid in spite of the fact that the United States is no longer in a position to dispense such aid so lavishly, owing to the decline of her gold reserve, the increase of her foreign indebtedness, and her persistently adverse balance of payments.

Britain, too, preferred aid to trade, though in a different sense. For many years before her colonies achieved independence, she prevented them from spending their accumulated sterling balances by enforcing the rule that colonial note issues must have a 100 per cent cover in the form of sterling balances. This in spite of the obvious fact that in tropical countries a very high percentage of paper money is eaten up by the white ants or disappears for ever in various ways, so that it will never be presented for conversion into sterling. In spite of this, for a long time, for each pound worth of colonial notes one pound sterling had to be held in reserve by the Currency Boards. To make up for this handicap, the British Parliament passed a series of Colonial Development and Wel-

fare Acts as a result of which the British taxpayer had to provide large amounts for free gifts to colonies. It was not until the last few years of colonial rule that the system was relaxed somewhat by authorising the Currency Boards to invest part of their reserves in the colonies.

Developing countries are undoubtedly in need of aid. But what is incomparably more important is that granting them gifts or loans — in many instances the difference between the two is only a matter of form, for the lender stands very little chance ever to be repaid — is to enable them to help themselves. This could be done by assisting them in their industrialisation and in the better utilisation of their agricultural resources. But in itself such form of aid is not sufficient unless the developing countries are enabled at the same time to find foreign markets for their increased output, whether of raw materials or manufactures.

In spite of cheap labour that is usually available in such countries, they are apt to be handicapped in many ways in international competition. It is therefore reasonable to give them a chance in the form of tariff preferences for their exports. In doing so they might be able to achieve an export surplus which would enable them to pay for the imports of the capital equipment they need for their further development. This would obviate the necessity for advanced countries to assist them with the aid of outright gifts or of loans of dubious security.

From the point of view of the developing countries, it would greatly assist them morally if they could feel that they are on their way towards being able to work out their own salvation. Dependence on aid is apt to be demoralising. It is comparable with the operation of the welfare state which has generated in advanced countries a mentality taking it for granted that there is no need for recipients of benefits ever to exert themselves to make it unnecessary to depend on benefits.

From the point of view of the advanced countries, expansion of trade with the developing countries on a basis of give-and-take is a much more satisfactory basis for their economic and political relations with them. Human nature being what it is, receiving gifts, so far from generating a feeling of gratitude, is apt to generate an atmosphere of resentment on the part of the recipients of one-sided favours. Receiving loans and long-term capital in the form of direct investment is an



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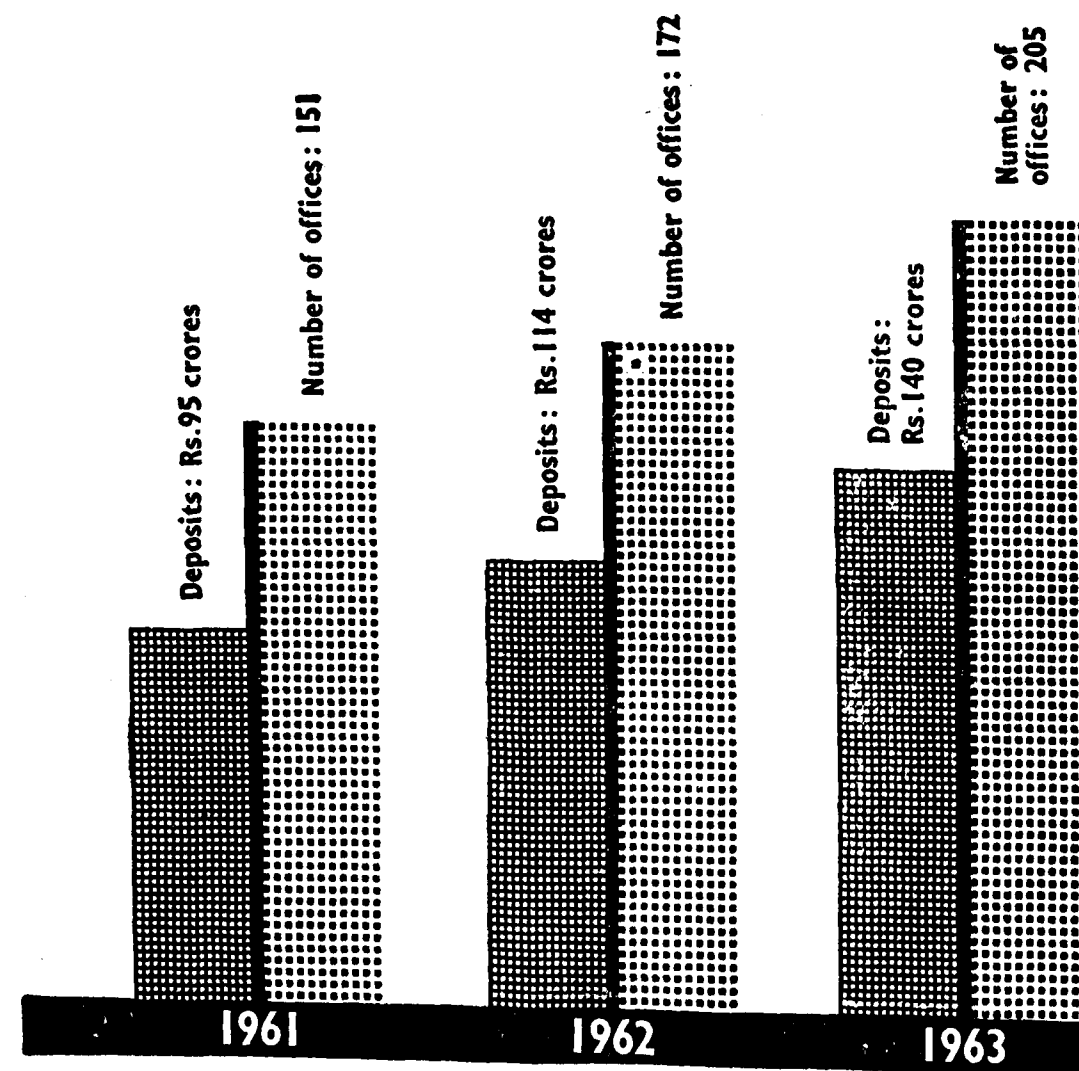
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Keshav Prasad Goenka

Narsing Das Bangur

Rasesh Navinchandra Mafatlal

Navnitlal M. Chokshi (Managing Director)

A. M. M. Arunachalam

Navnitlal S. Shodhan

Capital Structure

Capital Authorised

... Rs. 8,00,00,000

Capital Issued and Subscribed

... Rs. 4,00,00,000

Capital Called Up and Paid Up

... Rs. 2,00,00,000

Reserve Fund and other Reserves

... Rs. 2,24,93,760

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even worse basis for satisfactory relations. The operation of foreign enterprise is usually a source of constant reciprocal irritation between the countries concerned. And the existence of a large foreign debt or of a large invested foreign capital provides temptation for Left-wing parties to achieve popularity by agitating in favour of expropriation.

It is much more satisfactory for all concerned if aid were to assume the form of preferential tariffs. The cost in the form of loss in customs revenue would not exceed the cost of fin-

ancial aid. If industries in advanced countries were to suffer some disadvantage in the form of losing markets, surely such a sacrifice is well worth making for the sake of accelerating the growth of developing countries. The Geneva formula should be studied with care. The only ground on which it may be found objectionable is the claim of developing countries to force it on developed countries in some international assembly in which they would easily outnumber the latter. The right way to proceed is for developed countries to realise the need for making the concessions.

Pursuit of Liberal Trade Goals

GUY SIMS FITCH

WASHINGTON:

THE US Office of Emergency Planning (OEP) has just come up with a new and significant decision. It has rejected a request for special protection for the American manganese and chromium industries, ruling, in effect, that imports are not unduly damaging to these industries, and that they do not impair or threaten the national security. This finding has an importance that goes beyond the merits of the case in question. It represents but the latest of a number of actions taken by the US Government in recent months that effectively bolster the basic position of the United States as an advocate of freer world trade. Another example of this US position has been the government's dismissal of several recent charges of dumping levelled at foreign exporters by some American companies. As a matter of fact, the administration of President Lyndon B. Johnson has done more than merely react on industry moves. It appears to have gone out of its way to emphasize the US interest in eliminating "outworn" protectionism wherever and whenever feasible.

A prime target of administration review has been "escape clause" actions instituted by the United States over the past decade. Despite the publicity accorded them, there are only eight such actions still on the books. In essence, they represent modifications of earlier US tariff reductions as a means of safeguarding American industries found to have been damaged by rising imports. In a series of letters during the last few months, President Johnson has taken an all but unprecedented initiative. He has asked the US Tariff Commission to investigate whether such escape clause actions are still warranted—whether the industries concerned now have any real need for this kind of protection.

These presidential "requests" have a special character. They are not to be confused with the regular annual reports in which the Commission as a matter of course outlines the latest economic developments in industries receiving escape clause relief.

The President's initiative already has triggered several probes into existing escape clause actions, the special tariff relief being given the sheet glass and the stainless steel flatware industries, and the import quotas affecting lead and zinc.

One result of all this is that the Commission is busier than it has ever been with matters of this kind. The four invest-ga-

tions now in process equal in number and exceed in economic importance, all previous reviews by the Commission of escape clause actions. Such full-scale probes have been permissible since 1952, but they rarely have been undertaken till now. It remains to be seen whether any other reviews of escape clause actions—those involving carpets and safety pins, for instance—will be initiated. But those already begun indicate clearly that the United States does not intend to keep on protecting any American industry if that protection is not fully warranted.

The administration's position in favour of freer trade is further buttressed by the nature of the Trade Expansion Act of 1962. Escape clause relief criteria under this Act are far more stringent than they were under the old trade agreements legislation. So stringent are the criteria, in fact, that they have had the evident effect of discouraging domestic requests for special protection, whether in the form of quotas or higher tariffs, and any new escape clause actions appear highly unlikely at this time.

It also should be kept in mind that the President has the right of final decision on Tariff Commission recommendations—a matter of some consequence in view of Mr. Johnson's avowed interest in liberalized trade. Presidents generally have tended to follow Commission recommendations, although they have not always done so. Mr. Johnson could order denial or removal of escape clause relief, whatever the Commission's findings.

Aside from the obvious US policy considerations, this series of escape clause investigations also opens up some interesting possibilities with regard to the Kennedy Round, which the US government heartily supports and which is aimed at a major multilateral reduction of trade barriers under the 62-nation General Agreement on Tariffs and Trade (GATT). By law, the United States cannot negotiate on items for which escape clause relief is in effect.

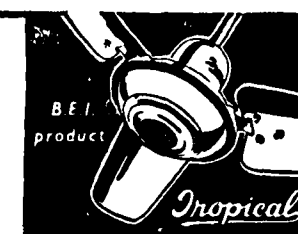
If existing escape clause actions were to be terminated, however, the items affected might be made eligible for negotiation, and hence for new trade concessions, pending another Tariff Commission determination that the domestic industries could withstand such concessions. The result conceivably could be a potential broadening of the Kennedy Round's liberalizing impact on world trade.



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LISTENING POSTS

Road Development in Fourth Plan

By Our Special Correspondent

NEW DELHI :

MEETING AT Srinagar last week, the Transport Development Council endorsed the recommendation of the Working Group set up by the Ministry of Transport at the instance of the Planning Commission, that the allocation for road development programmes in the fourth Plan should be about Rs. 1,150 crores.

The Council also approved the idea of setting up road planning boards at the Centre and in the States for suggesting priorities and phasing of road development programmes and for reviewing the progress periodically. It stressed the need for having an integrated road plan, both for the Centre and the State Governments, to meet the requirements of the various sectors of the national economy. The Conference recommended that a phased programme for road development should be drawn up after carefully assigning priorities. There should be economic justification for every scheme to be undertaken. Large projects should be backed by cost benefit studies.

In view of the increasing number of heavy vehicles, the Council further recommended that the regional road plans should be framed keeping in view the requirements of a region as a whole, special attention being given to the less developed areas such as Nagaland, Manipur and Assam, which were also border areas.

Priorities Recommended

The Council also recommended priorities for various categories of roads and emphasised that the National Highway system should be adequately expanded to meet the requirements of a developing economy. In regard to roads of inter-State importance, the Council suggested that the Centre should help financially in the construction of bridges near the boundaries of the States, while the State Governments should build the required connecting road links to these bridges.

The need for setting up testing and control laboratories in various regions was also emphasised by the Council. Facilities for training technical personnel, adoption of mechanised methods of construction on an increasing scale for ensuring roads of higher specifications for heavy traffic were also recommended by the Council. According to another recommendation of the Council, proper assessment of the road-making machinery requirements on a national basis and steps to promote indigenous manufacture should be taken expeditiously.

To tackle the problem of strengthening the weak and old bridges and culverts, which is a big task requiring considerable finances, the Council suggested drawing up of a crash programme to meet the minimum needs.

Emphasising the urgency of development and proper maintenance of rural roads, the Council agreed that a fair percentage of the State plan funds for roads should be earmarked for rural roads. Financial assistance should also be given by the Union Government for this purpose.

To cover un-regulated burrow pits along National and State highways, the Council urged the association of Landscape Architects in the design and lay-out of roads, so that the highways could be made as attractive as they usually were in foreign countries.

The Council pleaded for simplification of the existing procedures to expedite the execution of road works. It noted that a working group had been appointed for the purpose and was expected to submit its findings within a few months.

In regard to road transport, the Council suggested the amendment of the Road Transport Act, 1950, to enable the constitution of corporations under it. The present company which has been incorporated to provide goods transport service in certain areas of Assam and West Bengal, the Council recommended, should be converted into a corporation under the Road Transport Act and the field of its operations should be extended to inter-State routes in other parts of the country, if necessary.

The Council wanted that the limit of 300 miles recommended by the inter-State Transport Commission for unrestricted movement of oil tankers should be relaxed if it could not be totally removed.

For fostering tourism, the Council recommended that the State Governments should finalise and notify by October 31, 1964, the rules under the Motor Vehicles Act, 1939, for country-wide operation by tourist vehicles without counter-signature of their permits by various regional and State transport authorities. These rules, which would allow the grant of all-India permits for 50 tourist taxes and 10 tourist buses by each State, would be based on orders already circulated for this purpose by the Union Transport Ministry.

★★

The port development programmes and the Sethusamudram Canal Project may be allocated not more than Rs. 200 crores under the fourth Plan. Earlier it was estimated that these schemes would require an outlay of approximately Rs. 243 crores.

This downward revision is understood to have been recommended by the experts of the Planning Commission who feel that allocations of Rs. 150 crores, Rs. 30 crores and Rs. 20 crores would be sufficient for the development of major ports, minor ports and the Sethusamudram Project, respectively, as against Rs. 178.5 crores suggested by the Working Group on Port Planning for major ports and Rs. 45 crores and Rs. 21 crores recommended by the Transport Ministry for minor ports and the Sethusamudram Project.

The Planning Commission experts have recommended that in addition to increasing the capacities of the ports to meet the anticipated traffic, more attention should now be paid to increasing the efficiency of port operations and management. Man-power training plans for ports, they say, have not received adequate consideration in the past. Without adequate man-power planning and drawing up of proper programmes for fresh recruitment, the present technical and administrative weaknesses of the port authorities, they add, will become more marked.

For drawing up realistic programmes for the development of various ports, the experts have suggested that each port authority should be suitably equipped. Except for Calcutta and Bombay, the other port authorities at present do not have sufficient technical personnel for preparing feasibility studies, much less detailed project reports. It has been recommended that while the Calcutta and Bombay ports should take early

steps to develop and strengthen their technical organisations on their own with a view to assisting other ports, the Ministry of Transport should organise a well-equipped technical organisation capable of undertaking investigations, preparation of project reports and supervision of construction of difficult works. It has been further recommended that to the extent possible, for a number of ports at any rate, it would be desirable to establish a "pool" for higher technical and administrative personnel. This would help in achieving high level of competence, attracting able men to work in ports and in creating a greater sense of security in port personnel.

The experts have further recommended that action should be instituted at an early date for filling up the lacuna of lack of engineering and harbour research facilities and stepping up of indigenous production of modern equipment required at the ports.

The total traffic handling capacity of the major Indian ports is expected to go up to 62 million tonnes by 1965-66. It may have to be expanded to 120 million tonnes by 1970-71.

★★

According to the estimates of the private sector oil companies, the demand for lubricants in India is expected to go up to 545,000 tonnes in 1968 and further to 930,000 tonnes in 1971. The public sector Indian Oil Company, however, anticipates this demand to increase to 500,000 tonnes in 1968 and to about 800,000 tonnes in 1971. The Union Ministry of Petroleum and Chemicals, it is learnt, proposes to fix the fourth Plan target for lube oils production midway between these two estimates, i.e., around 860,000 tonnes. The Ministry feels that the demand for lubricants may go up to about 525,000 tonnes in 1966.

The indigenous production of lube oils by the end of the current Plan period is expected to increase to nearly 70,000 tonnes — about 25,000 tonnes from the Digboi refinery and approximately 45,000 tonnes from the Barauni refinery.

As reported in this column earlier, five new lube oil plants are proposed to be set up during the fourth Plan period to fill the gap between supplies from indigenous sources and the anticipated demand. Negotiations for one of these plants, to be set up at Trombay in equal partnership between the Union Government and Esso, are stated to have now reached the final stage. This unit will have a capacity of producing annually 145,000 tonnes of lubricants.

Joint Venture

Of the other four plants proposed to be set up during the fourth Plan period, one with a capacity of 200,000 tonnes per annum may be set up, again at Trombay, as a joint venture of the Government of India and Burmah-Shell. The remaining three plants are proposed to be put up at Cochin/Madras, Koyali and Haldia. The Cochin/Madras plant is likely to have a capacity of 100,000 tonnes. The Koyali and the Haldia plants may have a capacity of 140,000/150,000 tonnes each. There is also understood to be under consideration a proposal to expand the production at the Barauni unit.

The two Trombay plants are envisaged to go on stream in 1966-67. The Cochin/Madras and the Koyali units may start production in 1967-68. The Haldia plant will be the last one to be commissioned into production, the target date for it being 1969-70.

With the setting up of these five plants, the country's requirements of lube oils are expected to be largely met from indigenous sources. Some special types of lubricants may, however, continue to be imported.

The five plants are expected to cost Rs. 35 crores. Nearly

65 per cent of this expenditure may have to be incurred in foreign exchange.

★★

Disappointed at the performance of the private sector during the current Plan in such vital industries as alloy and special steels, fertilizers, newsprint and cement, the Planning Commission, it is understood, is thinking in terms of allocating some reserve funds to the public sector in the fourth Plan so that the public sector may step in if the private sector again fails to fulfil the tasks proposed to be assigned to it. The Planning Commission is said to be of the view that a mechanism should be evolved to keep a watch over the private sector's progress in key industries so that remedial action can be taken well in time. Every effort, of course, is proposed to be made to study and solve the genuine difficulties faced by the private sector in implementing the programmes of development in the key industries.

★★

The Agricultural Production Board, it is understood, has recommended the use of commercial banks for channelling credit to cultivators in areas where co-operative credit supplies are inadequate. A scheme for this purpose is expected to be finalised shortly in the light of the experience gained from an experiment conducted in this regard in Mysore recently.

Meeting here last week, the Board is further understood to have decided to accept the suggestion of the State Chief Ministers' Conference that in respect of minor irrigation, all plans that are feasible should be implemented by the State Governments. Approval of all such projects, the Board, however, recommended, should be subject to the conditions that they are quick yielding schemes and are completed within a specified period depending upon the size of the project.

In regard to the working of irrigation tubewells, the Board is stated to have felt that the question of granting subsidy for tubewell irrigation on a basis similar to the subsidy at present extended to canal irrigation or open-well irrigation should be examined.

In regard to the decision of the Board at an earlier meeting that the facilities for soil testing should be augmented, the Board was informed that an expert team had examined the present soil-testing facilities and indicated the location for the new soil-testing laboratories. The State Governments had been informed of the recommendations of the team and requested to include the setting up of these laboratories in their respective State plans.

The Board is said to have endorsed the view of the State Chief Ministers' Conference that the concessional rate at present given for aerial spraying of pesticides on cotton and oil-seeds crops should be extended to foodgrains. The concession involves a 50 per cent subsidy on the cost of pesticides and charging of a nominal fee of Re. 1 per acre for the use of aeroplanes.

In order to give a fillip to the improvement of indigenous livestock by cross-breeding with imported breeds which would help in increasing milk yield, etc., the Board decided that the purchase of stock, namely, young calves, for this purpose should be subsidised.

On the complaints about the inadequacy of cement supplies for agricultural programmes from some States, the Board suggested that efforts should be made to divert the annual increase in cement production exclusively to agricultural purposes.

★★

The two lists of industries in respect of which applications for licences under the Industries (Development and Re-

gulation) Act will continue to be considered on merits or ordinarily rejected without reference to the Licensing Committee have been revised by the Union Government. Eight new industries have been added to the banned list. These include certain auto ancillaries, industrial fans and blowers, winding wires, bleaching powder, sodium aluminate, bicycle tyres and tubes and rubber accelerators. This list now comprises 89 engineering industries and 106 non-engineering industries.

Eighteen industries have been transferred from the banned list to the open list. These include industries producing calculating machines, refrigeration plants for industrial use, pulp and paper making plants of above 25-ton capacity, power and industrial alcohol, asbestos sheets and pipes, glazed tiles, plasticizers, PVC resins and compositions and chemical fertilizers. This list now consists of 149 industries — 79 engineering industries and 70 non-engineering industries. It is, however, only an illustrative list and does not exhaust all the fields of industry in which new capacity is to be licensed.

Both the new lists will remain in force up to December 31, 1964. The details are published in the Records and Statistics Section of this issue.

★★

Some details are now available of the National Iranian Oil Company's collaboration offer to the Government of India for the proposed Madras refinery. The NIOC, it is learnt, is prepared to supply crude to this refinery from the Darius fields in exchange for a minority share in the equity capital of the refinery, at \$1.43 per barrel f.o.b. Persian Gulf ports on a long-term contract basis. Initially, this contract may be for five years, with an escalation clause for adjustment in freight rates and crude prices in the light of the changes in the world market. Provision is proposed to be made in this contract for taking the Oil and Natural Gas Commission's crude, if and when available, either from indigenous sources or from the Middle East where ONGC proposes to prospect for oil.

As regards the management of the refinery, the NIOC is believed to have asked for provisions similar to those agreed to by the Union Government with Philips Petroleum in the case of Cochin refinery. This implies that the Managing Director of the Madras refinery will be a nominee of the NIOC or its US collaborator, the American International Oil Company, for the first five years. The Chairman of the Board of Directors of the refinery will be Government's nominee.

The whole of the foreign exchange required for building the refinery will be made available by the NIOC and its American collaborator, partly in the form of their share in the equity capital and the rest in the shape of commercial credit. The repatriation of the loan with interest, dividends and of the capital investment in the event of nationalisation has to be guaranteed by the Government of India. The services of the Indian Engineers Ltd., a partnership concern of the Government of India and the Bechtel International of the USA, are to be utilised as contractors for constructing the refinery.

In lieu of the product offtake rights, the NIOC has asked for a guaranteed refinery margin.

Since the Darius crude has high sulphur content, the cost of the refinery may be in the neighbourhood of Rs. 15 crores. A sum of Rs. 1.5/2.5 crores will be required for setting up a hydro-cracker or desulphitation plant to rid the crude of sulphur impurities.

The NIOC is also believed to have offered to make available to the Indian Oil Company petroleum products at favourable terms till the Madras refinery goes on stream.

Although these proposals are obviously not as attractive as those of some other contenders for the Madras refinery, owing to higher capital cost, the burden involved in servicing

and repayment of the commercial credit to be made available to finance the foreign exchange component of the project over and above the minority share of the NIOC and the American International Oil Company, offer of untried crude (crude was discovered in the Darius fields only early this year and production till recently has been only of the order of about 38,000 tons) and inflexible management, the Government of India is understood to be inclined towards collaboration with NIOC as a quid pro quo for Iran favourably entertaining ONGC's bid for off-shore oil concessions in her territory.

★★

Several States and the Central employer Ministries are understood to have expressed serious doubts about the feasibility of implementing the recommendations of Bonus Commission. They are believed to have pointed out that apart from adding to the burdens of the public sector enterprises which are mostly in the developmental stage, the Bonus Commission's recommendations, if accepted, will accentuate the uptrend in prices at a time when the expanding prices spiral is creating a great headache for the Government.

The whole matter, it is learnt, will be soon considered by the Economic Secretaries Committee whose recommendations will then be placed before the Union Cabinet. The issue is also likely to be discussed at the Indian Labour Conference at its Bangalore meeting.

The Labour Ministry is said to be worried because all the trade union organisations in the country have been demanding as early acceptance and implementation of the Bonus Commission's report. One organisation has even threatened to launch agitation if the Government delays its decision.

★★

The Planning Commission is understood to have approved the Steel Working Group's proposal for fixing the fourth Plan mild steel production target at 17.3 million tonnes ingots. This will mean almost doubling steel production between 1965-66 and 1970-71. It is estimated that India will be producing about 8.9 million tonnes ingot steel at the end of the current Plan.

The expansion of the existing plants — that of TISCO from 2 million tonnes to 3 million tonnes, of IISCO from 1 million tonnes to 2 million tonnes, of Bhilai from 2.5 million tonnes to 3.5 million tonnes, of Durgapur from 1.6 million tonnes

Eastern Economist 20 Years Ago JULY 28, 1944

THE ESSENTIAL factor is that, given goodwill on all sides, the "abnormal war balances" could be assimilated into the multilateral world economy, without prejudice to the essential short-term and long-term interest of any country concerned. Even though the machinery of Stabilization Fund has refused to be saddled with this function, it could be facilitated equally by the International Bank or by an ad hoc machinery. Indeed, Britain's international debt position is so far from being bankrupt that the problem could very simply be solved, to the benefit of both Britain and her creditors, if she agrees to go back towards her net creditor position by repaying a part or whole of her obligations with a fraction of her foreign security holdings. Proposal for funding of sterling obligations does not reduce the current burden on Britain. As for repudiation, it would indeed be a very short-sighted policy for Britain, for not only will she thereby be deprived of the definite and direct benefits which rapid economic development in countries like India would bestow on world trade in general and British trade in particular, but she would also have lost the goodwill and commercial reputation she has built up for centuries, a goodwill, which, presumably, has always given her a measurable cash value.

to 3 million tonnes and of Rourkela from 1.8 million tonnes to 2.5 million tonnes — will raise the production to 14 million tonnes. The Bokaro plant is expected to yield another 1.5 million tonnes. The rest of the output will come from the Salum Steel Plant and the other integrated steel unit envisaged to be established in the Goa/Hospet or Visakhapatnam/Bhailadila area.

Although the Commission has endorsed the feasibility of producing 17.3 million tonnes ingot steel by 1970-71, it has yet to satisfy itself about the details of the programme. It has asked for precise information about the action being taken on the phasing of the expansion plans of the existing plants as well as such information in regard to the setting up of the

proposed steel plants.

★★

Another addition to the Union Ministry has been made with the appointment of Mr. T. N. Singh as Minister of State for Industry and Supply. Hitherto, Mr. T. N. Singh had been the Member for Industry in the Planning Commission. As Minister of State, he will look after the heavy engineering section in the Ministry of Industry and Supply.

★★

According to an official announcement made last week, the next session of the Lok Sabha will commence on September 7. The Rajya Sabha also will meet for its next session on the same day. Both the Houses will remain in session till October 3.

Strangulation by Stages

From Our Correspondent

BOMBAY:

THE REPORT that the Government of India has issued instructions to local bodies in centrally administered areas, statutory bodies and all government corporations or companies in the public sector to have their banking business only with the State Bank of India and its subsidiaries may not have come as a bolt from the blue to the banking sector. But it has given them a jolt all right. The move to make the S.B.I. monopolise all banking business in the public sector, however, is nothing new. It started some time ago, as, for instance, when the Government entrusted the handling of all the PL 480 counterpart funds to the S.B.I. For quite some time, it is well known, the State Governments too have been issuing similar instructions (as the Union Government is reported to have done now) to all local authorities under their jurisdiction and all State-sponsored institutions to do their banking business exclusively with the S.B.I. or with co-operative banks. Some State Governments like the Maharashtra State Government have, in fact, been long insisting on all co-operative societies to have their bank accounts only with co-operative banks. Such of the co-operative societies as had their accounts with some scheduled bank or the other have been compelled by the Registrar of Joint-stock Companies, by virtue of powers said to have been invested in him under Co-operative Societies Rules, to transfer them to co-operative banks. The S.B.I. itself, it is believed, has been issuing directives to its branches and subsidiaries to persuade all public sector organisations to open accounts with them even when these organisations have had long established banking connections with one or more scheduled banks.

Evidently the authorities feel that the time has come to shift from persuasion to pressure. Whether this is part of a bigger strategy or the thin end of a wedge to bring about bank nationalisation is anybody's guess. But, confining ourselves only to the reported move to extend the scope of activities of the S.B.I., we feel we must utter a note of caution here about the probable effects of the proposed move. One immediate result would be to deprive the other commercial banks of the business they are having now from Government or semi-Government undertakings. This business consists of both deposits which these bodies have been keeping with commercial banks and advances which the latter have been extending to the former (admittedly on more liberal terms than the S.B.I.), apart from other sundry banking services. Is this deliberate move warranted? Without any specific Government directive, the State Bank of India has even now been enjoying a handsome share of the country's total banking business. On July 10, for instance, the total deposits of, and the bank credit extended by, the S.B.I. amounted to Rs. 643.54 crores and Rs. 356.99 crores, respec-

tively, as against the total deposits and the total bank credit of all scheduled banks of Rs. 2,405.57 crores and Rs. 1,767.36 crores, respectively. In other words, the share of the S.B.I. out of the total volume of business handled by all scheduled banks worked out to about 25 per cent as regards deposits and to some 20 per cent as regards bank credit. It does not seem necessary accordingly to take any special steps to bolster up the business of the S.B.I. unless it be for some pre-conceived or ideological reasons.

Banking circles feel naturally concerned over the reported move not so much because they stand to lose a sizable share of their existing business to the S.B.I. — although they do mind it — as because of the extra aggressive bargaining power that the shift will invest the S.B.I. with. Then, again — and this is a very important consideration — by compulsorily reducing the resources available to other commercial banks, the authorities will themselves impair the capacity of these banks to support the Government's borrowing programme, although they seem to have guarded themselves against this risk by the stepping up of the liquidity ratio of commercial banks. The move may also lead to unhealthy competition among other commercial banks for the reduced volume of business, and this, coupled with the lower profit brought about by the shrinkage in the total volume of business will mean lower profits to these banks and, consequently, lower returns to investors in bank shares. As it is, bank shares are not particularly fancied by investors and the Index Number of Prices of Bank Shares has shown a rise of less than four per cent per annum over the past year. Henceforward even this modest rise may not be there; on the other hand, there may be a marked fall in prices of bank shares.

One very strong argument against the proposed move is the uncertainty that it has given rise to about the intention of the powers-that-be. It is high time that they made these clear to the people, who might otherwise well wonder whether this "strangulation by stages" is not a compromise formula that they are offering to protagonists of bank nationalisation.

★★

The Unit Trust of India has decided to extend the initial sale period of units up to August 14 instead of July 31, which was the closing date announced earlier. In a Press note, the Trust has stated that the response to the sale of units had been good in the sense that more than 40,000 applications had been received until July 22. There was a regular flow of applications from all over the country and the majority of the applications were in amounts ranging from Rs. 100 to Rs. 1,000. It means that great interest had been evinced in the units by small and medium income groups.

It was also announced by the Trust that the processing of applications had already started and that units would be issued within a month or two. The unit holders were advised to keep with them the acknowledgements until they

had received the certificates. They were also requested not to send the acknowledgements to the office of the Trust. The scheme has been amended so as to provide for holding of units by joint applicants on "either or survivor" basis. Currently, the scheme provided for the holding of units by two or more individuals on a joint and survivor basis only. Another amendment in the scheme has enabled societies registered under the Societies' Registration Act, 1860 to purchase and own units in their own names.

★★

Under the Maharashtra Foodgrains (Declaration of Stocks) Order, 1964, stocks of foodgrains, as on July 31, will have to be declared for the first time by August 5 to officers specified by the authorities. A non-producer possessing less than 10 quintals of all foodgrains is required to make a declaration, while one having in possession 10 quintals or more will be required to do so. A producer having in his possession 25 or more quintals of all foodgrains is required to make a declaration. According to this Order, the definition of foodgrains includes paddy (rice in husk), rice (husked), wheat, jowar, bajra — whole, broken or flour thereof. For computing the quantity of paddy, one and a half quintals of paddy will be deemed equivalent to one quintal of rice. The Order has authorised the inspecting officers to seize stocks of foodgrains alongwith the containers if they have reason to believe that the Order has been contravened, or is being, or is about to be contravened.

Problems of Tea Industry

From Our Correspondent

CALCUTTA:

THE APPOINTMENT of a committee by the Union Government to enquire into the problems of the tea industry and examine its needs from the point of view of the assistance, financial and otherwise, which needs to be given to enable the gardens to expand their output and exports in line with plan targets, has been naturally welcomed, but a good deal will depend on how soon the committee completes its investigation and how promptly the Government acts on the recommendations which the former will make. There is a general feeling however that the Government means business this time, because Mr. Manubhai Shah, who heads the Ministry of Commerce and who is most anxious to promote India's tea exports, has already promised that the Government will give the tea industry all necessary help in its effort to raise production and maximise exports. An earnest of the Government's seriousness is also seen in the fact that the composition of the committee has been made as representative as possible, with all interests concerned — the Tea Board, the Indian Tea Association, planters' associations, leading tea companies and the State Governments of Assam, West Bengal, Madras and Kerala — represented on it.

In this context, it would not be out of place to review the current problems of the industry as they have been represented by organised associations from time to time. In the first place, the industry finds the tax burden too heavy, which has reduced its competitive capacity in export markets. Secondly, and because of heavy taxation, the industry is unable to build sufficient internal resources for financing its replanting and expansion programmes. Thirdly, for very obvious reasons the industry is unable to borrow long-term from banks and facilities which now exist such as the fund of Rs. 10 crores with the Tea Board are not only inadequate, but the terms of lending make it uneconomic for most gardens to go in for Tea Board loans. The Agricultural Refinance Corporation and State Financial Corporations have not been providing much,

It applies equally to producers and non-producers of foodgrains including institutions, such as banks, corporations, etc., who hold foodgrain stocks either on their own account or on account of their clients.

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The Executive Director of the Indian Council of Trade Fairs and Exhibitions, Mr. Prem Nath, stated recently that during the current year, the Council would participate in three fairs at Bangkok, Ghana and Leipzig and organise two trade centres in Nigeria and Hamburg. Next year, it would participate in a larger number of fairs and take over more Government trade centres abroad. It would pay special attention to commodity fairs, which were of greater importance from the angle of exports. Enumerating the difficulties that organisers of visual publicity encountered, he stated that there was a shortage of technical personnel, lack of enough finance and inability to secure and distribute good publicity material. The main objectives of the Council were sufficiently comprehensive to include a wide variety of activities in the field of visual publicity, including the formulation of policies and programmes. Earlier, Mr. S. P. Godrej, Vice-President of the Council, stated that India was not sufficiently publicity-conscious, though he was certain that it could secure a fair share of the markets of African and neighbouring Asian countries, particularly because the cost of Indian labour was relatively low. He suggested that greater attention should be paid to market research and design.

although these sources should be expected to extend liberal help for such projects as irrigation, which now have a great bearing on the problem of increasing production. The decline in output during 1962 and 1963, it may be recalled, was largely due to droughts. Fourthly, the welfare burdens on the industry have also become heavy. The obligation of the gardens to provide housing for their labour according to definite specifications laid down by official committees now involves a heavy financial outlay, and on top of that, the Wage Board has now awarded a second interim wage increase for tea workers, which must considerably strain the estates' financial resources.

These are serious problems. The longer solutions are delayed, the greater will be the harm to the vitality and future of this industry. Tea is an agricultural enterprise, and, therefore, subject to all the usual uncertainties and hazards, and the fact that its well-being is entirely dependent on exports considerably adds to the problems. Mr. A. S. Bam, Chairman of the Tea Board, ever since he took this office, has shown a greater and more realistic appreciation of the tea industry's difficulties, and the Board under him has become a more dynamic institution, but even Mr. Bam will agree that only the promotional efforts in overseas markets, extensive though they have been, will not achieve the result desired. Tea to be exported must be produced first, and largely in quality grades, and the world now requires more quality grades and not common teas which form a big proportion of India's output. Quality grades can be produced only through an extensive programme of replanting, for which the industry must require incentives. At present, all expenditure on replanting is treated as a capital item for income tax purposes; consequently, the producers have no incentive to set apart funds from their current incomes for this very necessary development. Mr. T. T. Krishnamachari, who has included tea in the list of industries which qualify for special assistance under his 1964-65 Budget, has so far not committed himself to anything on this question, but it is reported that his Ministry is agreeable to giving some fiscal relief on this account.

Perhaps the recommendations of the committee will help the Finance Minister to make up his mind finally.

Another major grievance of the industry is that while the export duty on tea has been abolished altogether (which no doubt helped in increasing exports during 1963) the excise duty on all teas has been raised, and despite some refund on a regional basis for export purposes, the net effect has been to raise the level of the excise duty. Since the duty is collected from the gardens instead of at the auction stage (the Chanda Committee preferred this latter course), a good deal of their funds is locked up in the process for a long time. In the present phase of its unhappy financial position, the industry finds it a heavy burden, and one of the factors responsible for the industry's failure to raise production in line with the third Plan targets is said to be this obligation to pay excise duty at source, which adds to its borrowings. The committee will no doubt be urged to press the Government for changing the practice.

Although it is not one of its terms of reference, the official committee must consider the world supply demand position as it is now, and as it is likely to develop in future in the context of the rising world production of tea and the increasingly competitive nature of the export trade. India was able to export more tea during 1963, yet almost all companies report lower profits. This is because the average price realised at the auctions during the past marketing season was lower (for both leaf and dust) than that in the previous season. The current marketing season has made an even more unpromis-

Industrial Plan for Andhra Pradesh

From Our Correspondent

MADRAS:

THERE IS great anxiety to develop the industrial potential of Andhra Pradesh as it is felt that not much progress has been made in the past decade and more. The occasion of the meeting of the Central Committee of the All-India Manufacturers Organisation in Hyderabad recently was utilised to examine how the desired rate of industrial growth could be achieved. Though latterly some industrial units have been promoted and the existing undertakings have expansion plans on hand, the per capita consumption of power is very low being 15 units against the average of 50 units for all-India and the consumption in Madras of 60 units and in Mysore of 35 units. However, from the point of view of natural resources, Andhra Pradesh is more richly endowed than the other three Southern States as, besides vast resources of iron ore and coal, there are huge quantities of limestone and barytes. Agricultural raw materials also are available in plenty. It is only recently that the sugar, paper and cement industries have grown in stature. Some of the Central undertakings in and around Hyderabad will help to broaden the base of the industrial structure of the State but a lot more remains to be done and it is felt that, apart from active financial help, as in Madras, by the Andhra Pradesh Industrial Development Corporation there will have to be incentives in the shape of tax rebates for the promotion of industries in backward areas.

The All-India Manufacturers Organisation has pointed out that even in the UK, such facilities are provided for the development of industries in backward areas. However, having regard to the peculiar conditions in our country some such procedures might be difficult of adoption. The Central Government might not be agreeable to pursue any scheme for granting rebates in direct taxes as they affect the corporate sector. It has been recognised, however, that select areas in the backward regions must be developed for industrial purposes and the basic facilities like water, land and electricity

ing start, in spite of the fact that the carry-over from the previous year's lower production was very small. The average prices at the auctions have been dropping steadily. Production has, of course, been running well ahead of last year's figure by this time, and in all probability, tea production on the whole will be appreciably higher than last year's, but higher output alone will not ensure prosperity for the industry. The auction prices are a reliable index of the world supply-demand position. Therefore, the Government, while asking the industry to produce 1,000 million lbs. (the third Plan target of 900 million lbs has no chance of being realised) by the end of the fourth Plan, must devise a scheme of aid which will help the tea companies to take good years with bad without difficulty, and perform their allotted part efficiently under the five-year plans.

It is because such a scheme does not exist at present, stock market investors, hard-headed realists as they are, have neglected tea shares for a long time despite official declarations to help the industry in as many ways as possible. With the sole exception of one — Patrakola — all tea shares have fallen in value. The fact that almost all leading companies have cut their dividends is the major reason for this, but the uncertain future outlook has also depressed sentiment. The stock market as a whole has been passing through a dull phase in spite of the increase in the Indian Iron dividend from 16 per cent to 17 per cent plus a special cash bonus of 10 paise a share. But the depression in tea shares dates back to a much longer period.

should be readily available. The Andhra Pradesh Government is aware of the need for providing these facilities and giving the maximum encouragement to entrepreneurs so that the various handicaps of slow growth can be easily overcome.

The State Government has prepared a blue-print which would require an outlay of Rs. 431 crores for the development of large-scale industries in the fourth Plan period. It is estimated that the promotion of steel and engineering industries and the expansion of the Vizakhapatnam oil refineries alone will account for a fairly good proportion in the total outlay in the next few years. It is not expected that there will be any difficulty in getting the required quantities of coal for the steel plant either from indigenous sources or from foreign countries. There will also be no shortage of power as it is expected that there will be an increase in the installed capacity to 500 mW by the end of this Plan. A large thermal plant is being set up at Kothagudem. It was indicated recently by Dr. K. L. Rao that plans for erecting a thermal plant at Ramagundam, having a capacity of 200 mW., submitted by Dr. Dharma Teja, are being examined and will be finalised shortly.

There is no doubt that during the fourth Plan many industrial units will come to the production stage and the character of the regional economy will become more industrial than agricultural. Apart from the fertilizer factory at Vizakhapatnam, it is quite likely that the oil refinery in the same area will be expanded. It has also been decided that the fertilizer factory at Kothagudem will be in the private sector as interest has been shown by entrepreneurs and arrangements are being made to secure the necessary foreign exchange and technical collaboration. It is hoped that this new large unit will be completed in the next three years.

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The situation as it relates to availability of natural and synthetic rubber has once again come in for examination and it has been pointed out that needless expenditure has been

incurred on imports while there had been a sizable increase in the output of natural rubber within the country and the newly started synthetic rubber plant was expected to utilise its capacity fully. Dr. Varma, the retiring President of the Indian Rubber Board, has estimated that the gap between consumption and demand for rubber will be only 35,000 tonnes and that it will not be necessary to permit large imports. In fact, there has not been any significant rise in prices for even natural rubber, following decontrol, as there were large stocks of both natural and synthetic rubber imported at prices very much lower than indigenous prices. The consumers of rubber were naturally more keen on utilising the cheaper imported products. The tyre producers particularly were handicapped because of the slump in the market and the difficulties experienced in disposing of an increasing volume of output. The new producers particularly are having a difficult time and it is feared that the working results for the current year may not be satisfactory in many cases. The new plans for raising output of trucks will certainly be helpful. But it is apprehended that, for at least a year, there may not be a pick-up in demand which will take care of the additional capacity that has been recently created for producing tyres. Some of the tyre producers are even thinking in terms of curtailing production as there has been no brisk demand and the competition from the bigger established producers has been rather keen.

Even in respect of tread rubber compound, there has been a price war. This is good from the point of view of consumers. But the absorption of the additional excise duty on tread rubber components by the bigger producers has caused hardship for some of the new tyre companies which had hoped to offset the losses on tyre sales by the profit earned on tread rubber sales. This is the reason why there has been a slump in prices of shares of tyre companies, particularly those of the new units.

The slowing down of production of tyres and tubes will naturally be reflected in reduced growth in the consumption of rubber. There will in any case have to be marginal imports during the current year. If only some policy can be devised by which the capacity of the synthetic rubber plant

can be fully utilised, there can be a substantial saving in foreign exchange expenditure. How this can be achieved is difficult to say. It is estimated that there will be a gap of 1.05 lakh tonnes by 1970 between demand and consumption and in spite of an increase in the output of indigenous rubber to 62,000 tonnes. A number of rubber estates are carrying out a vigorous programme of replantation and it is confidently felt that, after two or three years, there will be a jump in output of natural rubber. The Chairman of Cochin Malabar Estates has recently indicated that the company's programme of replantation will start yielding good results after some time though there may be a static level of output for a short period.

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The food situation in Madras and Kerala is rather confusing. After a decline in prices for all varieties of rice following the lifting of restrictions over procurement and movement, there has been an increase in prices latterly and it is not known whether the trade has been busy cornering available supplies or there has been smuggling of large quantities of rice to West Bengal and Maharashtra where the situation is stated to be rather alarming. The Madras Government is making serious efforts to keep down prices by opening a large number of fair price shops. It is, however, felt that the food situation can be brought under control effectively, only when the needs of Maharashtra and West Bengal have been fully satisfied. The prevalence of the high prices in these regions, particularly in Maharashtra, has had an upsetting effect on other regions. It is not clear why the Central Government has not been effecting large sales of wheat, especially when prices have risen abruptly and the consumer would be content with supplies of cheap wheat if rice cannot be had freely. Even though the Union Minister for Food and Agriculture has promised a review of the food policy and re-examination of the zonal schemes, the immediate difficulties can be got over only with liberal imports of wheat and rice and vigorous sales from Central stocks. At the same time, there should be a determined effort to bring out hoarded stocks with merchants and cultivators. If prices for essential articles are not kept in check a difficult situation is expected to develop again which may have serious political repercussions.

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The moving fingerprints

I CANNOT enthuse over Mr. T. N. Singh's appointment as Minister of State in charge of Heavy Engineering in the Ministry of Industry. This job requires a man who could plan, organize, direct and supervise at the highest level — and I do not think that Mr. T. N. Singh could do any of these well. Whether his appointment has involved a process of being kicked upstairs could be debated. I would simply suggest that it has effected a painless removal of Mr. T. N. Singh from the Planning Commission. For this small mercy the nation in general — and Mr. Asoka Mehta, in particular — have good reason to be grateful to the Prime Minister. When the inside story of Yojana Bhavan comes to be written — and I hope it will be some day — I am sure that Mr. Singh would be shown to have been among the more stubborn dogs-in-the-manger, responsible for negating or frustrating much industrial effort in the private sector, through their ideological rigidities or prejudices.

I must say here that the stars in their courses seem to be favouring the Planning Commission. Mr. Singh's exit was preceded by the departure of Professor M. S. Thacker who had relinquished his Membership of the Planning Commission some weeks earlier on being appointed Vice-Chancellor of Bangalore University. Now, I have nothing against the learned Professor except that his occasional presence in this country between his frequent visits abroad have been for such short spells that he could possibly not have devoted sufficient time to his chores at Yojana Bhavan. Thus two posts of Members fell vacant recently in the Planning Commission. Besides these, there is also the much earlier vacancy caused by the retirement of Mr. C. M. Trivedi. The Prime Minister and the Deputy Chairman of the Planning Commission, consequently, have ample elbow-room for manoeuvre. I do hope that in filling these vacancies, they will sternly eschew the earlier practice of providing convenient berths for superannuated civilians, orphaned politicians or careerists and professional climbers of all kinds. There is still some dead wood, and the presence of at least one gentleman on the Planning Commission has long ceased to have any point — assuming that his original appointment had some. If the Prime Minister believes that he is under an obligation to provide alternative employment for this particular Member, he might create another post of Minister of State in the Central Cabinet since one more or less of that tribe cannot make much difference.

So far as the country is concerned, it would certainly gain by the injection into the Planning Commission of new blood of the right type. Yojana Bhavan cries out for men who have knowledge and background, passion and vision and who, above all, are not political pensioners or professional careerists. It is certainly desirable that there should be much more of specialized skills and technical expertise at the Members' level. It is also proper that a few younger men, to whom perspective planning is not merely an exercise but is also an expectation, should be found places on the Commission. I have seen it suggested that the Planning Commission is at least being adequately served in the matter of an economist. I wonder whether Dr. V. K. R. V. Rao endorses this opinion. He was, no doubt, an economist once, but I believe that he now describes himself as a sociologist. I myself would say that politics has become the first love of his maturing years. In any case, if Dr. Rao is to be considered an economist, all that I would say is that there should be another economist on the Planning Commission.

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The recent conference held in the Capital on family plan-

ning did come to some rather important conclusions which could be significant in raising the efficiency of the family planning movement, but could be successfully implemented only if public opinion and public support are mobilized in their favour. The conference, for instance, came to the very practical conclusion that the only effective short-term strategy would be mass sterilization for the purpose of preventing large families. There was also support at the conference for the legalization of abortion under controlled conditions. It is a pity that these recommendations have not received the editorial notice that is their due from the nation's Press. Among the five 'national' newspapers, 'The Hindu' and 'The Statesman' have chosen to be silent. 'The Times of India' and 'The Indian Express' elected to wait until their next Sunday issues came around. 'The Hindustan Times', however, was prompt with an editorial on the subject. But there were more sly winks and sniggers than seriousness in its treatment of the subject. It described vasectomy rather pointlessly as an "essentially negative solution" and expressed the fear that mass vasectomy might lead to investing sterility with "a mystique that, ironically enough, used once to go with creation". I am glad to find that 'The Hindustan Times' at least allows, even if grudgingly, that vasectomy might be justified as a "desperate economic necessity". The question is how desperate do we want to get?

'The Times of India' winds up a rather confused editorial with the tame recommendation, "whatever the steps taken or contemplated, there should be more and freer discussion of the problem, more fact-gathering and more specific action, perhaps by a specially recruited corps of field workers" — a piece of advice which goes ill with its earlier deprecation of "impressive phrases and earnest resolutions".

A wrong impression which seems to have taken hold of many who object to surgical sterilization is that this method is being advocated in exclusion of other techniques. As Mr. Asoka Mehta has made it clear however, the family planning programme has to exploit all available possibilities. All that the emphasis on surgical sterilization implies is that here, given the social and economic conditions of the bulk of our people, is a technique which could do more to reduce the fertility rate sooner than any other alternative method. I wish the Press would stop treating family planning as a subject for "light" editorials or Sunday leaders and pledge its vast resources of publicity and persuasion for promoting public participation in the family planning campaign. Incidentally, I wonder why the All India Radio has not been exerting itself at all in furthering the cause of family planning. Here surely is an area where there could be greater and more purposive co-operation between the Ministry of Health and the Ministry of Information and Broadcasting. I do hope that Dr. Sushila Nayar will soon have a talk about this with Mrs. Indira Gandhi.

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One of the most touching passages I have ever come across in political journalism appears in Rajaji's column in 'Swarajya' of July 25: "A Tamil rag in Madras writes suggesting that I have some deep plot of ambition based on my Indo-Pak attitude. How can I convince such folk that at 86 I can conceivably have no ambition for myself? I have hopes for my country and our people, but there is nothing I want for myself except peace of mind. I have had more honours than I ever hoped for. Even my political antipathies have not much of anger in them now. I pity those who err, for I see no good in being angry with them."

V.B.

Trade Winds

GROUNDNUT MUDDLE

THE POPULAR resentment arising from the exorbitant prices of edible oils in the State of Gujarat, which leads in the production of such oils, can easily be understood especially when the supplies of foodgrains needed by the State have not been forthcoming due to the enforcement of the zonal system. The Government of Gujarat, therefore, after consultations with the visiting Union Minister of Food and Agriculture, Mr. C. Subramaniam, issued orders on July 22, 1964, under the Defence of India Rules 1962, banning, with immediate effect, the movement of groundnut and groundnut oil outside the State, except on permit. Announcing the imposition of the ban at a press conference, Mr. Subramaniam assured that an objective assessment of stocks in the State would be made and if found surplus, regulated exports to that extent would be permitted. After prolonged discussions with the State Government on food and edible oil prices Mr. Subramaniam declared that the Union Government would shortly review the entire system of zonal restrictions on the movement of foodgrains and announce its decision well before the new season.

As has been reported earlier in these columns (vide page 77 of "Eastern Economist" dated July 17, 1964) the runaway price trend in respect of edible oils and oilseeds has been due to the increase in total demand which has outstripped the total available supplies, both in the country and the world. The efforts of the Gujarat Government at bringing down the prices of groundnut oil will, therefore, have only a localised effect and may lead to inter-State smuggling. The prices of groundnut oil in Gujarat crashed within 24 hours of the imposition of the ban — declining from Rs. 42 to Rs. 35 per tin. On the other hand, within the same 24 hours, the prices in Bombay shot up by Rs. 100 per tonne (from Rs. 2540 per tonne to Rs. 2640 per tonne) and a virtual famine is feared in the near future. The prices in Calcutta are reported to have shot up to Rs. 2,700 per tonne and in Delhi to Rs. 2,800 per tonne. Observers, therefore, feel that it will not be surprising if the prices move up to Rs. 3,000 or more per tonne. Though the Saurashtra region of Gujarat is believed to be still having a surplus stock of about 40,000 tonnes of oil, it is considered doubtful whether the Gujarat Government will issue export permits soon since the present export ban is intended to be a retaliatory measure. It is felt that if the scheme of zonal restrictions is to be extended like this, from one essential commodity to another, it will be the surest way to national disintegration.

The production of major oilseeds in the country in 1963-64 is estimated at about 63 lakh tonnes as against 66.7 lakh tonnes in 1962-63 and 68.5 lakh tonnes in 1961-62. The requirements of all types of edible oils for the next three months may be around 6,00,000 tonnes whereas the present stocks in the country may not be able to meet even half of it. Under the circumstances, it would be advisable to expedite the proposed imports of 1,00,000 tonnes of soyabean oil from the U.S.A. under the PL 480 programme. In addition, it may be worthwhile to import coconut oil with a view to maintaining our export commitments in respect of 'Vanaspatti' and groundnut oil. The indiscriminate ban on groundnut oil and vanaspatti exports is unfair to the processing industry which has, during the past years, persevered in building up markets for 'brand' products. As foreign markets cannot be dictated to suit our convenience, the patient build-up of business, yielding Rs. 50 to Rs. 60 lakhs per annum in foreign exchange, should not be destroyed light-heartedly.

Our planners do not seem to have realised the fact that the rise in prices of oil and oilseeds have been almost wholly determined by stagnant production. It is reported that the

preliminary fourth Plan oilseeds target is less than the third Plan target of 98 lakh tonnes whereas the actual production up till now has been woefully lagging behind the second Plan target of 76 lakh tonnes. In this context, while addressing the TOMCO shareholders' meeting, Mr. J. R. D. Tata put forward the suggestion of giving oilseeds' production the kind of encouragement and facilities that have been extended to plantation crops like tea and coffee. Since a crash programme for a 50 per cent increase in total production in the next few years would call for considerable investment and organisation, Mr. Tata suggested that the corporate sector should enter the field of oilseeds production.

ESSO'S DEVELOPMENT DECADE

July 29, 1964 marked the end of a ten-year period of progress of the ESSO's refinery at Trombay in Bombay. This was India's first modern oil refinery which, with its commissioning in 1954, brought about more than 500 per cent increase in the country's refining capacity, from 5,400 barrels to 30,400 barrels a day, and turning out more than 300 million imperial gallons a year of six different products. In building the Trombay refinery the ESSO Company made an initial outlay of Rs. 171 crores — an amount which still represents the largest single investment of private American capital in this country.

During the ten-year period since its inception, the Esso refinery has more than doubled its initial capacity; new units have been added to the plant and new products have been included in its range of manufacture. Perhaps one of the most tangible projections of this growth is in the foreign exchange contributions made by the refinery in recent years. It was estimated at the time the plant went on stream in 1954 that it would help save an equivalent of Rs. 1.2 crores in foreign exchange annually just by refining imported crude oil locally. But last year alone this figure amounted to Rs. 11.3 crores and the total savings since the start-up of the plant are calculated at Rs. 46 crores. All this has been made possible not only by refining crude oil locally but also by the export of surplus gasoline and asphalt and by the addition of new units designed to manufacture products hitherto imported. Thus, in July 1959, the asphalt plant was commissioned to meet the country's increasing demand for this product. Earlier, asphalt was imported in drums, the cost of which alone accounted for 32 per cent of the price. The surplus asphalt now goes abroad and, in less than five years, an amount of Rs. 4.6 crores has been saved and earned in foreign exchange. In 1962, the solvents unit was commissioned. Designed and constructed in India, the unit began with the manufacture of two new industrial solvents — Hexane and Esso Solvent 1425. But to meet a new need the unit started production of Esso Solvent 2445 early in 1964, boosting foreign exchange savings from Rs. 15 lakhs a year to an estimated Rs. 60 lakhs in 1965. Products such as Hexane and Solvents 1425 and 2445 are vital to industries like vegetable oils, textiles and rubber. By making Hexane available in India the refinery has helped to treble the export of high-purity oilcake. The solvent extraction industry uses Hexane to remove traces of vegetable oil from oilcake so that it can be utilised as cattle feed safely. The demand for Indian oilcake, particularly in the United States, is enormous and this year the export of 9,00,000 tons of cake is expected to earn the country well over Rs. 35 crores in foreign exchange.

Of the 70 odd American nationals who were connected with the plant at the time of start-up, there are now only four left; Indians have replaced them. The Indian engineers from the ESSO refinery have also been to countries like Malaysia,

Indonesia and the Philippines where they helped set up new refineries and improve the functions of the existing ones.

INTERNATIONAL BANKING CENTRE

The First National City Bank has opened an International Banking Centre in New York to serve exclusively visitors from other countries. The only facility of its kind in the United States, it is located on the corner of Park Avenue and 54th Street in the bank's uptown headquarters. The Centre will buy and sell foreign monies, cash foreign drafts, arrange remittances abroad, and complete payments coming from overseas for beneficiaries who call at its office. Other services include sale, refund and encashment of travellers checks, and sale and encashment of travellers letters of credit. It will also receive mail for clients coming to the city, assist foreign visitors with general information about New York City and sell tickets for and furnish information about the World's Fair.

TEA COMMITTEE

The Government of India has appointed a Committee, with Mr. V. V. Chari, Additional Secretary, Ministry of Finance, as Chairman, for examining the needs of the tea industry. The Committee has to submit its report to Government within three months. The terms of reference of the Committee are: (i) to examine the financial position of the tea industry with particular reference to the requirements of increase in production and exports, (ii) to review the financial assistance available to the industry from the Tea Board and banking institutions and to suggest simplification of procedures relating thereto, (iii) to make recommendations regarding the provision of finances required by the industry, (iv) to examine the structure of taxes on tea and to suggest appropriate measures for giving tax relief where necessary, and (v) to make any other recommendation that the Committee may deem appropriate for the development of the tea industry. Besides its Chairman, the Committee will consist of the following members: Mr. P. C. Barooah, M.P.; Mr. Rameshwar Tanti, M.P.; Mrs. Akkamma Devi, M.P.; Mr. B. N. Adarkar, Additional Secretary, Ministry of Finance (Department of Economic Affairs); Mr. N. S. Pandey, Joint Secretary, Ministry of Finance; Mr. A. S. Bam, Chairman, Tea Board, Calcutta; Mr. H. K. FitzGerald, Chairman, Indian Tea Association, Calcutta; the President of the United Planters' Association of Southern India, Coonoor; Mr. B. C. Ghose, Indian Tea Planters' Association, Jalpaiguri; Mr. P. Crombie, Senior Adviser, Indian Tea Association, Calcutta; Mr. Vinod Parekh, Managing Director, Messrs. J. Thomas & Co., Calcutta; a representative each of the Governments of Assam, West Bengal, Madras and Kerala; Mr. B. K. Kacker, Secretary & Treasurer, State Bank of India, Calcutta; Mr. V. Sivaraman, Managing Director, Agricultural Refinance Corporation, Bombay; Mr. R. B. Shah, General Manager, the United Commercial Bank Ltd., Calcutta (Alternate Member — Mr. K. M. Krishnamurty, Manager, the Bank of Baroda Ltd., Calcutta); Mr. P. Chentsal Rao, Secretary, Federation of Indian Chambers of Commerce and Industry, New Delhi; and Mr. K. M. Kidwai, Director of Tea Development, Tea Board, Calcutta (Member-Secretary). The Committee will have powers to co-opt other members.

BRITISH INVESTMENT IN INDIA

According to a spokesman of the Federation of British Industries, which consists of about 8,300 individual firms and nearly 300 national trade organisations with a total membership of about 45,000 firms, India ranks very high in the list of countries where British businessmen and industrialists would like to invest their capital. Judging by investments so far, Canada comes first, Australia second and India third in the

list of countries where British capital has been invested. Most of the important British industrial units are already operating in India and have been expanding their activities by reinvesting their profits. An encouraging feature now is that even small British firms are extending their activities to India and are co-operating with medium and small entrepreneurs.

U.S. LOANS FOR BEARINGS

Agreement for an American Government loan of \$4.3 million (Rs. 2 crores) which will substantially increase India's capacity to produce ball and roller bearings, was signed on July 21, 1964 between the American East India Company and the U.S.A.I.D. The US credit, in favour of National Engineering Industries Ltd., (NEI) of Jaipur, will meet the foreign exchange costs of setting up a new plant to manufacture tapered roller bearings and of expanding the capacity of existing plants which make ball bearings and straight roller bearings. This will result in a net saving to India of \$2 million (Rs. 1 crore) a year in foreign exchange. The American East India Company is a wholly owned subsidiary of NEI. The Federal Mogul Bower Bearing Inc. will provide technical assistance for the establishment of the new plant and will train several Indian technicians in the United States. The loan will assist in increasing the cumulative annual production of ball, straight and tapered bearings from 40,00,000 to 75,00,000. The project is expected to be completed by the end of this year. The loan bears an interest rate of 5.75 per cent and is repayable in 10 years including a two-year grace period. To reduce the impact on India's balance of payments, the agreement provides for NEI to make repayment in rupees to the Indian Government on the above schedule. The Government of India in turn will repay the principal to the US Government in dollar instalments spread over 40 years, including a 10-year grace period. The Indian Government will pay interest at the rate of three-quarters of one per cent during the grace period of ten years and two per cent thereafter.

TRIBUNAL FOR AIR-INDIA EMPLOYEES

The Government of India has appointed a National Tribunal to which the various charters of demands pending with Air-India have been referred for adjudication. The tribunal will be presided over by Mr. G. D. Khosla, retired Chief Justice of the Punjab High Court. On March 24, 1964, the Union Minister of Transport had made a statement in the Lok Sabha that a Commission would be appointed to evolve a rational wage structure for the employees of the two air corporations of India. The situation, however, changed as a result of the notices of strike served by a section of the employees of Air-India. The Government of Maharashtra initiated conciliation proceedings, but failed to arrive at a settlement. The Government of India, therefore, decided to refer the dispute for adjudication to a national tribunal. As the matters covered by the demands raised by the other sections of employees of Air-India are either common with or are related to the demands of the unions which have served the strike notices, Government has referred all the demands to the National Tribunal.

CORRECTION

In the last issue of "Eastern Economist" (dated July 24, 1964) under the heading "VEGETABLE OIL EXPORTS" (vide page 163) it was mentioned that with a view to checking the uptrend in the prices of vegetable oils and products, the Union Government had decided to "step up" exports of coconut oil, cottonseed oil, groundnut oil, kardiseed oil, mustardseed oil, rapeseed oil, salad oil and sesamumseed oil. There was a printing error. As a matter of fact the Government has stopped, and not stepped up, the exports of these oils.

Company Affairs

TELCO'S EXPANSION

MR. J. R. D. TATA, Chairman of the Tata Engineering and Locomotive Co. Ltd., highlighted the significance of expansion activities by the company. He stressed, in a statement appended to the annual report, that the successive expansion schemes of TELCO helped the company to reap full benefits of the scale of production and this highly productive engineering unit achieved increasing levels of efficiency. The users of Tata Mercedes-Benz vehicles would have been paying substantially higher price than they were actually paying if the company had not carried out its schemes of expansion. The output of TELCO has been increasing rapidly and its first stage of expansion to 18,000 vehicles is now virtually completed. Work has already started on the second stage intending to bring its production up to 24,000 vehicles every year. Mr. Tata indicated that Agency for International Development had approved a loan of \$11.80 million to finance the foreign exchange element of the second stage of this expansion programme. Orders for imported machine tools and equipment would be placed shortly so that further expansion materialised without any delay.

In spite of this rapidly increasing capacity, the company has not been able to meet the demand for Tata Mercedes-Benz vehicles, partly because it steadily incorporated a number of major improvements without any increase in price. In fact, the Chairman pointed out, between October 1959, when the company completed the initial phase of truck manufacturing programme, and this day, the price of its popular model increased from 30,455 to Rs. 37,619, which means Rs. 7,164. Against this increase the sales, excise and other taxes charged on this vehicle by the Union and the State Governments increased by Rs. 6,780, while the cost of imported materials and components increased by Rs. 739 which made a total increase of Rs. 7,519. In a way, excluding these two items, the company had actually reduced the price.

Referring to the financial performance of the company, the Chairman indicated that the operating profits for 1963-64 were Rs. 114.75 lakhs higher than in the previous year, but most of the excess was absorbed by increased allocation to depreciation, development rebate reserve and taxation. The total amount available for distribution was around Rs. 136.15 lakhs which was nearly Rs. 8 lakhs less than the amount required to maintain the current dividend of 14½ per cent on its enlarged capital. The directors, therefore, transferred Rs. 8 lakhs from the general reserve so that a total of Rs. 14 lakhs has been drawn from reserves during the last two years towards the payment of dividends. This appears to be fully justified in the context of the expanding output and higher profits recorded by the company which necessitated a larger distribution at the same rate on larger capital. Mr. Tata was hopeful that the company would be able to maintain the same rate of dividend even after the additional issue of 200,000 ordinary shares in the ratio of one new share for every five shares he'd which was being recommended at a premium not exceeding Rs. 50 per share. This, however, had to be finally approved by the Controller of Capital Issues and the directors of the company. This new issue was necessary to maintain the debt-equity ratio at a proper level. The increase in share capital will not only improve the debt-equity ratio to which the AID, like the World Bank, attached considerable importance, it will also provide additional funds for the expansion scheme.

The relative significance of railways and road transport

were discussed by the Chairman who stated that railways had dominated the official attitude and road transport was comparatively being neglected. For instance a recent announcement of the railway's share of nearly 70 per cent of the total proposed investment in surface transport in the fourth five-year Plan is a sufficient proof that road transport was not being given the attention it deserved. On the other hand, the restrictive regulations imposed by the various State Governments made long distance road transport extremely difficult. He proposed that multiple taxation on vehicles and taxation on cargo should be rationalized so that a system of inter-State trucking permits was evolved by a Central authority. He suggested that the permits should carry a fee sufficient to absorb all the State and local vehicle taxes levied at present. These permits should be given for a year, to be automatically renewed unless the holders got it revoked for some violation. Keeping in view the nature of Indian landscape as well as the area which has to be served with road transport, and the points which cannot be touched normally by the railways, the fourth Plan should be reshaped to take into account an adequate expansion of the road transport.

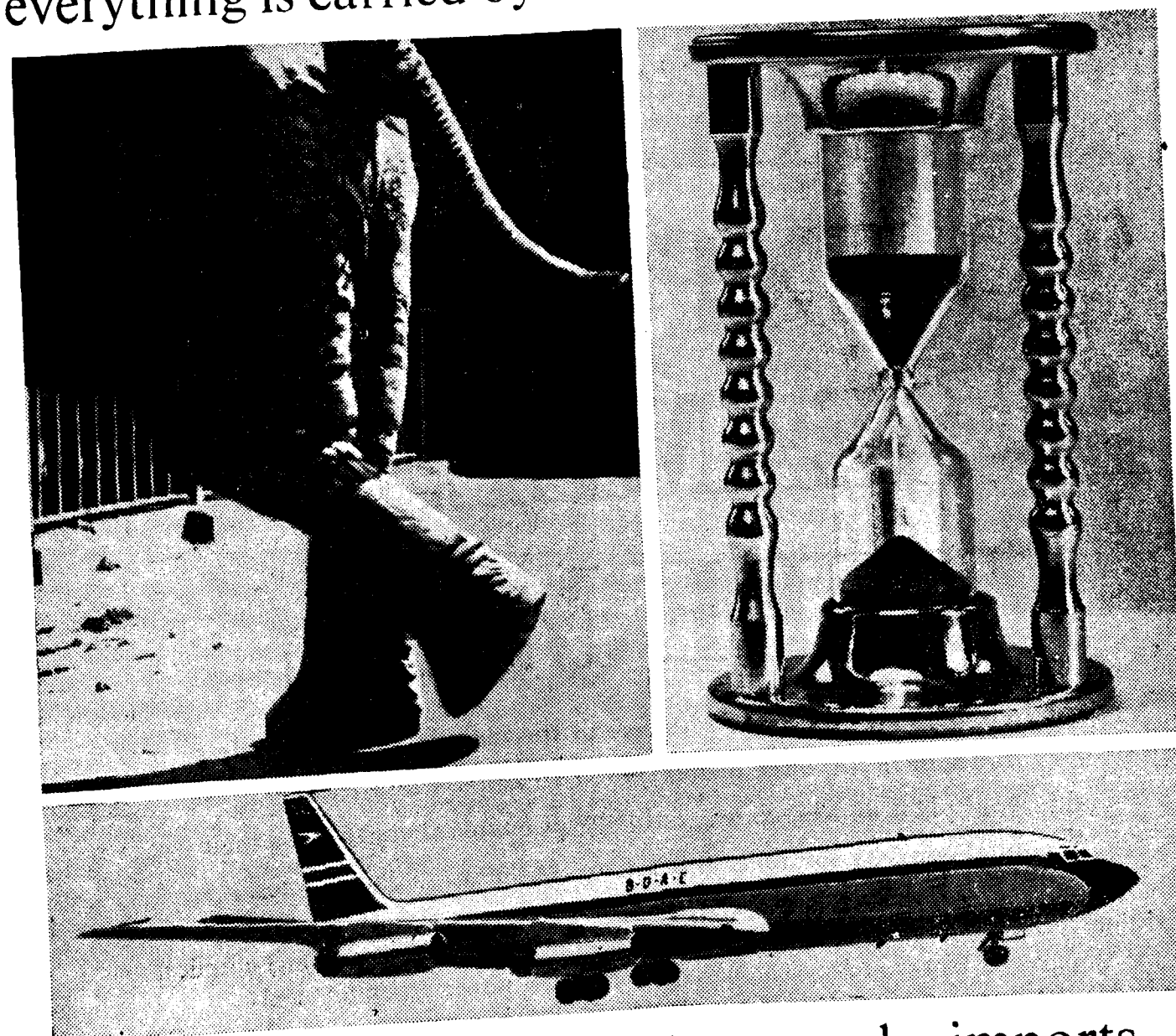
OIL INDIA

Mr. Khandubhai K. Desai, M.P., Chairman, Oil India Ltd., revealed at the annual general meeting held recently that the company had recorded a net surplus of Rs. 336 lakhs after providing for depreciation, taxation and development rebate. Consequently a dividend has been proposed to be paid at the rate of Rs. 120 per share, which came to 9 per cent, after payment of all taxes. The profit recorded by the company is a reflection of its physical performance, which has various highlights. The company achieved its drilling targets with an average of 74,154 feet per drilling rig, which compared favourably with similar drilling efforts elsewhere in the world. It completed two wells to produce oil from two zones independently, popularly known as dual completion wells, and three deviational wells directed to tap oil reserves under the river bed. These were the first dual production and deviated wells drilled in the country and Oil India could naturally claim the credit. With this drilling, the Chairman pointed out, Oil India was in a position to meet its commitments towards the public sector refineries at Gauhati and Barauni.

One of the outstanding achievements of Oil India has been the completion of its pipe line system in North-East India connecting the oil fields with Government refineries at Gauhati and Barauni. This pipeline was constructed for the company by the Burmah Oil Company (Pipe Lines) Ltd. It is indeed a fact of considerable significance that this project was finally completed at a cost of about Rs. 45 crores which was a little below the original estimate of Rs. 46 to Rs. 47 crores. During the year 1963 the company also completed the crude conditioning plants at Nahorkatiya and at Moran which were specially designed to make crude from this region pumpable. These plants were actually constructed by the Assam Oil Company and are now in the charge of Oil India after thorough tests which conformed to the expectations.

The Chairman indicated that the company was in a position to supply sufficient gas to certain industrial projects approved by the Union Government and the State Government of Assam. It has already made commitments, apart from nearly 10 million cu. ft. of natural gas for oilfield uses, for the supply of nearly 45 million cu. ft. of natural gas per day to various industrial projects. It will supply 18 million cu. ft.

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BRITISH OVERSEAS AIRWAYS CORPORATION WITH AIR-INDIA AND QANTAS

INDIAN TUBE TO EXPAND ITS SEAMLESS TUBE MILL

The Indian Tube Company, pioneers in the manufacture of seamless tubes in India, have been granted an Import Licence for additional plant and machinery which will enable them to raise their annual capacity for these tubes from 24,000 to 40,000 tonnes.

Existing technical and service facilities at the Company's Works in Jamshedpur will enable speedy execution of the expansion programme, which is expected to be completed in 1965. INDIAN TUBE will then meet the bulk of India's requirements of seamless tubes for the oil and chemical industries, power generation and transmission and other essential demands which are still being partly met by imports. This will mean an annual saving of Rs. 6 crores in foreign exchange.

INDIAN TUBE
THE INDIAN TUBE COMPANY (1953) LIMITED
A TATA-STEWARTS AND LLOYDS ENTERPRISE
CALCUTTA NEW DELHI BOMBAY AHMEDABAD

per day to the Assam State Electricity Board, 10 million cu. ft. per day to the Assam Gas Company, 8 million cu. ft. per day to Assam Oil Company, 8 million cu. ft. per day to the fertiliser plant at Namrup and small quantities to brick kilns and tea gardens. Gradually, therefore, the company is increasingly participating in this important sector of the economy and has proved to be a significant factor in making the country self-sufficient in oil.

HINDUSTAN MOTORS

Preliminary results of Hindustan Motors Ltd., show that it has maintained the ordinary dividend of 11½ per cent for the year ended March 31, 1964. The profit has gone up from Rs. 1.18 crores to Rs. 1.19 crores, after providing for depreciation and taxation. A sum of Rs. 25 lakhs has been provided for reserves.

PREMIER AUTOMOBILES

It is reported that Premier Automobiles Ltd., has revealed a turnover of Rs. 24.09 crores during the year ended June 30, 1964, as against Rs. 20.12 crores last year. The larger turnover has mainly come from the rise in sales of trucks from 5,712 to 6,711. There has, however, been a drop in sales of cars from 4,350 to 4,083. In 1961-62 the sale of cars was around 7,193. It appears that the low level of 309 cars per month touched at the end of 1963 has not been picked up.

CENTRAL BANK OF INDIA LTD.

Central Bank of India Ltd., has earned a higher profit, subject to audit, of Rs. 98.54 lakhs for the half year ended June 30, 1964 against Rs. 89.80 lakhs for the corresponding period of 1963. The directors have proposed to maintain the interim dividend at the rate of Rs. 2.40 per cent which comes to 19.2 per cent per annum. The new right shares offered on February 1, 1964 will rank for the pro rata dividend with effect from May 1. The total interim dividend distribution will amount to Rs. 30.35 lakhs, against Rs. 30.28 lakhs for the corresponding period of the last year. The directors have also provided a sum of Rs. 1,401 for payment of final dividend for 1962 and interim and final dividend for 1963 to the former shareholders of Jodhpur Commercial Bank Ltd., to whom the shares of Central Bank have been allotted. A sum of Rs. 69.09 lakhs, subject to tax, has been carried forward.

STATE BANK OF INDIA

The Central Board of Directors of the State Bank of India decided to pay an interim dividend of Rs. 10 per share, subject to deduction of tax, for the year ending December 31, 1964 to the shareholders registered in the books of the bank as on June 30, 1964.

INDIAN BANK

The directors of Indian Bank Ltd., have declared a higher interim dividend of 7.5 per cent, including a bonus of 2.5 per cent, for the first half year of 1964. This compares favourably with the 7 per cent dividend paid inclusive of a bonus element of 2 per cent for 1963. The higher distribution follows an improvement in the bank's earnings. Its net profit has gone up from Rs. 9 lakhs for the first half of 1963 to Rs. 10.39 lakhs for the period under review. The interim dividend will absorb Rs. 6.63 lakhs. The directors have transferred Rs. 2.06 lakhs to the reserve fund.

BANK OF AMERICA

Net operating earnings of Bank of America for the first half of 1964 increased to \$48.42 million. Loans now stand at a record figure of \$6,852.42 million, an increase of \$995.01

million since a year ago. Deposits of the bank stood around \$13,374.82 million as against \$12,354.79 million last June. Mr. Peterson, President of the bank, indicated that this business advance together with the continuing growth in deposits permitted a significant increase in earning assets through the wide variety of lending services. Dividends totalling \$28.48 million were paid to more than 200,000 shareholders at the annual rate of \$2.00 per share.

CAPITAL ISSUES

Ten companies have been authorised to raise fresh capital aggregating Rs. 5.63 crores. Of these, two will be issuing bonus shares, four are issuing equity capital, one is floating debentures and three are issuing equity plus preference shares. Four companies involve foreign collaboration. Two companies are offering part of their shares to the public by prospectus.

The consent of the Controller of Capital Issues is valid for 12 months in all cases.

Jeypore Sugar Company Limited, Madras, is to issue bonus shares of the value of Rs. 3,37,210 divided into 33,721 equity shares of Rs. 10 each on capitalisation of its share premium account. The bonus shares will be issued in the proportion of one share for every 12 equity shares held.

Hyderabad Laminated Products Limited, Secunderabad, is to issue capital of Rs. 1,42,857.14 on capitalisation of reserves to a like extent, by way of bonus issue, for converting the existing 20,000 equity shares from partly paid up into fully paid up shares of Rs. 50 each.

Tata - Merlin & Gerin Limited, a public company proposed to be incorporated in the State of Maharashtra for the manufacture of switchgear and controlgear, in collaboration with Merlin & Gerin of France, will be issuing capital of Rs. 70 lakhs in equity shares of Rs. 100 each, for cash at par. Out of these, shares of the value not exceeding Rs. 8.75 lakhs will be offered to the French Collaborators against import of plant and equipment.

Electrolytic Tinplates Limited, Bombay, is to issue Rs. 50 lakhs capital divided into Rs. 36 lakhs equity in shares of Rs. 10 each, and Rs. 14 lakhs preference in shares of Rs. 100 each. All the shares will be issued for cash at par. The money will be utilized in the manufacture of tinplates by electrolytic process.

Kamani Industrial Corporation Limited, Jaipur, is to issue Rs. 1 crore debenture stock in units of Rs. 1,000, each carrying 7½ per cent interest and to be offered to the public for cash at par. The capital will be utilised in the establishment of Pig Iron Project at Udaipur (Rajasthan).

Material Handling India, Limited, a public company proposed to be incorporated in the State of West Bengal, is to issue capital of Rs. 50 lakhs in equity shares of Rs. 10 each, for cash at par. The money will be utilized for the manufacture of electrical cranes, heavy structural's and conveyors.

Hind Equipment Corporation Private Limited, Bombay, (a company proposed to be converted into public one) engaged in the manufacture of friction and hydraulic shock absorbers for automobiles, is to issue further capital of Rs. 40 lakhs in 4,00,000 equity shares of Rs. 10 each, for cash at par. The capital will be utilized for financing expansion of the existing activities of the company.

Steelcrete Private Limited, Calcutta, will be issuing further capital of Rs. 75 lakhs, on conversion into a public company. Of this, Rs. 50 lakhs will be issued in equity shares of Rs. 10 each, and Rs. 25 lakhs in preference shares of Rs. 100 each, all for cash at par. Shares of the value of Rs. 30 lakhs in equity and Rs. 10 lakhs preference will be issued to Foundation Overseas Ltd., Canada, against supply of construction

machinery etc. The company will offer the balance shares to the public by prospectus.

Anup Engineering Limited, Ahmedabad, is to issue capital of Rs. 29 lakhs divided into equity shares of Rs. 100 each. Of this, shares of the value of Rs. 7.5 lakhs — consisting of Rs. 2.5 lakhs to the foreign collaborators, Machine Fabriek Reineveld N.V. Delft, Holland, against supply of know-how and Rs. 5 lakhs to the shareholders of Hind Laboratories Private Ltd. in terms of a amalgamation scheme, — will be issued for consideration other than cash and the balance for cash at par. Out of the cash issue, shares worth Rs. 0.5 lakhs will also be offered to the Dutch firm for cash. The capital will be utilized for financing the manufacture of machines like centrifuges, separators, etc.

Indian Overseas Shipping Company, Bombay, is to issue capital of Rs. 150 lakhs, divided into 11,00,000 equity shares of Rs. 10 each and 40,000, 9½ per cent Redeemable Cumulative Preference shares of Rs. 100 each to be issued for cash at par. Out of this, equity shares of the value of Rs. 50 lakhs and the entire preference shares will be offered to public by prospectus and equity shares of the value of Rs. 25 lakhs will be offered to the company's foreign collaborators, American Shipping & Finance Syndicate. The capital will be used for starting a liner service.

LICENCES ISSUED

The following licences were issued under the Industries (Development and Regulation) Act, 1951, during the fortnight ending 4th July, 1964. The list provides the addresses, articles of manufacture and annual installed capacity of the licensees.

During the week ended June 27, 1964.

ELECTRICAL LAMPS

M/s. Glass & Miniature Bulb Industries, 84/22 Fazal Ganj, P. B. No. 324, Kanpur-9 (U.P.) (Kanpur, U.P.) — Fluorescent tubes — 9,60,000 Nos.

AUTOMOBILES

M/s. Teksons Private Limited, Modi Chambers, Bombay-4 (Bombay, Maharashtra) — Radiators — 12,000 Nos.

COTTON TEXTILES

M/s. The Janakiram Mills Ltd., Srivilliputtur Road, (Rajapalayam, Madras) — 12,736 spindles for the manufacture of cotton yarn; M/s. The Bhalakia Mills Co. Ltd., Khokhra Mehmedabad Road, Ahmedabad-8 (Gujarat) — 2,640 spindles for the manufacture of cotton yarn.

SYNTHETIC FIBRES

M/s. Modi Spg. & Wvg. Mills Co. Ltd., Modinagar, (U.P.) (Modinagar, Uttar Pradesh) — Silk & Artsilk Woven and Knitted fabrics — 250 looms and 4 warp knitting machines

FLOUR

M/s. Madras Flour Mills, 196, Govindappa, Naick Street, Madras-1 (Madras) — Atta, Suji, Maida & Bran — 2400 M. Tonnes per month; M/s. India Roller Flour Mills, 17/320 Appanakara Street, Post Box No. 312, Coimbatore (Coimbatore, Madras) — Atta, Maida, Suji, Rough Brand and Bran Flakes — 2,250 M. Tonnes per month.

VANASPATHI

M/s. Shree Radha Krishna Vegetable Oil Products Co., Anantapur District, Andhra Pradesh (Kallur, Anantapur Distt. Andhra Pradesh) — Vanaspathi — 7 Tons per day.

During the week ended July 4, 1964.

PRODUCTS OF IRON AND STEEL

Hind Galvanizing & Engineering Co. Private Ltd., 96, Garden Reach Road, Calcutta-23 (West Bengal) — (1) Transmission Towers — 6,000 tons, (2) Other Structural — 2,000 tons, (3) Hamilton Poles — 8,000 tons (After substantial expansion).

COAL

Shri Debi Prasad Marwari, P.O. Mahagama, Distt. S.P. (Bihar) (P.O. Mahagama, Distt. S.P., Bihar) — Coal 2,800 tonnes.

RAILWAY ROLLING STOCK

Modern Industries, Post Office Malik Nagar, Sahibabad (N. Rly.), (Ghaziabad, Distt. Meerut) (Sahibabad, Uttar Pradesh) — Railway Wagons — 1000 Nos; Central India Machinery Manufacturing Company Limited, (Wagon & Structural Shop Division), Bharatpur (Rajasthan) (Bharatpur, Rajasthan) — Railway Wagons — 875 Nos.

AUTOMOBILES

Universal Radiators, P. B. No. 521, Coimbatore (Coimbatore, Madras) — Radiators (including oil coolers) — 12,000 Nos.; Rane (Madras) Ltd., "Ganapathi Buildings", 47, Velachery Road, Madras-32 (Madras) — Tie rod ends for automobiles — 10,00,000 Nos.

EARTH-MOVING MACHINERY

Jessop & Company Ltd., P.B. No. 108, 63, Netaji Subhas Road, Calcutta-1 (Calcutta, West Bengal) — Diesel Road Rollers 8/10 tons capacity — 400 Nos.

WOOLLENS

Kabir Woollen Mills, Industrial Area 'A', Ludhiana (Ludhiana, Punjab) — Woollen yarn — 6000 Spindles; Karamchand Thadaram, Prop. The Nagpal Woollen Mills, Atlas Mills Compound, Reay Road, Bombay-10 (Maharashtra) — Woollen Yarn — 2000 Spindles; A.K. Silk Woollen Mills (P) Ltd., Industrial Area 'A', Ludhiana (Ludhiana, Punjab) — woollen Yarn — 4,800 Spindles.

ALCOHOL

The Travancore Sugars & Chemicals Ltd., Higginbotham's Compound, Puthanchanthai Main Road, Trivandrum (Tiruvalla, Kerala) — Alcohol — 378,000 gallons.

FLOUR

United India Roller Flour Mills Private Ltd., No. 1, Anna Pillai Street, Madras-1 (Madras) — Atta, Maida, Suji & Bran — 1,600 m. tonnes per month.

CHANGE IN NAMES (Owners or Undertakings)

During the fortnight ended July 4, 1964.

(Information pertains to particular licences only)

From M/s. Assam Aluminium Cable Industries, Gauhati to M/s. Meenaxi Wire Industries (Assam) Ltd., Gauhati; From M/s. Hindustan Transmission Products Private Ltd., New Delhi to M/s. Hindustan Transmission Products, Prop. Madhusudan Limited, New Delhi; From /s. Gelatine Capsule Manufacturing Company Private Ltd., Uttarsanda, Kaira District to M/s. Gelikeps Private Limited, Uttarsanda, Kaira District; From M/s. Bharate Private Ltd., Bombay to M/s. Jaibharat Industries, Bombay; From M/s. Vitreous Ceramics Ltd., New Delhi to M/s. Vitrex Ceramics Ltd., New Delhi.

From M/s. Modi Sugar Mills Ltd., Modinagar to M/s. Modi Industries Ltd, Modinagar; From M/s. Kerala Government cycle Rim Factory, Trivandrum to M/s. Trivandrum Rubber Works Ltd., Trivandrum.

LICENCES REVOKED OR SURRENDERED

During the fortnight ended July 4, 1964.

(Information pertains to particular licences only)

M/s. Himalayan Exporters, Delhi — Heavy Structural and cranes, etc.; M/s. United Trading Company, Jodhpur — Sodium Sulphide; Shri Nem Kumar Jain, Etawah (Undertaking) M/s. Etawah, Paper Mills Ltd., Etawah — Paper and Pulp.

M/s Sir Shadilal Sugar and General Mills Ltd., Mansurpur Distt. Muzaffarnagar (Uttar Pradesh) — Sugar; M/s. Premier Rubber & Cable Industries, Bombay — Rubber Polyethylenes.

BOOKS BRIEFLY

Increased Output Without Investment

Better Plant Utilisation in India: By Morris J. Solomon; Asia Publishing House and Statistical Publishing Society; Pp. 59; Price Rs. 10.

Reviewed by BANARSI DAS

"THERE IS reason to believe that many Indian plants can increase their output up to 500 per cent with little or no increase of investment in fixed plant", says Morris J. Solomon. This is a startling revelation; but it is, nevertheless, substantially true. It is an admitted fact that not only there is a huge unutilized capacity in Indian plants, but — and this is more important — scant attention has been paid to maximum plant utilization. The capital and foreign exchange position as it is, Indian industrial development can receive a considerable boost, and the country can produce a larger total output, if the "given fixed plant can be made to yield greater output."

In this monograph of the Indian Statistical Institute, where the author spent a year and a half under a programme of the US Technical Co operation Mission in India, Solomon discusses the question of improving plant utilisation from the point of view of the individual enterprise as well as the economy as a whole. The increased output, through better plant utilization, obviously will lead to no insignificant rise in profits for the individual enterprise on the one hand, and a relatively large increase in production and employment in the economy, on the other. In fact, it will not be unusual, in the author's opinion, for Indian firms to obtain a 50 per cent return on investment. How these spectacular results in production and profits can be achieved is cogently spelt out in the book. The measures indicated are necessarily unconventional insofar as they endeavour to achieve unconventional results in the realm of plant utilisation and profitability. Nevertheless, they deserve a careful study. The crux of these measures is that machine-time lost, whether due to six-day week, or single-shift operation, or absenteeism, should be saved, even if it means an increase in the number of operatives per machine. With the help of "break even" analysis, based on operation research techniques, the author shows that in view of very high ratio of capital to labour prices in India, as compared to advanced countries, the increase in the strength of labour would lead to tremendous increase in output.

Proposals for more intensive staffing are viewed with suspicion by managements in India and it is surely something contrary to the picture Indian technologists have picked up abroad. The human relations problem of more intensive staffing, as suggested by Solomon, is serious enough to make any management pause. Yet the gains to the enterprise can

be so great that it is worth the effort. In conclusion it may be pointed out that industries, where the availability of raw materials as well plant capacity is the limiting factor, are not likely to go very far in their effort for better utilisation. And their number is not small, particularly of those depending on imported raw materials.

MANAGEMENT A SCIENTIFIC SKILL

Office Management: Published by the National Productivity Council, 38, Golf Links, New Delhi, India; Pp. 120; Price Rs. 3.50.

Reviewed by R. C. KUMAR

EVER SINCE modern management has revealed that administrative ability is not a combination of hunches and rule-of-thumb methods but a scientific skill, a gradual shift is noticeable in employers' attitude towards management problems. The emphasis now is on the 'why' of things so that each procedure or method is analytically revised and its validity ascertained from time to time. The National Productivity Council has attempted in this publication — a report of its Productivity Team's study tour of the USA, the UK and Japan — to assist employers in gainfully utilizing the knowledge this new science offers and cutting down office costs, simplifying office procedures and looking personnel problems in the face.

The Report elaborately describes office practices and procedures prevailing in the countries the Team visited and office managers in this country can gain a good deal from the inferences drawn from the case-studies discussed. Among the various recommendations made for bringing about scientific management in our offices are the utilization of modern techniques like work-simplification and work-study, arranging in-company training courses for office workers, and creating congenial office atmosphere with particular attention to environmental factors like heat, light, ventilation and noise which affect work efficiency considerably. Personnel problems such as recruitment, job-satisfaction and merit-rating have been given ample coverage and various relevant criteria have been laid out to help managers wield effective control over men and material.

The study pinpoints delay in paper work as a major factor responsible for inflated cost of office maintenance and suggests that considerable economy can be secured in office costs through work-simplification programmes. This technique is of particular value to business organisations in this country since paucity of foreign exchange and the relatively limited scale of business operations do not permit automation to a large extent.

Readers' Roundtable

OUR EDUCATION SYSTEM

Sir, — The Union Government is to be congratulated for appointing a Commission to inquire into the educational system. The Education Ministry, in refreshing contrast to complacent statements issued by other Ministries, has frankly admitted the inadequacy of the present education system.

A look at the business and industrial spheres shows the utter inadequacy of the present educational system. At the decision-making managerial level, firms have to set up expensive training programmes. One firm, which wanted to recruit 20 Management Trainees, received about 10,000 applications, but after proper scrutiny and interviews, found barely 8 suitable candidates. At the implementation level, i.e., supervisors, clerks, etc., the low productivity and inefficiency are to be attributed to the present educational system which has not equipped them properly for meeting the needs of the

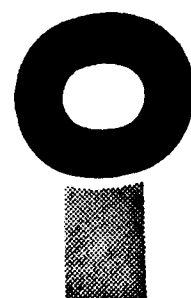
changing economy. Since the present economic policy has bound the consumer hand and foot, the mischief of inefficiency and low productivity are not yet realised by the country.

The Commission should devote its attention to this aspect of education. It should also see that the key figure in the system, namely, the teacher, is properly equipped for teaching and well remunerated.

Economists like A. K. Cairncross and Colin Clark have stressed the importance of the human factor and the vital role of education in improving the economic conditions of the people. It is time that our educational system is put on a proper basis to be run by educationists instead of allowing it to be the playfield of professional politicians. The appointment of the Commission is, therefore, the first step in the right direction.

BOMBAY.

M. R. PAI.



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 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 Fifth Annual General Meeting of Oil India Limited, held at Duliajan, Assam, on Tuesday, June 23, 1964.

Gentlemen,

I have pleasure in presenting to you the report of the Directors and the Annual Accounts of the Company for the year 1963. Under the new order issued under Rule 52 of the Defence of India Rules it will not be possible for us to circulate these reports as usual. This rule also imposes restrictions in regard to publication of news concerning the activities in individual fields and details in respect of the other aspects of our work. Within these limitations I shall endeavour to present a general view of our activities during the last year and a continuation of these efforts in the next year.

TRIBUTE TO LATE SHRI JAWAHARLAL NEHRU



We are meeting under the shadow of a great tragedy which struck the nation in the death of Jawaharlal Nehru, whose unique role as leader in the forefront of India's struggle for independence and as Prime Minister of independent India for over 17 years has contributed a new and glorious chapter in the history of this ancient land. He was the architect of modern India and took a keen interest in all activities directed to promote the welfare of the country and the people. Only in June 1963 we were honoured by his visit to our oilfields in Assam and his appreciation of our work had been a source of encouragement and inspiration to us. The best way to honour his memory is to work hard in our limited spheres and thus contribute our mite to India's prosperity.

General: Oil is fast assuming a place of first importance in the industrial economies of the world and recent trends in uses of various commercial fuels indicate that the popularity of petroleum products and their proportionate use in industry has been going up steadily. Although India has a very low per capita

consumption of Oil products, the economy of the future will require a rapid and steady increase of these energy sources. In the long run coal and hydraulic power sources may prove inadequate and nuclear energy will take a considerable time to replace traditional sources of energy. The combined requirements of energy and petro-chemicals in India leave no alternative therefore to the rapid development of the oil industry.

In the recent past the demand for petroleum products has been increasing at the rate of nearly 10 per cent per annum and during the fourth Plan period it is now expected to increase by 2 to 3 million tonnes annually. By the end of the fourth Plan period, demand for all products is likely to go up to about 28 or 30 million tonnes. However, there is some difference of opinion about the total demand and how it will shape in future during the fourth Plan period and it is not necessary for me to go into these details except to stress that the refineries based on imported crude should produce more of kerosine and fuel oil, for which there is a spurt in demand. The purpose of this review is to set a background for the functions of Oil India and the role it has to play in meeting this demand for petroleum products.

The country hopes to have a production of about 6 million tonnes of indigenous crude oil by the end of the current Plan and, of this, more than half will be contributed by the oilfields in Assam. When this quantity of oil is produced and refined at the public sector refineries of Gauhati and Barauni it will save imports of petroleum products of the value of nearly Rs. 40 crores per annum.

Oil Field Development: Despite the difficulties faced in acquiring land for drilling sites, Oil India Limited have achieved their drilling targets. An average of 74,154 feet per drilling rig was achieved which compares favourably with similar drilling efforts elsewhere in the world. Of the total wells drilled during this

year, 2 wells were completed with a view to producing oil from two zones independently, popularly known as dual completion wells, and 3 devotional wells directed to tap oil reserves under the river bed. These were the first deviated and dual production wells to be drilled in India and Oil India can legitimately lay claim for these two "firsts" in their drilling programme. Another noteworthy feature of the drilling activities in Oil India's areas is that increases in the cost of material and labour and heavy expenses involved in exploration drilling have been offset by speed in drilling.

With the wells drilled and completed, Oil India is in a position to meet the requirements of the public sector refineries at Gauhati and Barauni, to the extent of its commitments. The refinery at Gauhati has been taking regular supplies of crude oil particularly since the latter half of this year, while the first unit of the refinery at Barauni is expected to go on stream in the near future. In fact some quantities of crude oil are

July 31, 1964.

being supplied to this refinery for "trial runs."

Exploration Activities: For the first working season, a seismic party from the Oil and Natural Gas Commission was employed to do seismic surveys in the New Exploration Licence Areas. In the second working season a seismic party from the Seismograph Services Limited was engaged in the fields. Both parties made excellent progress. Over 900 line miles of seismic reflection survey were completed during the two working seasons commencing February 1963 as against a target of about 700 line miles for this period.

The permits required to enable the personnel to enter the Exploration Licence Area in NEFA were not received until 5th February, 1964. However a ground survey was commenced on 6th February but later heavy monsoons interrupted the work and the party had to be evacuated with the assistance of helicopters.

Exploration drilling in the New Exploration Licence Areas was taken up side by side with seismic survey. This programme of surveys and test drilling, costing a total of about Rs. 2 crores will be continued throughout 1964 and early 1965.

Pipelines: Oil India's pipeline system in North-East India connecting the oilfields with Government refineries at Gauhati, Assam and Barauni, Bihar, has been completed. This is the second longest crude oil pipeline in the East and one of the most modern and automatic of its kind in the whole world. This pipeline was constructed for Oil India by The Burmah Oil Company (Pipe Lines) Limited and I would like to pay here a tribute to all the project staff — labour, clerical and executive — and the various contractors and their men who worked hard to complete this extremely difficult job. After the completion of the pipeline The Burmah Oil Company (Pipe Lines) Limited, have been required to operate and guarantee the pipeline for a period of 12 months from January 1, 1964. Meanwhile the operational control without affecting the guarantee is being taken over by Oil India with the necessary integration of staff to which I propose to revert later. A little known fact of this project is that the final completion cost of about Rs. 45 crores was a little below the original estimate of Rs. 46 to Rs. 47 crores.

Crude Conditioning Plant: The crude conditioning plants at Nahorkatiya and at Moran, the first of their kind in the world and which were especially designed to make Nahorkatiya and Moran crude pumpable, were completed and operated during the year. These plants were actually constructed for Oil India by the Assam Oil Company, a subsidiary of The Burmah Oil Company — Government's partner in Oil India. Oil India has taken charge of these plants after thorough tests and these are now operational. The tests showed that the completed plants conform to pilot plant expectations and our thanks are due to Assam Oil Company and their staff for this job.

Industrial Installations and Domestic Buildings: Almost all the programmed construction work for 1963 on the various industrial installations and domestic buildings was completed during the year. One more oil collecting station was installed at Nahorkatiya, making a total of six such stations there, and another similar station was completed at Moran. 95 domestic buildings of various types, together with the necessary roads, drainage and other services, were completed during the year and what was an impenetrable jungle a decade ago has turned into a thriving and prosperous town due to the oil find at Nahorkatiya.

Crude Supplies: The requirements of crude of the refineries at Gauhati and Digboi were met in full. The production will go up once the first unit of the Baurani Refinery goes on stream to be followed by the second unit.

EASTERN ECONOMIST

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Gas: Apart from nearly 10 million cubic feet of natural gas which will be required for oilfield uses, there is still a large balance which can be utilised for other projects. As at present, commitments have been made for the supply of nearly 45 million cubic feet of natural gas per day to various industrial projects; 18 million cubic feet per day to the Assam State Electricity Board; about 10 million cubic feet per day to the Assam Gas Company; 8 million cubic feet per day to Assam Oil Company; 8 million cubic feet per day to the Fertilizer Plant at Namrup; and small quantities to brick kilns and tea gardens. Here I would like to assure the Government of India and the State Government of Assam that we, on our part, are prepared to supply the balance of the gas available with us to the industrial projects approved by them, and we can do so at a price which will be sufficient to enable Oil India to compress and store gas to the extent necessary to provide for uninterrupted supplies over the period required by the consumer.

Finances: The delay in the commissioning of the Barauni Refinery resulted in the offtake by the Indian Refineries Limited being much lower than originally anticipated. The consequent reduction in the anticipated cash inflow necessitated the use of larger overdraft facilities for working capital and general purposes and arrangements were made with the State Bank of India to make these available.

The rupee cost of pipeline construction was financed by Rs. 30 crores received in full on 6½ per cent debenture stock 1968-77. The foreign exchange expenditure on this project was financed partly by a loan of £3 million from the UK Government to the Government of India under a UK-India (Oil Pipeline) Credit Agreement 1959 and a sterling loan of £10,250,000 from the Bank of Scotland, UK.

Dividend: The profit and loss account shows a net surplus of Rs. 336 lakhs after providing for depreciation, taxation and development rebate. This leaves funds available for the declaration of a dividend of Rs. 120 per share of paid-up equity capital which is a minimum dividend of 9 per cent after payment of all taxes including taxes payable on dividend. An interim dividend of Rs. 40 per share of paid up equity capital was declared in December 1963, and a final dividend of Rs. 80 per share is now being recommended.

Staff: We are making advance arrangements now to take over the Pipeline and for this purpose additional staff have been taken on the payroll for maintenance and operation of the Pipeline. This process has almost been completed. The last years have been formative ones for Oil India and organisational problems

have been tackled side by side with development work in the Mining Leases, and exploration activities in the New Exploration Licence Areas. This has been rendered possible by the spirit of co-operation shown by all concerned at all levels — workers, clerical and executive — and here I would like to pay a tribute to their sense of duty and constancy. In particular I would like to mention that there was no industrial unrest, which is evidence of the consciousness on the part of the workers of their participation and keen interest in the national endeavour to produce more oil.

Lastly, I would like to thank my colleagues on the Board for their active assistance. In particular I would like to mention Mr. J. C. Finlay, M.C., Managing Director, and Shri P. Govindan Nair, I.C.S., Financial Director, who have worked most closely together to make this year a successful year for Oil India. I also take this opportunity of expressing my thanks to various Ministries of the Government of India especially the Ministry of Petroleum and Chemicals and State Governments of Assam, West Bengal and Bihar for their assistance in our work.

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 1963-64

Before I review the Company's operations during the past year, I must give expression to our profound sorrow at the passing away of our late Prime Minister. Although his failing health during the last year had given rise to some anxiety, his sudden death at the end of May stunned the people of India and, indeed the whole world, for Jawaharlal Nehru's status as a statesman and as a man transcended political and geographical frontiers. His fame, his writings, his struggles and sacrifices in the cause of freedom and peace were known in every country of the world and it is probably true to say that more people mourned his passing than that of any other man in modern history, with the exception perhaps of Mahatma Gandhi. It was possible to disagree with some of his and his Government's policies and decisions on political, international or economic issues, but it was impossible not to be deeply affected and influenced by his intellectual brilliance, his single-minded devotion to the causes he espoused, his courage, his innate goodness, the depth and tenderness of his solicitude for the afflicted, the oppressed and the poor and the love which he inspired amongst the people. Jawaharlal played a dynamic role in shaping world history during these two decades, but it is as the Maker of Modern India that he will be remembered and his memory forever enshrined in the hearts and minds of the people of India.

2. I am glad to report that the Company made good progress in its operations, profits and expansion during the past year which, however, was also marked by certain unhealthy developments culminating in the tragic events of March, 1964, to which I shall revert later in this review.

3. Output rose appreciably; the first stage of expansion to 18,000 vehicles is now virtually complete and work has started on the second stage intended to bring production up to 24,000 vehicles per annum. I am glad to report that the Agency for International Development has just approved of a further loan of \$11.80 million (Rs. 5.62 crores) to finance the foreign exchange element of the second stage of the expansion programme. Orders for imported machine tools and equipment will be released shortly.

4. Operating profits for the year were Rs. 114.75 lakhs higher than in the previous year, but most of the excess was absorbed by increased allocations to depreciation, Development Rebate Reserve and taxation, so that the net increase in disposable profit was only Rs. 20.62 lakhs. The total amount available for distribution was thus Rs. 136.15 lakhs, which is some Rs. 8 lakhs short of the amount required to maintain the current dividend of 14½ per cent on our enlarged capital. Your Directors have, therefore, transferred Rs. 8 lakhs from the General Reserve and recommended the same dividend as last year. A total of Rs. 14 lakhs will thus have been drawn from reserves over the last two years towards the payment of dividends. This will have been fully justified as, barring some totally unforeseen set-back the increased profit resulting from our expanding output should enable us without difficulty to continue paying the same dividend on ordinary shares in future. In fact, there are, in my view, good prospects of the Company being able to maintain the same rate of dividend even after the additional issue of 200,000 ordinary shares in the ratio of one new share for every five shares held, which is being recommended to you at such premium, not exceeding Rs. 50 per share, as the Controller of Capital Issues may prescribe and as may be agreed to by the Directors.

5. In view of the issue for the same amount made as recently as 1963, your Directors would have normally preferred to postpone the present recommendation for a year or so, but the extraordinarily large and rapid expansion of the Company and the growing imbalance in the Company's capital structure make a further issue imperative and urgent.

6. In relation to total funds employed of about Rs. 44 crores (including Rs. 25 crores of debt), which are expected to rise to about Rs. 60 crores by 1966, our present share capital of Rs. 12 crores is clearly disproportionately small, while our debt-equity ratio will be unacceptably large if the share capital is not increased and the amount is borrowed instead. An issue of shares is therefore required not only to provide urgently needed funds but also to improve the debt-equity ratio to which the AID, like the World Bank, attaches considerable importance.

7. Your Directors realise that these are difficult times for shareholders to find additional funds to invest. In view, however, of the special and urgent requirement of the Company, the recent indications of a revival in the state of the market and the fact that the new shares may be expected to earn a dividend of 14½ per cent from the date of issue, equivalent to 9.7 per cent on capital plus premium, I am sure shareholders will approve the recommendation which is also subject to the approval of the Controller of Capital Issues.

8. Although about half of the capital of the Company is institutionally held and only one and a half crores Rupees or so will therefore be obtained from individual subscribers, the Directors have recommended, in order to lighten the burden on shareholders, payment of the amount for the new issue in two instalments, one in November this year and the other in May, six months later.

9. The demand for Tata Mercedes-Benz vehicles continues unabated and in spite of the steady increase in our output, we have so far failed to catch up with it. Ever since we commenced production of these vehicles, they have been the first choice of the transport operator because of the quality, performance and ruggedness built into them. There are today more Tata Mercedes-Benz vehicles on the road than any other make.

10. There are misguided people who assume that bigness in Private Sector enterprises, particularly those which supply a significant proportion of the total market for any product, results in the exploitation of the consumer and is therefore against the public interest. The manner in which your Company has used its pre-eminent position in the field of commercial vehicles should provide a telling answer to such a belief.

11. Between October 1953, when the Company completed the initial phase of its truck manufacturing programme, and today, the price to a customer in Bombay of the TMB 312/42 model — the most popular model in our range — increased from Rs. 30,455 to Rs. 37,619, i.e., by Rs. 7,164. During the same period, the sales, excise and other taxes charged on this vehicle by the Central and State Governments increased by Rs. 6,780, while the cost of imported materials and components rose by Rs. 739, a total of Rs. 7,519. Therefore, over the last five years which witnessed a disturbing and continuous rise in the price of practically every product, commodity or service in the country, the price of the TMB vehicle excluding the above two items has actually fallen in spite of the continuous

incorporation of a number of major improvements to the vehicle, the cost of which was absorbed by the Company and in spite also of the fact that the price of locally made ancillary items invariably exceeded the price of the imported ones which they replaced.

12. The point to be noted in this context is that the Company could not have fulfilled its desire to keep its prices low in the interests of the consumer and the country if it did not have the benefits of large-scale production.

13. If Government had not sanctioned the successive expansion schemes of Telco, as they wisely did, there is no doubt that the user of Tata Mercedes-Benz vehicles would be paying a substantially higher price than he is paying today, while the country would have been deprived of the full benefits of a powerful, versatile and highly productive engineering unit, geared to meet both civilian and military requirements, and also of most of the substantial contributions which have accrued to the public exchequer as a result of the Company's operations. It is noteworthy that during the year under review, public revenues were enriched, as a result of Telco's operations, by as much as Rs. 15 crores, in import and excise duties, sales taxes and taxes on profits.

14. But this is by no means the full measure of our Company's contribution to the Indian economy. The company has created direct employment for over 16,000 men, whom it has, over the years, trained to a high degree of skill. The importance of this contribution should not be underestimated, for the economic growth of a country depends just as much on the specialised skills of its workers, technicians and managers as on machines, raw materials and finance.

15. Finally, the large-scale development of Tata Mercedes-Benz vehicles has helped to establish a number of ancillary industries in the country, the lack or insufficiency of which in the past has been one of the main obstacles to the rapid development of the automobile industry. All in all, we can be justly proud of our performance during the last decade which, in terms of growth and service to the country is probably unsurpassed by any other company in the country.

16. I have referred earlier to the large revenues accruing to the National Exchequer as a result of our operations. As the cost of Government's various imposts is largely included in the price of our vehicles, it is the user who ultimately bears this heavy initial burden; but that is only the beginning so far as he is concerned. On an average, every commercial vehicle in regular use for highway transport pays every four years in taxes alone a sum in excess of its original cost. Of all economic activities in the country, none to my knowledge bears such a crushing burden of tax as the road transport industry. It is, I believe, a fact that the incidence of taxes and duties alone in every ton-mile of road transport equals the total amount charged by the Railways for a ton-mile by rail. In addition to crippling taxation, the road transport industry suffers in a number of ways from Government policies and is burdened with such a maze of outmoded restrictions as to prevent it from playing in full the role it would in the country's economic development. That in spite of these conditions, road transport in India has grown to such an extent that it is now estimated to carry half the country's passenger traffic and over a fifth of its freight, reflects the road transport industry's technological advantages as well as the initiative perseverance and resiliency of its operators.

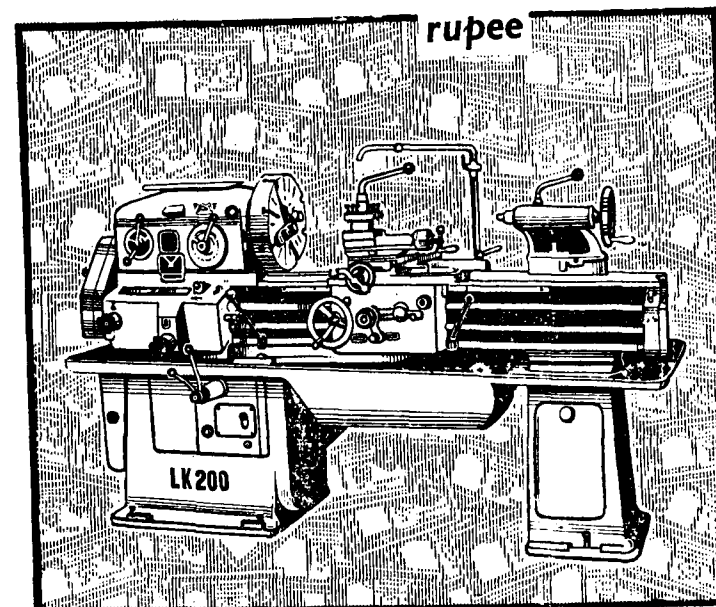
17. India has one of the world's largest railway systems born long before motor vehicles came into existence. As a result, the transport policies of successive administrations have invariably been based on "railway thinking" with little consideration given to alternative forms of transport. This thinking has dominated official attitude to transport problems

to a degree which is probably unique in the world. India must surely be one of the few countries where such numerous and oppressive barriers continue to be placed in the way of the development of road transport while railway mileage continues to be expanded at tremendous cost. How else can one explain the restrictive regulations that are imposed by the numerous State Governments which make inter-State trucking a nightmare for operators and long-distance trucking virtually impossible? These restrictions include difficulties and long delays in obtaining permits for inter-State operations, limitations on the number of permits issued for some routes and the temporary nature of permits that make long-term investment in motor transport hazardous. Multiple taxation of vehicles and sometimes taxation of the cargo add to the difficulties. The result is that inter-State traffic is reserved to the Railway to a degree which fails to take into adequate account that for some goods the speed and other advantages of highway transport are very important. What is needed is a system where inter-State trucking permits for operating through any State should be issued by a central authority.

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The permits should carry a fee sufficient to absorb all the State and local vehicle taxes at present levied. The permits should be given for one year and automatically renewed unless the holder has his permit revoked for some violation. These should not be limited in number for the trucking business; attracts thousands of small operators who should be permitted to develop the traffic.

18. It is unfortunately apparent, from a recent announcement of the Railway's share of about 70 per cent of the total proposed investment in surface transport in the fourth five-year Plan, that Government's thinking on the subject is as Railway-dominated as ever and that the prospects of some relief to the road transport industry and of an improvement in the operating conditions are dim indeed. I feel that the time has come when a comprehensive and impartial study of the economics of transportation in India needs to be undertaken by an independent body. An explicit analysis of benefits and costs will, I am sure, reveal that greater investments in highways and some relief to the road transport industry are not only fully justified but urgently needed.

19. I have kept to the last a reference to the unhealthy developments mentioned in my opening paragraph which marred an otherwise satisfying year of progress. I am referring to the labour situation as it developed at Tatanagar during the past twelve months and to the shocking events which brought such misery and shame to Jamshedpur during the months of March last.

20. The labour situation at the Telco Works has been increasingly unsatisfactory during the last year and particularly since the beginning of 1964. Internal rivalries between two groups within the recognised Telco Workers' Union have been mainly responsible for the deteriorating situation and the blame must squarely attach to the dissident group which, notwithstanding the fact that its claim for control of the Union was, and still is, the subject of proceedings before the Patna High Court, carried on an intensive agitation which far exceeded the bounds of legitimate trade union activities. In its attempt to force its demand for recognition, this group resorted to widespread intimidation not only of workers but also of supervisory personnel. Indiscipline, defiance of constituted authority and unpunished intimidation, threats of violence and actual violence create an atmosphere where crime and lawlessness find it easy and profitable to rear their ugly heads.

21. We have constantly sought the assistance of the Central and State Governments, in addition to doing everything possible ourselves, to restore normalcy and are grateful to them for their assistance. I earnestly hope that stern action will be taken against those who, under the guise of trade unionism, deliberately create problems of law and order and prevent the full utilisation of industrial capacity urgently needed by the country. The recent communal disturbances have shown how easy it is for a handful of mischievous and anti-social persons to lead masses of people to planned acts of violence.

22. With its thousands of tough and hardy men drawn from all parts of the country, a large industrial centre like Jamshedpur-Tatanagar obviously contains explosive possibilities of trouble and therefore requires the maximum of alertness coupled with firm and timely action on the part of the management of factories and those charged with the maintenance of law and order. The scope for Management to maintain discipline and prevent acts of violence and intimidation is largely limited to the shop floor whereas in this case, agitation and violence grew and flourished largely outside the Works.

23. Perhaps one of the reasons for the inadequacy of law and order enforcement in the area, is the fact that although the city of Jamshedpur-Tatanagar is the second largest in the State of Bihar and one of the largest and most vital industrial centres in the whole country, it is still constitutionally treated

for administrative purposes as a sub-division of a district, the headquarters of which are not even Jamshedpur but Chaibassa which is a minor town in the area. We have urged that consideration should be given to up-grading Jamshedpur to an administrative status within Bihar commensurate with its importance and the magnitude of the task and problems of administering it.

24. While looking forward to another year of progress, I wish to acknowledge the diligent efforts of our employees, suppliers and dealers which have made possible the good results before you in spite of the many difficulties and obstacles which faced them. In particular, our officers at Tatanagar, Indian and German, deserve our gratitude for the hard work they put in and the fortitude with which they faced difficult and harassing situations.

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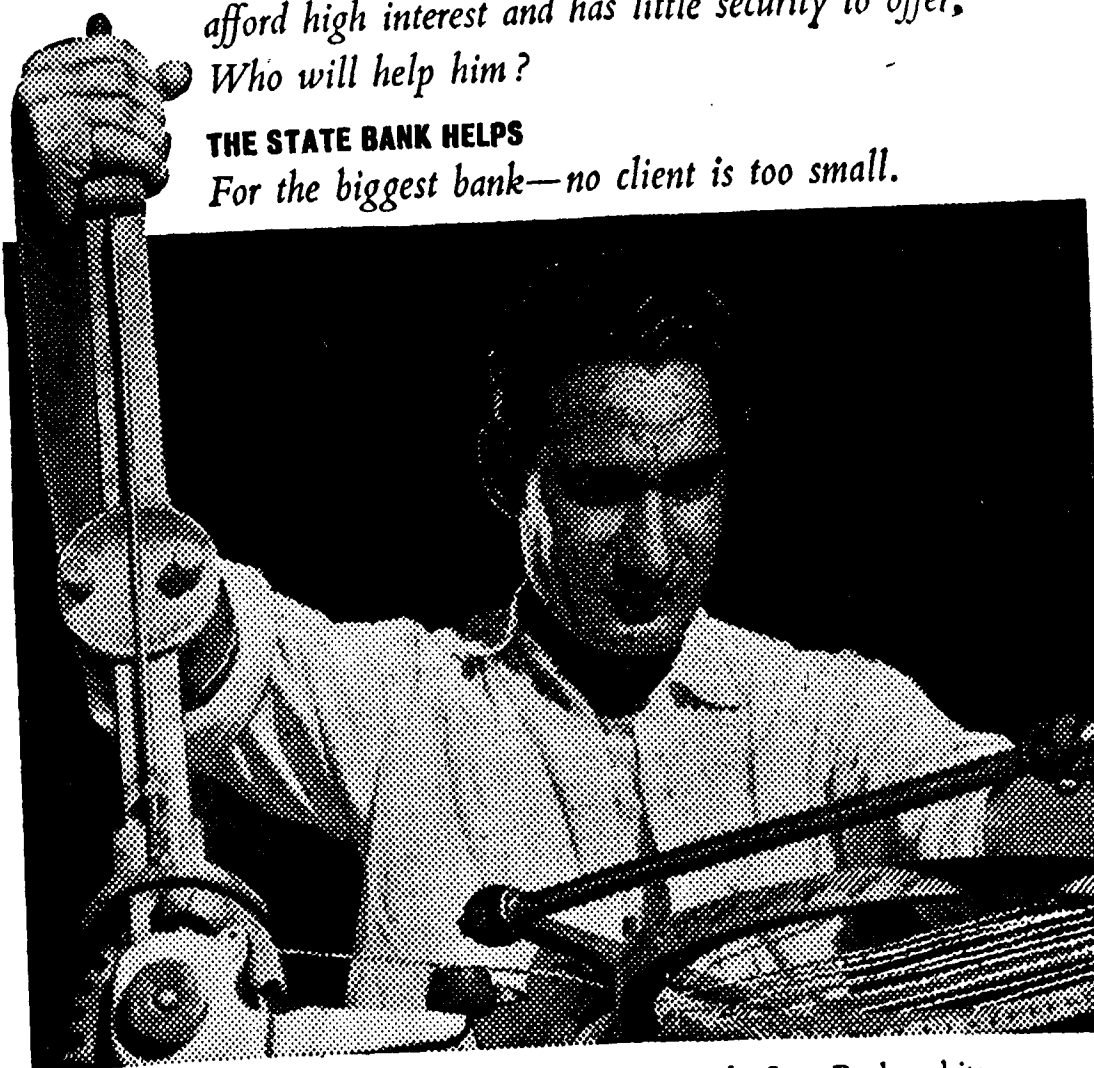
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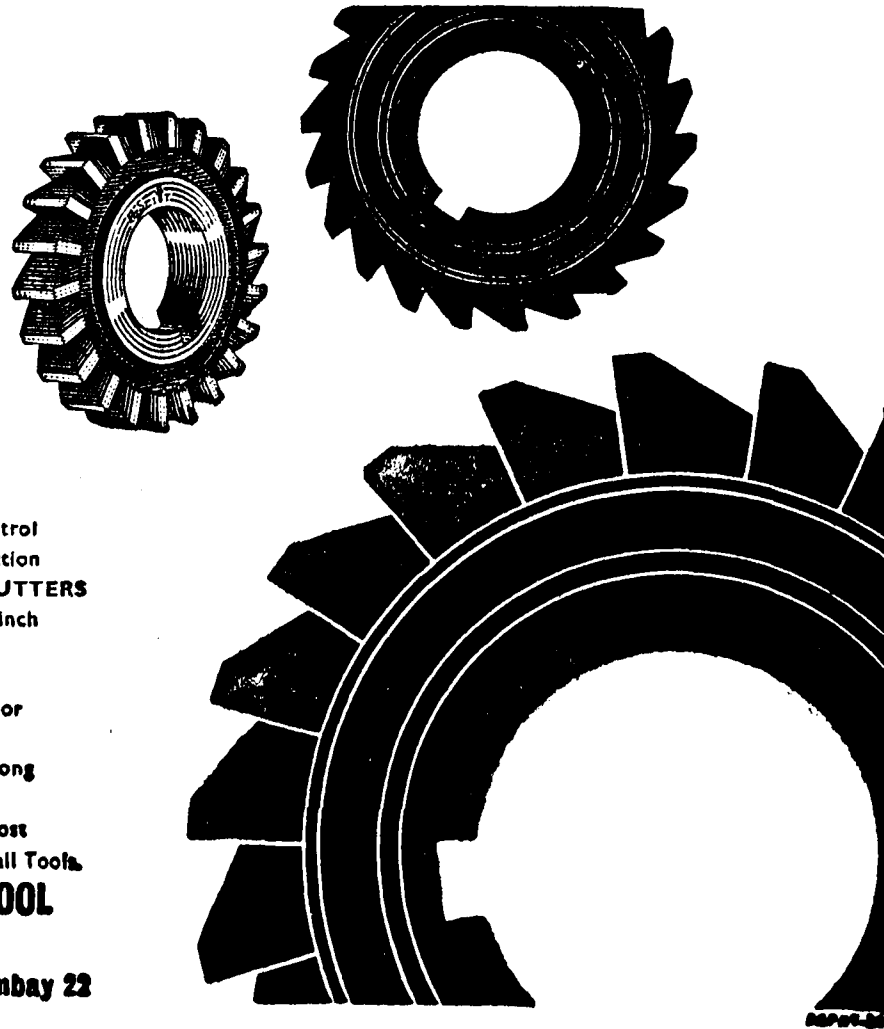
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General Manager.

RECORDS AND STATISTICS

Industrial Licensing : New Policy

The list of industries in respect of which applications for licences under the Industries (Development and Regulation) Act, 1951, may ordinarily be *rejected* without reference to the Licensing Committee till 31st December, 1964 is as follows:

ENGINEERING INDUSTRIES :

1. Agricultural implements (excluding Tractor drawn).
2. Air Compressors (Expansion of the existing units for compressors up to 700 cfm. will be permitted).
3. Aluminium Strips/Sheets/Circles/Foils/Extruded Rods and Sections.
4. Antimony (except for expansion schemes).
5. Automobile Ancillaries:
 - (i) Axles.
 - (ii) Brake Assembly.
 - (iii) Brake Drums.
 - (iv) Brake Linings.
 - (v) Carburettors.
 - (vi) Clutch plates and Clutch assemblies.
 - (vii) Distributors.
 - (viii) Dynamos.
 - (ix) Electric Horns.
 - (x) Filters.
 - (xi) Fuel Injection Equipment.
 - (xii) Gaskets.
 - (xiii) Gasolene Tanks.
 - (xiv) Gears and Shafts.
 - (xv) Head/Tail and Side lamp fittings.
 - (xvi) Ignition Coil.
 - (xvii) Inlet and Exhaust Valves.
 - (xviii) Jacks (hydraulic, mechanical and manually operated) up to 100 tons capacity.
 - (xix) King Pins.
 - (xx) Oil Seals.
 - (xxi) Panel Instruments.
 - (xxii) Piston Assembly including piston rings and piston pins.
 - (xxiii) Push Rods.
 - (xxiv) Radiators.
 - (xxv) Regulators.
 - (xxvi) Rocker Arms.
 - (xxvii) Shackle pins.
 - (xxviii) Shock absorbers.
 - (xxix) Silencers, Muffler Pipes etc.
 - (xxx) Spark Plugs.
 - (xxxi) Starter Motors.
 - (xxxii) Tappets.
 - (xxxiii) Thin Walled bearings.
 - (xxxiv) Tie Rod ends.
 - (xxxv) Tipping gears.
 - (xxxvi) Tyre Inflators.
 - (xxxvii) Valves for tyres and tubes.
 - (xxxviii) Wheels for Motor vehicles & Agricultural Tractors.
6. Ball and Roller Bearings.**
7. Barbed Wire.
8. Bare copper conductors.
9. Bare Copper Strips.
10. Bicycles and Bicycle Parts.†
11. Bifurcated rivets.
12. Bolts, nuts and rivets.
13. Brass/copper extruded pipes and tubes/extruded rods and sections and sheets/circles/strips.
14. Car Lifts.
15. Cast Iron Pipes including spun pipes.
16. Chaff Cutter Blades.
17. Cinema Arc Carbons
18. Circles, Sheets, Rods & Utensils of Stainless Steel.
19. Collapsible Tubes & Rigid Containers.
20. Commercial Vehicles (except expansion schemes).
21. Conductors (ACSR/AA).
22. Condu't Pipes.
23. Conveyor Belting.
24. Copper Virgin.
25. Copper wire for non-electrical purposes.
26. Cotton and Hair Belting.
27. Crawler Tractors.
28. Domestic Utensils.
29. Domestic Refrigerators.
30. Drawing of Wire Mild as well as Special Steel.
31. Drop Forged Tools.
32. Drums and Barrels and Tin Containers excepting those for manufacturers' own requirements.
33. Electric Fans.
34. Expanded Metal.
35. Ferro-Manganese.
36. Ferro-Silicon.
37. Flash Light & Torch Containers.
38. Fork Lift Trucks and the like.
39. Heavy Earth Moving Equipment (only shovels).
40. Household Appliances such as Electric Irons, Heaters and the like.
41. Hurricane Lanterns.
42. H.T. Switch Gears 33 K.V. and above.
43. Industrial Fans & Blowers.
44. Internal Combustion Engines including Petrol/Kerosene and Marine Engines (except expansion schemes).
45. Jeep type vehicles and station wagons.
46. Kerbside Petrol Pumps.
47. Lead-Virgin.
48. Meters — Single & Polyphase.
49. Miniature Lamps (except Automobile Headlight Lamps).
50. Motor Vehicles & Scooters, Autocycles, Mopeds and Three Wheelers.
51. Non-Ferrous Alloys.
52. Non-Ferrous Castings (including Pressure Die Castings).
53. Paper and Pulp Making Plants up to 25 tons per day capacity including Wire-Cloth for Paper Machinery.
54. Passenger cars.
55. Photoflash Lamps.
56. Plates & Sheets (M.S.) — Except for main producers.
57. Railway Wagons (except when the expansion is desirable for making the unit an economic one).

*Only expansion or diversification in the range of the same products of the existing units will be considered.

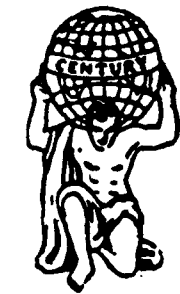
**Except when the expansion is desirable for making the unit an economic one.

†Except when expansion of bicycle tube valves is desirable for making the unit an economic one.

50. Picking Bands.
 51. Plastic Industrial Machinery.
 52. Power Factor correction capacitor.
 53. Power Rectifiers.
 54. Pumps.
 55. Rayon Plants.
 56. Refrigeration Plants for Industrial use.
 57. Rice, Dals, Wheat Flour Mill Machinery.
 58. Small Tools (Threading Tools, Milling Cutters and Reamers).
 59. Soap and Cosmetics Machinery.
 60. Speed Reduction Units.
 61. Steel Castings.
 62. Steam Engines and Turbines.
 63. Steel Files.
 64. Steel Forgings.
 65. Steel Pipes and Tubes (Seamless and expansions in welded to make existing units economic).
 66. Steel Structural.
 67. Steel Wire Mesh (other than welded wire mesh).
 68. Storage Batteries.
 69. Strips Cold Rolled (M.S., Alloy Steel and Box Strap-pings).
 70. Switchgear and Controlgear (below 33 K.V.):
 - i) H.T. Switchgear (below 33 K.V.).
 - ii) Iron Clad Switches and Switchfuse units.
 - iii) L.T. Switchgear.
 - iv) Motor Controlgear.
 71. Textile Machinery.
 72. Tin Plates.
 73. Tool Bits (Lathe Tools).
 74. Tractors, Harvestors and the like.
 75. Transformers.
 76. Typewriters.
 77. Weighing Machines.
 78. Weights and Measures.
 79. X-Ray Equipment.
- NON-ENGINEERING INDUSTRIES:**
1. Acetyl Chloride.
 2. Activated Carbon (only superior grade).
 3. Aerated Waters.
 4. Alcohol — Industrial and Power.
 5. Amyl Acetate.
 6. Antimony (expansion cases only).
 7. Asbestos Cement Sheets and Pipes.
 8. Bromine.
 9. Canned Fruits and Fruit Products.
 10. Caustic Soda and Chlorine.
 11. Cement.
 12. Chip Board (Particle Board).
 13. Chlorinated Paraffin.
 14. Chloro Sulphonic Acid.
 15. Chocolate.
 16. Citric Acid.
 17. Cocoa Powder.
 18. Copper Salts (excepting Copper Sulphate).
 19. Cotton Seed Oil (Organised Sector).
 20. Dextrose Powder.
 21. Essential Drugs and Pharmaceuticals.
 22. Ethyl Acetate.
 23. Ethylene Dibromide and Ethylene Dichloride.
 24. Fatty Acids.
 25. Ferric Chloride.
 26. Fibre Board/Hard Board (including Insulation Board).
 27. Fuller's Earth.
 28. Fuming Sulphuric Acid.
 29. Gypsum Board.
 30. Glass Shells for Tubes and Lamps.
 31. Glazed Tiles.
 32. Glue.
 33. Glycerene.
 34. Grease.
 35. High Temperature/Voltage Refractories excepting Insulators.
 36. Industrial Explosives.
 37. Laboratory Glass ware (Borosilicate type only).
 38. Leather Belting.
 39. Liquid Glucose.
 40. Liquid Sulphur Dioxide.
 41. Man-made Fibres except Viscose Tyre yarn and vis-cose filament yarn.
 42. Marine Paints.
 43. Metallic Stearates.
 44. Milk Powder.
 45. Fixed Fertilizers.
 46. Mono Chloric Acetic Acid.
 47. Nitrogenous Fertilizers.
 48. P.V.C. Resins/compositions (expansion schemes only).
 49. Paints, Enamels and Varnishes.
 50. Penicillin and Neutral Glass Vials.
 51. Plasticisers.
 52. Polythene Films and Layflat Tubings and Pipes.
 53. Potassium Chloride.
 54. Potassium and Sodium Ferrocyanide and Sodium Cyanide (by producers of Acrylic Plastic only).
 55. Rosins and Turpentine. ho
 56. Soda Ash.
 57. Sodium Silico Fluoride.
 58. Solvent Extraction of Oil Cakes/Rice bran.
 59. Superphosphates.
 60. Synthetic Detergents.
 61. Synthetic Resins.
 62. Tartaric Acid.
 63. Tetra Chloro Ethane.
 64. Textile Auxiliaries.
 65. Urea (Technical Grade).
 66. Urea Formaldehyde Moulding Powder.
 67. Urea Formaldehyde Resins (for plywoods).
 68. Wall Boards.
 69. Yeast.
 70. Zinc Sulphate.



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58. Razor Blades.
59. Road Rollers (expansion and diversification of the existing units will be considered).
60. Rolling Shutters.
61. Room Air-Conditioners.
62. Rubber Ply Transmission Belting.
63. Solvent Extraction Plant.
64. Saws of all types (excluding Hacksaw Blades).
65. Steel Pipes and Tubes (welded) (except when the expansion is desirable for making the unit an economic one).
66. Steel Doors & Windows.
67. Steel Sheets (Black) — galvanising and corrugation of (except for main producers).
68. Steel Measuring Tapes.
69. Steel — re-rolled products including Wire Rods.
70. Stranded Wire.
71. Sugar Mill Machinery (except Milling Plant and Centrifugals).
72. Tea Processing Machinery.
73. Trailers (except expansion of existing units).
74. Tungsten Carbide Tips and intermediates thereof.
75. Twist Drills.
76. Vacuum Cleaners.
77. VIR and PVC Cables (except Power Cables).
78. Washing Machines (except industrial washing and dry cleaning machines).
79. Water Coolers and Ice Plants.
80. Water Meters.
81. Welding Electrodes (except when the expansion is desirable for making the unit an economic one).
82. Welded Wire Mesh.
83. Winding Wires.
84. Wire — MS Med./HC and Special Wire.
85. Wire Nails.
86. Wire Ropes (except when the expansion is desirable for making the unit an economic one).
87. Wood Screws.
88. Zinc Virgin.
89. Zinc Sheets/Strips.
23. Camphor.
24. Carbon Black.
25. Carbon dioxide gas (other than by-product Carbon Dioxide).
26. Carboxy Methyl Cellulose.
27. Cashew Kernels (applications from new areas to be considered on merits).
28. Cellulose Acetate Flakes for Moulding Powder.
29. Cellulose Film (Cellophane).
30. Copper Sulphate.
31. Cosmetic & Toiletries.
32. Cotton mesh fabrics.
33. D.D.T. (excepting for expansion).
34. Dissolved Acetylene Gas.
35. Drugs and Pharmaceuticals:-
 - i) Antibiotics — Penicillin, Streptomycin and Tetracycline.
 - ii) Anti-dysentery drugs which are Quinoline derivatives.
 - iii) Bismuth Salts.
 - iv) Chloral Hydrate.
 - v) Empty Hard Gelatine Capsules.
 - vi) P.A.S. Acid and Salts.
 - vii) Salicylic Acid -- Sodium Salicylate, Acetyl Salicylic Acid.
 - viii) Sulpha Drugs.
 - ix) Surgical Adhesive Tapes.
 - x) Vitamin 'A'.
 - xi) Vitamin 'C'.
36. East Indian Tanned (semi-tanned) Kips and Skins.
37. Fast Colour Bases.
38. Fire Works and Paper Caps.
39. Gelatine (Edible, Photographic and Technical, except Pharmaceutical).
40. Glass, mineral wool and allied products.
41. Glass fibre and products thereof.
42. Glass — hollow-ware (semi-automatic).
43. Glass — table and pressed ware.
44. Glass Tubes and Rods (hand-made), Sheet-glass, Glass-bottles, wired/figured and rolled glass.
45. Graphite Electrodes.
46. H.T./L.T. Insulators.
47. Hoses (vacuum brake).
48. Hoses — other types.
49. Hydrogen Peroxide.
50. Laminates (industrial and decorative including malamine laminates).
51. Lead Oxides.
52. Manganese Metal and Manganese Dioxide.
53. Match.
54. Menthol.
56. Myrobalan Extract.
57. Naphthols.
58. Newsprint.*
59. Nitric Acid.
60. Organic pigments.
61. Oxygen Gas (as applied for cutting and welding of steel only).
62. Paper and Paper Board*.
63. Pesticidal formulations (except formulations based on B.H.C., Melathion and Dithion Carbamate).
64. P. F. Moulding Powder.
65. Phenol.
66. Photographic raw film and paper.
67. Phthalic Anhydride.
68. Polystyrene.
69. Polyethylene.

NON - ENGINEERING INDUSTRIES :

1. Abrasive Grains including Silicon Carbide.
2. Acetic Acid.
3. Activated Bleaching Earth.
4. Art Silk Weaving, Hosiery, Twisting, Doubling and Synthetic Yarn Crimping/Stretching by other than Primary Yarn manufacturers.
5. Azo Dyes.
6. Barium Carbonate.
7. Barium Chloride.
8. Barium Nitrate.
9. Barium Sulphate.
10. Basic Dyes.
11. Beer.
12. Beta Naphthylamine.
13. Bichromates.
14. Blanc Fixe.
15. Bleaching Powder.
16. Borax and Boric Acid.
17. Bottles and Vials (excluding Penicillin Vials).
18. Brake Fluid.
19. Calcined Petroleum Coke.
20. Calcium Carbide.
21. Calcium Carbonate (precipitated and activated).
22. Camel Back.

* Applications for substantial expansion from existing units as well as applications for setting up of new units in areas where raw material resources have remained untapped, would be considered on merits.

70. Polyvinyl Acetate.
71. Potassium Chlorate.
72. Potassium Permanganate.
73. Processing (excluding printing) of Cotton Textiles.
74. P.V.C. Resin/compositions (except expansion schemes).
75. Pulp* (paper and rayon grade).
76. Rayon Tyre Cord Yarn.
77. Reclaimed Rubber.
78. Refractories.
79. Refrigeration gases.
80. Rubber Accelerators and Antioxidants.
81. Sanitary ware.
82. Soap.
83. Sodium Aluminate.
84. Sodium Bicarbonate.
85. Sodium Hydrosulphate and derivatives.
86. Sodium Sulphite, bisulphite and sulphide.
87. Sodium Thio Sulphate.
88. Sulphuric Acid (except when it is required for captive consumption).
89. Sulphur Black.
90. Sulphur Dioxide Gas.
91. Sulphur Dyes — others.
92. Synthetic Rubber (SBR type).
93. Synthetic Tops.
94. Textiles made of art silk.
95. Tyres — Automobile.
96. Tyres and Tubes (Bicycle).
97. Vacuum Flasks.
98. Vanaspati (except expansions of small and medium size units to achieve economic capacity).
99. Vat Dyes.
100. Vegetable oil other than cotton seed oil.
101. Viscose Filament Yarn.
102. Wool Tops.
103. Woollen and Shoddy Yarn (except expansion schemes).
104. Woollen/Worsted Cloth.
105. Worsted Yarn.
106. Zinc Oxide.

An illustrative list of industries in respect of which applications for licences under Industries (Development and Regulation) Act, 1951 will be considered on Merits till 31st December, 1964 is as follows:

ENGINEERING INDUSTRIES:

1. Agricultural Machinery.
2. Air Rifles.
3. Aluminium ingots.
4. Biscuits and Bread Making Machinery.
5. Boats and Crafts.
6. Boilers.
7. Calculating Machines.
8. Cast Iron Castings.
9. Cement Machinery.

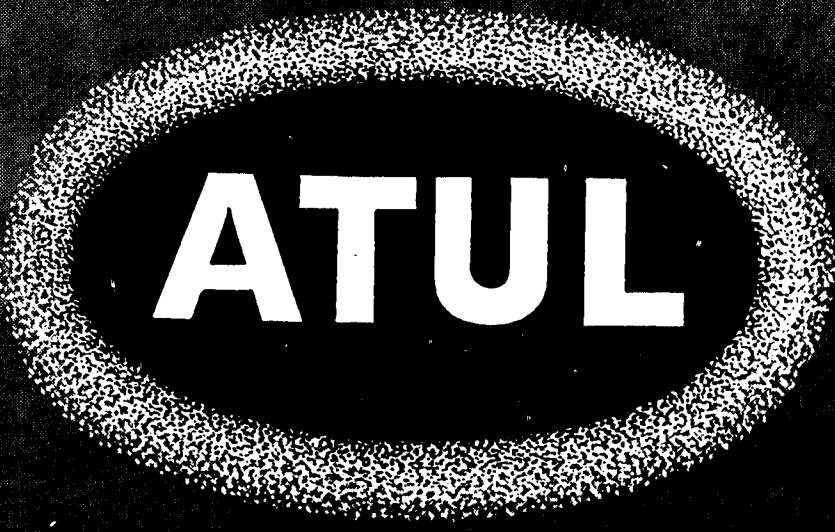
* Applications for substantial expansion from existing units as well as applications for setting up new units in areas where raw material resources have remained untapped, would be considered on merits.

10. Centrifuges.
11. Ceramic Machinery.
12. Chemical and Pharmaceutical Machinery.
13. Chip Board and Fibre Board Plants.
14. Cigarette Making and Tobacco Machinery.
15. Coal Mining and Washing Machinery.
16. Coated Abrasives.
17. Construction Machinery.
18. Conveyors.
19. Dairy Machinery.
20. Drilling Equipment.
21. Dry Cells.
22. Electric Furnaces.
23. Electric Lamps.
24. Electric Motors (above 10 H.P.).
25. Electrical Measuring Instruments.
26. Electronic Components.
27. Electronic Measuring and Testing Equipment.
28. Electronic Components.
28. Fractional Horse Power Motors.
29. Grinding Media Balls and Cylpebs.
30. Grinding Wheels.
31. Hacksaw Blades.
32. H.T. Bolts and Nuts.
33. Hand Tools (hammers, screw drivers, etc.).
34. Heavy Earth Moving Equipment (except shovels):
 - i) Motorised Dumpers.
 - ii) Motorised Scrapers.
 - iii) Motorised Graders.
35. Industrial Gas Plants.
36. Industrial Sewing Machines and Sewing Machine Parts.
37. Jute Machinery:
 - i) Carding Engines.
 - ii) Drawing Frames.
 - iii) H.S. Centrifugal Spinning Frames.
 - iv) H.S. High Draft First Drawing Frames.
 - v) H.S. High Draft Second Drawing Frames.
 - vi) Jute Machinery and parts (including 10 Jute Sliver Spinning Frames).
 - vii) Self Doffing Sliver Spinning Frames.
 - viii) Spinning Frames.
38. Lifts.
39. Light House Equipment.
40. Machine Screws (Socket head, allen and other specialised types).
41. Machine Tools.
42. Malleable Cast Iron Castings.
43. Malleable Pipes Fittings.
44. Medical/Surgical Instruments, equipment and appliances.
45. Metallurgical Machinery.
46. Oil Firing Equipment.
47. Oil Mill Machinery.
48. Oil Separators.
49. Paper and Pulp making plant (above 25 tons capacity).

July 31, 1964

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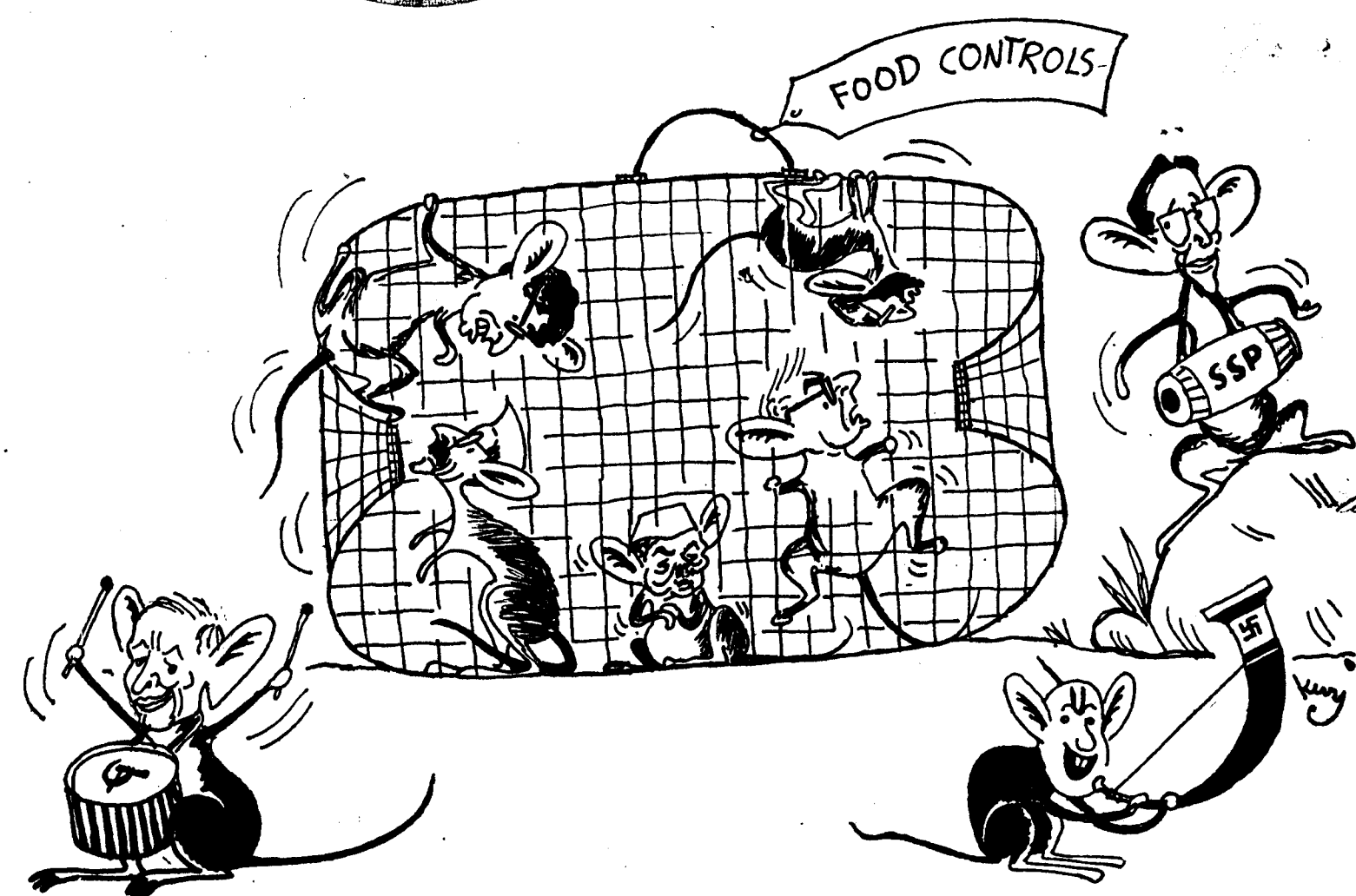
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VOL. 43

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AUGUST 7, 1964

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EASTERN ECONOMIST

AUGUST 7, 1964

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Poisoning Food with Politics

WHAT IS dangerous in the present food situation is not profiteering but politics. For this both Government and Opposition political parties are equally to blame. The Government, instead of taking the public into confidence and seeking and securing its enlightened co-operation in tiding over current food difficulties, is itself indulging in scare-mongering by exaggerating the extent of hoarding or speculating. It is a pity that everybody, from the President downwards, has lately been trying to persuade the nation that the villain of the piece is the "hoarder". But who is this "hoarder"? Various descriptions have been given from time to time in quarters supposedly authoritative. These descriptions have widened from mouth to mouth. To start with, it was the middleman who was accused of hoarding. Then came the turn of the producer; and now we are being told that the consumer is also guilty. In other words, we are all "hoarders" now. If this is true, the Government surely must be facing an impossible situation, which ought to have reduced it to a state of pathetic helplessness. Fortunately, this is not true. Grain movements from producers to traders and traders to consumers, or from surplus areas to deficit areas, are, no doubt, far from satisfactory at the present time, but it would be an over-simplification of a rather complicated situation to blame it all on the hoarder.

There is no doubt that a "certain amount of withholding" on the part of the producer or the trader exists. It is also clear that at least the well-to-do sections of the community are probably buying and stocking a little more than what may be strictly required for current or immediate consumption. But this is not an extraordinary tendency in a period of rising prices attended by uncertainties regarding the continued availability of adequate supplies. From this it does not necessarily follow that "hoarding" as such is wholly or even largely responsible for distortions in distribution. There is certainly enough warrant for examining the question whether government restrictions on trade, which have grown haphazard into an untidy and cumbersome pile, are not also to be held responsible. On the wisdom of zonal barriers, at any rate, there is a considerable debate even between the Centre and the States or among the States themselves. Only last week the Minister for Food and Agriculture confessed that movement control had failed to serve its purpose in the case of gur and said that the Government had, therefore, decided to abolish that control. Is it not at least possible that in the case of foodgrains too a wrong pattern of restrictions on trade or movement may have contributed to the difficulties experienced by consumers?

In the last few days there has been feverish activity on the part of local authorities in the Capital and elsewhere for unearthing what are described as "hoarded" stocks. It is possible that the initial effects of such operations may be to reassure public opinion that the Government is not sitting idle. But we doubt that there will be much else of benefit either to the Government or to the public. On the contrary, it is not unlikely that the raiding of grain godowns or the sealing of their contents in large trading or consuming centres might well lead to a further disorganization of the trade, block arrivals of grain to mandis or consuming centres, and thus actually aggravate the difficulties experienced by consumers. This is not to suggest that food regulations should not be properly enforced. Strict administration of food laws is certainly called for. But the first condition of sound administration is that the authorities should make sure that the regulations sought to be enforced are really

necessary, practicable and neither too numerous nor too complicated for the people to observe or officials to enforce. We are far from convinced that this essential condition of sound enforcement is at present being fulfilled. It follows that any hysterical resort to police action against producers or merchants is likely to hurt the public interest rather than serve it. One result of such a policy would undoubtedly be to make the food situation appear worse than it may be and thereby accentuate public nervousness and tension.

That there is already considerable apprehensiveness and uneasiness in the public mind is, of course, obvious. The Minister for Community Development and Co-operation recently found himself in difficulties because some of his colleagues in the Government thought that he was adding fuel to the fire when he suggested that unless steps were taken immediately to make adequate grain available to the people at reasonable prices, there was a risk of food riots in the country. The difficulty with Mr. Dey, of course, is that he has no ideas of how the Queen's English should be written or spoken. But it is, nevertheless, a fact that what he said so clumsily was not far different, in sense, from what the Home Minister, Mr. Nanda, had started saying, quite rightly, much earlier. There is certainly no denying the fact that if the food situation is not handled properly, there is a risk of a threat to law and order. That already this threat is at least incipient in some areas cannot be denied either and it must also be added that the emotions aroused in the public mind by official "raiding" activities are not likely to be helpful in the maintenance of an atmosphere of calm or confidence. That is why we suggested at the start of this article that what is making the food situation dangerous is politics. Here, the Opposition parties, unfortunately, are showing a high degree of irresponsibility. The Swatantra Party is as much to blame as the Communist Party, and the only principle that is being followed by the Opposition groups appears to be that any stick is a good stick for beating the Government with. Although no political party or politician would probably deny in so many words the essentiality of public co-operation with the Government to the nation's tiding over of food difficulties, in actual practice, virtually every one of them is doing its or his damndest to ensure that this public co-operation is not forthcoming. This is, indeed, a sad reflection on the present state of public morals or personal patriotism in our country.

We repeat, therefore, that what is most dangerous in the food situation is politics. Here, we would like to emphasize the fact that, although there is a great deal of talk about food shortage, from no part of the country has it been reported that food is not physically available. It is true that there are queues, but the queues are to be found before fair price shops where subsidized grain is sold at prices below those prevailing in the open market. Foodgrains, in other words, are

physically available, but only at prices which have risen considerably. The difficulty, therefore, is essentially one of prices, not of supplies as such. It may, no doubt, be argued that if supplies are more plentiful than they actually are, their bearish effect would be reflected in prices, but this would be different from saying that supplies are not sufficient in the sense of there being a substantial physical gap between stocks on the one hand, and consumer needs on the other. From the point of view of practical policy also, it is necessary to make this distinction between the problem of a physical deficit and the problem of a high level of prices. The latter could be the product of factors not confined to the food economy as such. On the present occasion, there is every reason to believe that the high level of prices is owing less to the physical food situation than to the aggregate economic situation where inflationary factors seem to be actively at work.

In the circumstances, such marginal additions to food supplies as may be forthcoming through increased imports or improved distribution may not be significantly effective in reducing the level of prices. We are convinced that, so far as the problem of prices is concerned, the public will have to depend on such re-orientation or rationalisation of the Government's economic policies, particularly in the area of Government spending, as the Government must be persuaded to carry out. The Finance Minister recently said that efforts would be made to effect an economy of Rs. 70 crores in the Central Budget. This decision is useful only as a token. Much more than Rs. 70 crores will have to be taken out of scheduled government spending if some impact is to be made on inflationary pressures. We would say that a target of Rs. 300 crores for the Central and State Governments taken together would be the minimum obligation the Finance Minister should seek to enforce in the area of government spending in the current financial year.

For the rest, it is more or less apparent that domestic production of wheat has been considerably less this year than last and domestic production of rice about the same. With population steadily rising, it is clear that the need for imports has grown. It is probably the case that the Government, at the moment, has less imported stocks at its disposal than it could feel safe with. But it is not necessary to exaggerate this weakness since energetic steps are being taken to step up the rate of imports. Here, Ambassador Chester Bowles' statement last week should do more to reassure public opinion than all the "de-hoarding" operations of the Government. Over the next seven months the United States would be doubling the rate of food shipments and thereby delivering to this country a total of about four million tons of wheat by February next. The United States Government will also provide much needed assistance to the Government of India in solving the problem of prompt unloading of grain in Indian ports. A team of

American shipping and handling experts will soon be arriving in this country for this purpose. There are also possibilities of more rice being secured from abroad. A deal has already been struck with Pakistan for about 60,000 tons of rice and it is expected that the United States may be in a position to make available some quantity of this cereal for this country in the coming months. Again, the Ministry of Commerce is deputing officials to rice-surplus countries in South-East Asia for negotiating purchases.

We are satisfied, on the whole, that these imports would substantially relieve the present situation. There is no need, therefore, to be unduly alarmed about immediate food prospects. But we would, however, suggest that much could be gained, particularly in psychological terms, by the Government announcing that commercial importers would be free to procure as much rice or wheat as they can from anywhere in the world, outside the purchases made under PL 480 or other inter-governmental agreements. The Government should also decide to release on demand from the trade the necessary foreign exchange for these commercial imports. We do not believe that this will impose any intolerable strain on our balance of payments. Imports of foodgrains on private trade account will necessarily be limited, although they will still function as an invaluable supplement to official imports. The virtue of commercial imports is that their quantities or prices are not announced and advertised as in the case of inter-government deals. They have thus the virtue of flexibility and can, therefore, act as a deterrent to speculation in the domestic market. Apart from the fact that commercial imports will have a substantial psychological effect on the trade, the very fact that these imports will automatically rise if domestic prices or domestic shortages become too pronounced will dictate caution to speculation within the country. Again, it is also in the long-term interest of our commercial policy to provide some scope for grain imports on private trade account. This could help strengthen and promote our business ties with grain-exporting countries, particularly in South-East Asia. We do hope that the Government will consider the possible advantages of action along these lines.

The Minister for Food and Agriculture announced certain decisions last week. We must confess that we are not impressed. While it is true that fixation of official prices of foodgrains has become unavoidable in view of the fact that unless prices are statutorily fixed they could not be legally enforced, we fail to see the need for appointing committees for discovering what those prices should be. Given the vast and varied agriculture of our country, a search for general formulae suitable for extensive application is fore-doomed to failure. An empirical approach would clearly be the best in the circumstances and we wish the Central Government had the political courage to fix regional prices

in consultation with State Governments and representative organizations of growers, merchants and consumers. The important point about price fixation is that it must provide reasonable assurance to the producer that increased output will not be allowed to be penalized by unremunerative lowering of prices through market forces. Here, we are doubtful that nice theoretical calculations or paper work by committees of officials or experts about farm costs and the like are going to be of much help. The Government will have to be guided by practical experience and changing circumstances in working out adjustments from season to season and we repeat our firm conviction that it is only the lack of political courage to take decisions affecting powerful or influential interests which could serve as an explanation for the expedient of committees.

And finally, there is the King Charles's head of state trading in foodgrains. It is evident that Mr. Subramaniam's heart is not in the ritual, but it is easy to see that he must nevertheless make his dutiful obeisance to the gods of Bhubaneswar and his party. It has now been stated that the Government of India has at last taken a formal decision to set up a foodgrains trading corporation which is expected to start operations on January 1. New Year resolutions are notoriously unreliable and we may be pardoned if we do not show much enthusiasm for this particular one. There is surely justification for this scepticism if only because the Government itself seems to be at sixes and sevens over the precise nature of this project. While the Minister for Food and Agriculture desires that the Corporation should function in competition with private traders except to the extent that it will have a monopoly of transport of foodgrains by rail over long distances, his colleague, the Finance Minister, is quite emphatic that the scheme could succeed only if there is a law compelling all producers to sell their surplus grain to the Government. Mr. Krishnamachari, in other words, demands that the Corporation should have a monopoly of procurement and wholesale trading. It is strange and disturbing that even on the fundamentals of important decisions which have been taken, evidently, after discussions in the Cabinet, the Government is not in a position to speak with one voice.

Ministerial differences apart, we have no doubt in our mind that any extensive abrogation of normal trade channels on a permanent or semi-permanent basis is not only not warranted by anything that has happened on the food front but is also likely to discourage production, disorganize distribution and generally work to the disadvantage, rather than the advantage, of the consumer. We are apprehensive that distribution costs will go up as a result of state trading and we are afraid that Government machinery of food marketing will fail to serve the consumer in terms of meeting its consumption pattern or ensuring quality of merchandize. It is

no doubt true that commercial distribution has its own defects and deficiencies, but it has been proved, again and again, that government-controlled distribution is liable to fare even worse. It is ironical that the Finance Minister who, towards the end of last year, expressed healthy confidence in the abolition of controls and announced the withdrawal of price controls on a number of commodities should now be championing the cause of an undesirably comprehensive regimentation of prices and distribution over a very large sector of the economy. This attitude becomes all the more difficult to understand when evidence is accumulating daily of the failure in practice of the policy of restrictions and controls, as, for instance, in the case of gur to which reference was made earlier.

Whatever may be the passing pressures on the Government, prices are not going to be kept in check nor production improved through controls or government trading. On the contrary, there is every reason to believe that restrictions on trade movements or the displacement of commercial agencies by government or semi-government bodies add to the difficulties and harassment of the consumer, rather than assist him in securing supplies at reasonable prices. The Government, indeed, would be well-advised to review the zonal and other restrictions on trade and movement and our

Cracks in Cement

THE SHORTAGE of cement which has been acting as a drag on factory and private housing construction as well as official third Plan development projects of relatively low priority, appears to threaten now the pace of work or progress even in the most essential and urgent sectors of the economy. Reports suggest that construction programmes of many State and Central projects have come to be affected by the non-availability of cement, so much so that State Governments are pressing the Centre to arrange imports of about 500,000 tonnes of cement immediately to tide over the present crisis.

The current difficult situation in regard to cement supplies may have partly resulted from the attempts that have come to be made to raise the tempo of developmental activity after the mid-term third Plan appraisal last year. But, it, obviously, is due mainly to the fact that cement production has been lagging far behind the planned programme. As against the third Plan targets of raising the cement industry's installed capacity and production from 9.2 million tonnes and 7.8 million tonnes in 1960-61 to 15 million tonnes and 14 million tonnes in 1965-66, the current capacity and production — in the fourth year of the Plan — amount to barely 10 million tonnes and 9 million tonnes.

The performance of the cement industry during the quarter ending June 30, 1964, has also not been very encouraging. The 19 cement manufacturing companies which are members of the Cement Manufacturers' Asso-

own advice would be that, as soon as the special or increased imports now being arranged begin arriving in a steady flow, steps should be taken to restore free movement of wheat and rice in the region of Punjab, Delhi, U.P. and Rajasthan as well as in other similar broad regions, viz., Madhya Pradesh, Gujarat and Maharashtra or Orissa, West Bengal and Bihar. The pattern already established for the southern States should, in other words, be extended to other contiguous and coherent regional units and the ground thus prepared for the restoration of free trade movements across the entire country as early as possible. We certainly do not believe that a case has been made for state trading in foodgrains as a long-term policy except in purely political or emotional terms. It is not at all necessary to go in for state trading in order to check hoarding or profiteering if and when it occurs. The Government, in the ordinary course, has sufficient powers to proceed against anti-social practices. As we have said often enough, such reasonable action as the Government may take from time to time to check or penalize anti-social practices would naturally attract, as it should, the support and co-operation of the people. The public, however, is extremely unlikely to be equally enthusiastic about doctrinaire decisions setting up the Government as the sole shopkeeper.

ciation, have reported deterioration in the overall utilization of their installed capacity from 96.1 per cent in April-June, 1963, to 92.3 per cent during these three months this year. (A statement of their output is published under "Records and Statistics" in the present issue). This may be due partly to the newly added capacity—approximately 0.165 million tonnes—being not fully commissioned into production. But the unit-wise production figures suggest that the deterioration in the case of many a company has been due to other reasons including shortage of raw materials. A particularly disconcerting fact is that while production of "cement equivalent of clinker" has gone up during April-June, 1964, by about 80,000 tonnes over the figure for the corresponding period in 1963, the output of "ground cement" has recorded a fall of 8,896 tonnes.

In the immediate future, there may not be any escape from importing cement. But it is high time that government machinery had been geared to meet the challenge of the terminal year of the current Plan when anxiety to reach targets in the cement-consuming sectors of the economy is bound to result in a further spurt in demand for this building material.

The main hindrance to the augmentation of capacity in the cement industry has been the linking of the expansion plans with the availability of machinery and equipment from indigenous sources and the low profitability of cement manufacture under the control-

led prices not only restricts the building up of internal resources for financing expansions, but also scares away new investments. There are stated to be nearly 30 expansion or new cement manufacturing schemes awaiting tie-ups with indigenous machinery manufacturers for supplies. The relaxation allowed by the Union Government last year under which the persons who held licences for cement schemes were permitted to import some balancing equipment from abroad to a ceiling of Rs. 45 lakhs per plant of 600 tons a day capacity, has, indeed, yielded some results, but there is need for a more pragmatic approach in this regard. The proposed import of about half a dozen complete cement plants from East European countries also requires to be expedited.

There is also imperative need to strengthen the financial position of cement manufacturers so as to enable them to plough back greater internal resources into their expansion programmes. With the capital market in the doldrums at present, new investments are not forthcoming from the public in an adequate measure even for particularly attractive ventures. The difficulties that such low-yielding industries as cement must necessarily encounter can easily be appreciated.

The Union Government has all along been resisting pleas for an adequate upward revision of prices. The two marginal increases allowed to the cement industry, first in 1961 and again a short time ago, have hardly been commensurate with the increased costs of production and transportation. When a black market is rampant in cement and demand far exceeds supply, no useful purpose is served by keeping a rigid control on prices at the factory level.

The contention of the Government has been that the freeing of cement will push up the construction costs

of new projects, making them over-capitalised. But this danger can be avoided by following in the case of cement the pattern of distribution introduced for steel in March last. While the cement industry may be continued to be subjected to price control for that portion of its production which is required for priority uses in the national interest, the remaining production meant for low priority uses may be decontrolled. No doubt, it will push up cement prices in the open market. But this will help in restraining consumption and restoring a balance between demand and supply. The financial position of the cement manufacturers too should improve and make the expansion of the industry much easier.

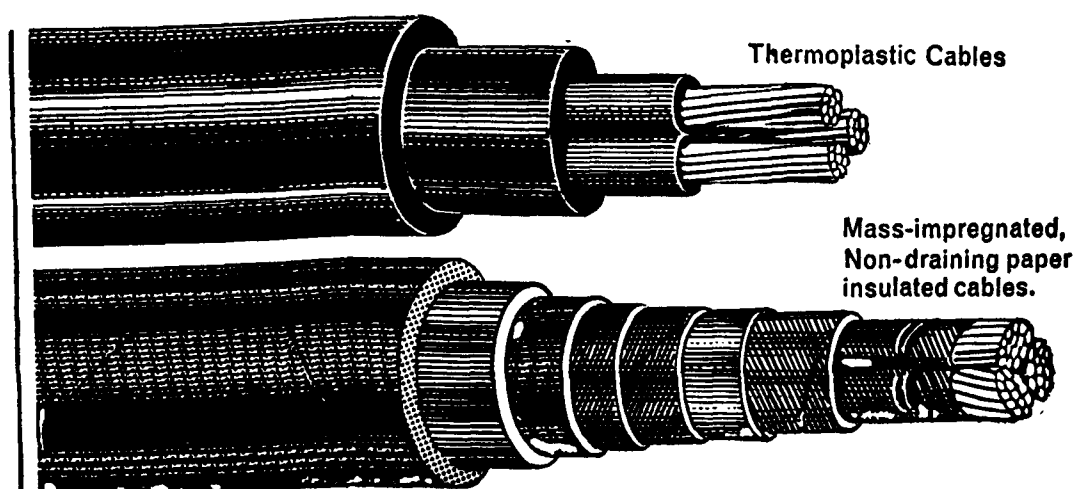
With the rapid expansion envisaged for the cement industry during the next Plan — the Perspective Planning Division has suggested raising capacity and production to 26 million tonnes and 23 million tonnes respectively in 1970-71 — energetic efforts will be needed to build up cement machinery-manufacturing capacity as well as in the area of exploration of new cement-grade limestone deposits. The demand for cement machinery by 1970-71 is expected to go up to as much as Rs. 15 crores per annum and that for cement-grade limestone to as high as 37 million tonnes a year, from the third Plan-end indigenous availability of Rs. 4.5 crores worth of cement machinery and 17.13 million tonnes consumption of cement-grade limestone. While with sympathetic consideration of the foreign exchange requirements of cement machinery-manufacturers, the country may well become self-sufficient in this regard, prospecting of new deposits of limestone could, indeed, prove an arduous job. The proposed Cement Corporation will do well in concentrating its energies on this task for some time rather than dissipating them in attempting to build up a high-cost public sector in the cement industry or getting embroiled with the distribution trade.

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Highlights of the Week

A FRIEND INDEED

THE U.S. Ambassador, Mr. Chester Bowles, announced at a Press Conference in New Delhi on July 30 that his Government would make available to India four million tons of wheat and a substantial quantity of rice during the next seven months. American shipping and port handling experts are also being sent for advising the Government of India on ways of speedier unloading, bagging and distribution of these foodgrains.

The four million tons of wheat supply promised by the US, it is learnt, is out of the balance quantity which could not be imported by India under the PL 480 Agreement (1960) up to the expiry of this pact on June 30, 1964. The rice supplies promised are fresh ones and will be made available out of the new US rice crop. The quantity involved is understood to be 300,000 tons. The US has also supplied some rice to India during the past two months out of her 1963 crop. The prospects of the US supplying substantial quantities of foodgrains to India in the next few years under PL 480 were rated high by Mr. Chester Bowles. "We have no intention of letting you down", he declared.

The United States also proposes to help India in a massive way in revolutionising Indian agriculture. American experts with long experience in the pricing of food products will be coming to New Delhi soon to help the Union Government in devising "incentive prices" for farmers. A consortium of fertilizer manufacturing companies of the US has offered to set up five new fertilizer factories in India, each with a capacity of 200,000 tons of nitrogen nutrients per annum. The US consortium will be content with a minority share in the capital of these ventures. The investment arrangements, currently being discussed, are expected to be finalised on the patterns of the Cochin Oil Refinery or the Vishakhapatnam Fertilizer Plant. The production from these five units, anticipated to start in about three years, will raise foodgrains output in India by approximately 10 million tons.

An American expert will also be arriving in New Delhi shortly to assist the Government of India in developing and greatly expanding the programme of aerial spraying to minimise the damage caused by insects and plant diseases. India loses nearly 10 per cent of her foodgrain production because of the damage done by insects and plant diseases. The US has further promised to assist India in meeting her food requirements in various other ways.

The following is the text of the statement made by Mr. Chester Bowles at the Press Conference:

Topic of Discussion

Food shortages and consequent high prices have become a topic of much discussion in India. Some of my Indian friends, including members of the press, have asked me to comment on the problem itself and particularly on the role of the United States in relation to it.

The situation is two-fold: First, the need for additional grain supplies to ease the current shortages, and second, the longer-term measures that may be taken to increase India's food output and to prevent similar shortages in the future.

Let me first comment on the subject of current supply. In response to the urgent request of the Government of India, the United States is now doubling the rate of wheat shipments.

In seven months we shall deliver four million tons of wheat. This means that the equivalent to two fully laden 10,000-ton wheat ships from America will arrive every day in Indian ports. Between July and February of next year we will land here in India supplies of wheat which are nearly half as large as all the wheat grown in India in the last year. These shipments represent the output of 5.5 million acres of American wheat fields, which is an area more than half as large as the State of Kerala.

We have also responded to the Indian need for rice.

Although the new American crop will not be harvested until August, we have committed a substantial amount to India. With this commitment and rice from other sources, on top of India's own production, I believe ample supplies will be assured.

In the last seven years we have shipped 23 million tons of foodgrains to India. At the present rate the shipments are amounting to 15 per cent of our total wheat production and 15 per cent of our total rice production. Moreover, we have no intention of letting you down in the future.

Right now the bottleneck is not the availability of wheat or the ships to carry it from the United States, but the problem in unloading grain in Indian ports. However, recently the Indian Government has been making good progress and in response to its request, we are sending American shipping and handling experts to work with Indian authorities to devise ways for speedier unloading, bagging and distribution of the incoming grain supply and a long term plan to eliminate similar bottlenecks in the future.

Emergency Measures

These emergency measures will help ease India's current problem. However, the basic need is for greater production right here in India. Here again, the United States is offering and will offer all-out assistance.

In response to a request from Mr. Subramaniam, Minister of Food and Agriculture, we have arranged for American experts with long experience in the pricing of food products to come to India. They will consult with their Indian colleagues on how incentive prices can be set to encourage Indian cultivators to increase sharply their production and with assurances of fair prices to the consumer.

This is the approach which has enabled us to grow such extraordinary quantities of food in America and to sell it to the consumer at reasonable prices which have recently been decreasing.

One of the most important and dramatic means of raising India's food production is sharply to increase its supply of fertilizer and to make this additional fertilizer available to the cultivators at a lower price.

The opportunity is underscored by the fact that a single ton of fertilizer nutrients will produce 10 additional tons of food.

In the last 13 years the United States Government has shipped 446,000 tons of fertilizer to India. With the tremendous emphasis now being placed by the Government of India on fertilizer, an additional 433,000 tons is on order and deliveries have begun. In addition we are now financing the building of a new fertilizer plant at Trombay which begins production this year and by early 1965 will be producing at the rate of 430,000 tons annually. That plant is in the Public Sector. We have extended large loans for the construction of another huge fertilizer plant at Visakhapatnam. This plant is being built jointly by Indian and American companies.

Discussions with representatives of American companies soon will begin for a massive expansion of the production of fertilizer nutrients with the co-operation of US companies which have been particularly successful in this field. Five factories, each with a capacity of 200,000 tons of nitrogen nutrients per year or a total of one million tons per year are under consideration.

This extra production in itself would more than double Indian output from existing plants and plants now under construction. If agreement on these new factories is promptly reached, and construction started without delay, the existing gap in India's fertilizer requirements can be met within three years.

In response to the Government of India's request, an American expert is scheduled to arrive soon to co-operate with

(Contd. on p. 239)

Is Big Business Monopolistic?

'OBSERVER'

THE APPOINTMENT by the Government of a Monopolies Commission to inquire into the extent and effect of concentration of economic power in private hands and the prevalence of monopolistic and restrictive practices in important sectors of economic activity other than agriculture presumes the existence of monopoly and restrictive trade practices in big business. It is the object of this article to examine whether the big business of this country is benefiting from monopolistic and restrictive trade practices in the form of either a higher rate of growth or a higher rate of profit.

As a preliminary to the study of the rate of growth and profitability of big companies in India, it would be in order to explain what monopoly and restrictive practices mean. Monopoly is a situation in which a single seller has complete control of the supply of a commodity in a given market. In real economic life such a situation never exists. In practice a single seller controlling the entire supply of a commodity is rarely found because the concepts of both commodity and market are so broad that there is always some degree of competition with even an apparently monopolised product. In a poor country such as ours, with very little purchasing power in the hands of the consumer, an important competitive element that is present is that it is always possible for the consumer to go without the product rather than pay a higher price, in view of the highly competitive demands on his little purchasing power. In view of the absence of single seller monopolies, the Monopolies and Restrictive Practices Act of 1948 of U.K. deems that a monopoly situation exists, broadly speaking, where at least one-third of the market (or of a substantial part of it) is in the hands of a single firm (or connected group of firms). The Monopolies Commission of U.K. may then be required to report on whether the monopoly situation or the "things done" as a result of or to preserve that situation operate against the public interest. The "things done" would include mainly excess profiteering either by charging a high price or by selling substandard articles and the situation can be preserved only by ensuring a high rate of growth.

Public Interest

Under restrictive trade practices could be included agreements both national and international, by which manufacturers seek to control prices and output, to divide markets and to fix conditions of sale. In the U.K. a restrictive agreement is presumed to be contrary to the public interest and the burden of proving the contrary is upon the person who seeks to uphold the agreement. The upholder of an agreement must satisfy that the agreement in question fulfils one of seven specified conditions:

- It is reasonably necessary for the safety of the public
- Its removal would be likely to deny specific and substantial benefits or advantages to the public as purchasers, consumers or users
- It is reasonably necessary to counteract restrictive measures taken by an outside monopoly
- It is reasonably necessary to enable the parties to match the bargaining power of a dominant buyer or seller
- Its removal would have a serious and persistent adverse effect on the level of unemployment in an area
- The removal would cause a substantial reduction in the exports of the country or of the industry
- It is reasonably necessary as an adjunct of another agreement already approved by the Court

Since monopolistic and restrictive trade practices would result in a higher rate of growth and profitability in the case

of big companies, we may turn towards its examination. Table I shows the rate of growth in assets in 1961 in the case of 1333 public limited companies.

TABLE I
CAPITAL FORMATION RATES, SIZEWISE 1961
(Per cent per annum)

Size Group (Paid-up Capital)	No. of Companies	Gross fixed assets formation	Net fixed assets formation	Inventory accumu- lation	Gross Capital for- mation	Net capital forma- tion
Rs. 5 to 10 lakhs	339	10.8	10.8	8.0	9.9	9.5
Rs. 10 to 25 lakhs	450	10.2	10.0	9.4	9.9	9.6
Rs. 25 to 50 lakhs	260	10.9	10.8	11.4	11.1	11.1
Rs. 50 to 100 lakhs	166	10.0	10.1	13.5	11.2	11.8
Above Rs. 1 crore	118	9.5	6.3	9.8	9.6	7.5
TOTAL:	1333	9.9	7.9	10.7	10.1	9.1

Source: Reserve Bank of India Bulletin, June 1963.

It will be seen that the biggest companies in India which have a paid-up capital of more than Rs. one crore each have recorded a below average rate of growth by all the five important standards of growth such as gross fixed assets formation, net fixed assets formation, inventory accumulation, gross capital formation and net capital formation in 1961. Another important fact that emerges from Table I is that the smallest companies, that is, those having a paid up capital of between Rs. 5 and 10 lakhs have recorded much higher growth rates than the biggest companies by four important standards like gross fixed assets formation, net fixed assets formation, gross capital formation and net capital formation. The rate of increase in inventory accumulation is slightly lower in the case of the small companies and this was mainly due to the very high rate of growth in inventories which they had in 1960. That the lower rate of growth in 1961 in the case of the biggest companies was not accidental could be seen from the fact that in 1960 also the biggest companies (i.e. those having a paid-up capital of above Rs. 1 crore) recorded below average rates of growth. Table II shows this.

It will be further seen from Table II that the smallest com-

TABLE II
CAPITAL FORMATION RATES, SIZEWISE, 1960
(Per cent per annum)

Size Group (Paid-up Capital)	No. of Companies	Gross fixed assets formation	Net fixed assets formation	Inventory accumu- lation	Gross Capital for- mation	Net capital forma- tion
Rs. 5 to 10 lakhs	237	8.5	7.4	24.4	13.3	14.7
Rs. 10 to 20 lakhs	316	7.0	4.8	19.1	11.0	11.8
Rs. 25 to 50 lakhs	205	10.0	9.0	26.9	15.6	17.9
Rs. 50 to 100 lakhs	143	7.5	7.3	11.9	9.1	9.7
Above Rs. 1 crore	100	7.9	3.4	14.8	9.5	7.0
TOTAL:	1001	8.0	4.7	17.1	10.6	9.6

Source: Reserve Bank of India Bulletin, June 1962.

panies in 1960 had a much higher rate of growth than the biggest companies. In fact the net fixed assets formation and net capital formation, which reflect the growth in industrial capacity was slightly more than double in the case of small companies compared to the biggest.

It has been alleged that in view of the connections with banks and capital market, the big companies are able to get more than proportionate share of the bank loans and other external sources of funds (such as equity capital, debentures etc.) and are thus in a position to retard the rate of growth of small companies. Table III shows the external sources as a percentage of total sources of funds and increase in bank borrowings as percentage of external sources in the case of five groups of companies (classified according to size) in 1960 and 1961.

TABLE III
IMPORTANT RATIO OF SOURCES OF FUNDS—1960 & 1961

Size - group (Paid-up capital)	1960		1961	
	External sources as % of total funds	Increase in bank borrowings as % of external sources	External sources as % of total funds	Increase in bank borrowings as % of external sources
Rs. 5 to 10 lakhs	52.1	43.1	52.6	36.2
Rs. 10 to 25 lakhs	53.9	62.6	53.0	28.0
Rs. 25 to 50 lakhs	59.6	55.0	54.9	41.1
Rs. 50 to 100 lakhs	42.9	66.5	48.2	40.4
Above Rs. 1 crore	33.3	30.3	34.8	32.5
TOTAL:	43.5	48.3	43.8	35.5

Source: R.B. Bulletin, June 1962 and 1963.

It will be seen from Table III that the smaller companies are having greater access to capital market and bank loans than the biggest companies.

Profitability

Although there are various measures of profitability, the most important standard for knowing whether monopoly or near monopoly profits are being secured by big companies is to see the rate of gross profits (including interest charges, managing agents' remuneration and tax provision, but excluding depreciation) on the total capital employed. Table IV shows the rate of gross profit for three years on the total capital employed.

It will be seen from Table IV that in 1959 and 1960 the biggest

TABLE IV
GROSS PROFITS ON TOTAL CAPITAL EMPLOYED
(Per cent)

Size - group (Paid-up capital)	1959	1960	1961
Rs. 5 to 10 lakhs	10.7	10.5	9.7
Rs. 10 to 25 lakhs	8.9	10.1	9.8
Rs. 25 to 50 lakhs	11.1	10.1	9.8
Rs. 50 to 100 lakhs	10.1	10.3	9.7
Above Rs. 1 crore	9.5	9.9	10.2
TOTAL	9.8	10.1	10.0

Source: R.B. Bulletin — June 1962 and 1963.

companies made a lower rate of profit than the average rate and the smallest companies had a higher rate of profit than the biggest companies. In 1961 the biggest companies made a slightly higher rate, but that was only 0.2 per cent higher than the average rate.

As regards the rate of dividend paid by big companies, it may be seen from Table V that during the three years 1959 to 1961, the big companies have paid a dividend of 6.6 and 6.7 per cent only on the net worth of companies. A rate of dividend of 6.7 per cent cannot be considered excessive when the Unit Trust of India is generally expected to pay a dividend of not less than six per cent.

TABLE V.

DIVIDEND AS PERCENTAGE OF NET WORTH
(Per cent)

Size - group (Paid-up capital)	1959	1960	1961
Rs. 5 to 10 lakhs	5.8	6.5	5.8
Rs. 10 to 25 lakhs	5.9	6.5	5.9
Rs. 25 to 50 lakhs	6.2	6.1	5.6
Rs. 50 to 100 lakhs	7.1	6.7	6.2
Rs. 1 crore and above	9.6	6.7	6.7
TOTAL	6.5	6.6	6.3

Source: R.B. Bulletin — June 1962 and 1963.

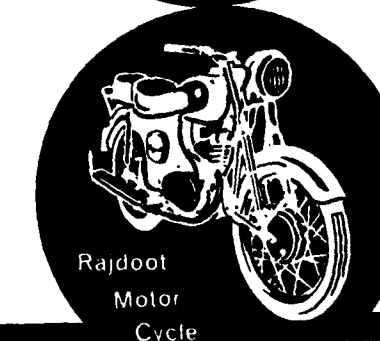
Since monopolistic and restrictive practices are followed to get a higher rate of profit and growth, the absence of both these in the big company sector, should put the burden of proof on the Monopolies Commission. In this context a word of caution would be appropriate. Indian business men have to compete effectively with other business men abroad whose scales of operation and efficiency are much above ours. Further even at home, the Indian industrialist has to compete with a consumer whose purchasing power is so low that it is always advantageous for him to do without the thing in question rather than pay a higher price or accept a poor quality. Our capacity to live without even some of the so-called basic necessities of life is well known. In such a society, no measures akin to either US anti-trust laws or the UK Monopolies and Restrictive Practices Act should be enacted without a very careful consideration of all the issues. It may be worth pointing out that not even European countries have copied the American method of dealing with monopoly or dominant enterprise. In Europe, government regulation of economic performance tries to prevent or ameliorate abuses arising from the possession of dominant market power. On the other hand, in the United States, competition is made to function as an automatic regulator of economic performance. This difference is mainly due to the fact that the market for the products of European manufacturers is much smaller than that of the American market and because of the necessity to compete abroad. Since both these reasons are true to a greater extent in India, 'prima facie' it would appear that far from having any anti-trust legislation akin to USA, we should have only government regulation of the economic performance of our industrialists, but to a lesser extent than in Europe. The question that then arises is: have we not already exceeded Europe in the field of government regulation of business?

ESCORTS Enterprises

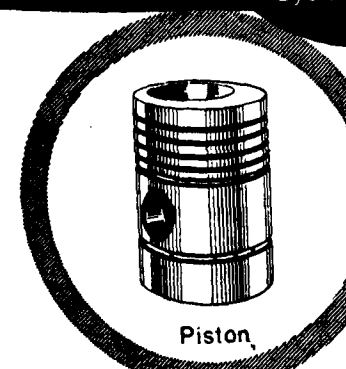
- Serve National Plans
- Save Foreign Exchange
- Accelerate National Economy to goal of Self-Sufficiency



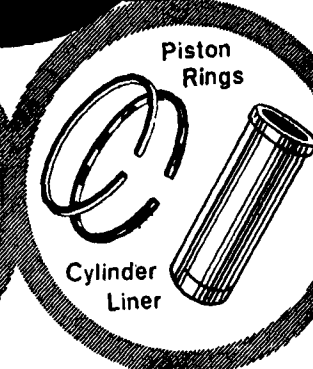
Escort-37 Tractor



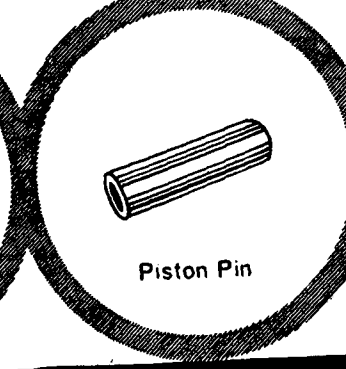
Rajdoot Motor Cycle



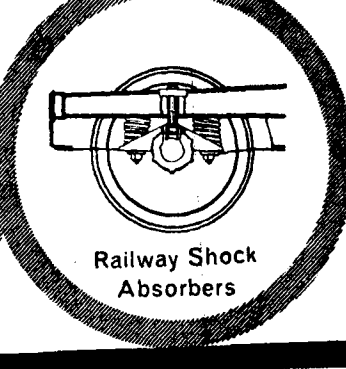
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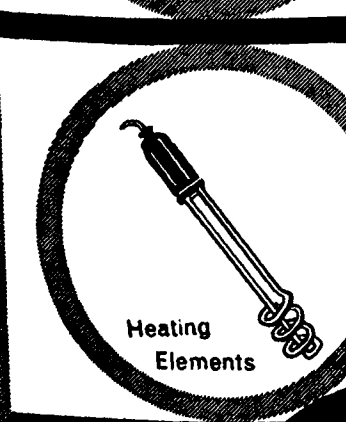
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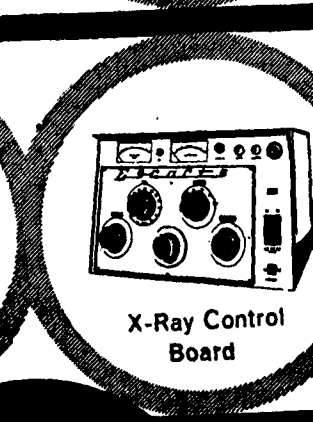
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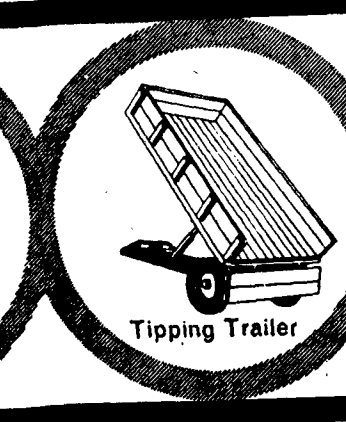
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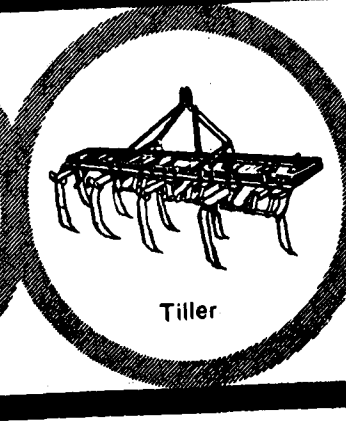
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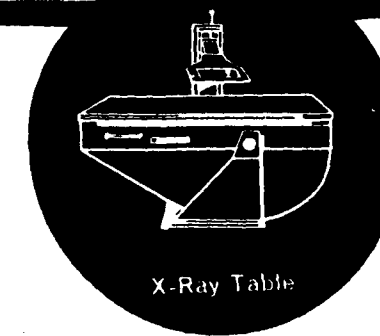
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NGB/46A

WINDOW ON THE WORLD

Goldwater and U. S. Gold

PAUL EINZIG

SENATOR GOLDWATER'S nomination as Republican candidate for the Presidency of the United States seems to have produced no impression of any kind in the foreign exchange markets up to the time of writing. This is probably because most people take it for granted that he will not be elected. But the possibility that in November he will become President-elect, and that in January 1965 he will take charge of the United States Administration, should not be ignored. It is advisable to envisage it and to try to figure it out how it would affect the dollar.

Taken at its face value, the economic programme endorsed by the majority of the Republican delegates at the San Francisco Convention would undoubtedly help the dollar powerfully — if it were put into practice. Ever since under Roosevelt's Administration during the thirties the United States had tried to spend its way out of the depression, all Presidents have been pursuing a policy of deficit-financing on a scale entirely unprecedented in times of peace. But Goldwater will go to the election with a programme of bringing deficit financing to an end. The balancing of the budget is one of the basic points of the Republican platform. Moreover, under Goldwater the elimination of the balance of payments deficit would be given high priority.

On the face of it, anticipation of Goldwater's victory should therefore tend to make for a firm dollar. But the great question is, would it be safe to assume that a Goldwater Administration would be able to balance the budget and the balance of payments? Unfortunately, the foreign policy with which Goldwater's name has come to be associated, and which was clearly defined at San Francisco, rules out any hope of a strengthening of the dollar under a Goldwater Administration.

Reversing the Policy

It is Goldwater's declared intention to reverse the policy of peaceful co-existence and to adopt a highly aggressive foreign policy towards the Communist bloc. The logical, natural and inevitable consequence of such a policy would be spectacular increase in defence expenditure within and outside the United States. Hopes of budgetary economies and of cuts in overseas military expenditure have been rising under the influence of improved East-West relations, but they would have to be abandoned under Goldwater. On the contrary, there would be a revival of the cold war, a rearmament race, and a reinforcement of United States forces overseas. Even if the new Government were able to cut non-military expenditure, any conceivable economies would be heavily outweighed by an increase of military expenditure. The budgetary deficit, far from being reduced, would be increased considerably, and so would be the deficit on the balance of payments.

The possibility of a limited war in the Far East could not be ruled out. Even a limited war would be an extremely costly affair and would aggravate both budgetary deficit and balance of payments deficit. The experience of the Korean War is still remembered, and the difference is that in the meantime the decline of the US gold reserve and the increase of US external liabilities has weakened the technical position of the dollar.

Since it is Goldwater's declared intention to practise brinkmanship, there would be bound to be major war scares from time to time. On each occasion the dollar would be subject to extra pressure through withdrawals of foreign

funds. Admittedly, it would be difficult to find a "safe" currency into which hot money could be switched. But there is always gold. There would be a gold rush in the London market and the Central Banks' Gold Pool would have to part with very substantial amounts of gold in order to prevent a spectacular increase in the free market price.

In such circumstances, and also because Goldwater is certain to antagonise and even insult foreign statesmen such as de Gaulle, several foreign Governments and Central Banks holding large dollar reserves would convert their holdings into gold and repatriate them. The resulting decline in the gold reserve of the United States would aggravate the wave of distrust in the dollar and would accentuate the withdrawals of privately held dollar balances. The Central Banks of countries whose residents would be selling out their dollars would have to support the dollar under the International Monetary Fund arrangement and would thereby accumulate dollar balances which they would then withdraw in gold. Alternatively, the United States would exhaust the drawing rights with the International Monetary Fund and would have to support the dollar by parting with gold.

It is no exaggeration to suggest, therefore, that within a few months after Goldwater's election American gold would

Eastern Economist 20 Years Ago

AUGUST 4, 1944

The creation of a new Department of Planning and Development, the choice of Sir Ardeshir Dalal as its Head, and the central place it is expected to occupy in the Government of India afford evidence of a frank recognition of the importance of planning in New India and mark a victory for all those who believe firmly that the future of this country depends upon sound planning. The essential functions of the Planning Department are two: (a) It should plan, frame policies and be responsible for all decisions in respect of all economic problems in which policies are involved; and (b) it should ensure that the plans framed and agreed upon are also executed with celerity and in conformity with the principles underlying the plans. These two functions require different types of machinery, but it is essential that the Planning Department should have an administrative section which, while not itself executing the plan, will hold itself responsible for the co-ordination of the various administrative departmental organizations of the Government. Planning personnel is the lynch pin of the planning section. If Sir Ardeshir means business, he should be able to get together a team of workers whose outlook and equipment are very different from those of the average ICS and departmental officers. The defects of the old and routine type of civilian administrators, accustomed to handle files in a leisurely manner, going from precedent to precedent, unwilling or afraid to take bold decisions or break fresh ground, have now become the common place of bureaucratic administration.

flow out like water. 'Nomen est omen'. The Senator would certainly live up to his name.

The alternative to heavy losses of gold would be the adoption of exchange control or the adoption of a floating dollar. It seems probable that, confronted with that choice, Goldwater would choose the floating dollar. This at any rate may be inferred from the fact that his chief economic adviser, Professor Milton Friedmann, has been for many years an enthusiastic supporter of the idea of abandoning fixed parities and adopting floating exchange rates.

The Wage-Price Spiral

JOSSLEYN HENNESSY

LONDON:

HOW LONG this despatch will take to reach you, or whether, indeed you will receive it at all depends not on the efficiency of the British post office but on the kindness and good will of Mr. Ron Smith — general secretary of the Union of Post Office Workers who, at the time of writing, have been alternately out on strike or refusing to work overtime, with the result that more than 35,000,000 letters now await handling in London alone. As if this were not enough, we are threatened with a strike of telephone operators as well.

Why? Because Mr. Ron Smith says that postal workers earn 13 per cent below the national industrial wage average. This, he thinks, is too obviously unfair to need arguing.

Let us, however, consider the argument implied. If, as soon as the wages or salary of any employee fall below the national average, they must be brought up to it, this means that every employee in every industry — coal miners, bank clerks, bus drivers, hotel managers, works managers, company chairmen and night-watchmen — must all be paid the same wages. In fact, you will not have a national "average" wage, because the concept of an average implies that some employees are above, some below it. Without this, there is no "average": there is only a uniform national wage rate.

Logic of the Conclusion

Mr. Ron Smith might reject the logic of this conclusion, because he wants postmen's wages to be determined by comparing them with other jobs of similar skill and responsibility and bringing them up to that level, if found to be below it. But this is exactly what was done. Trouble has arisen because the comparison did not reveal a big enough differential, in favour of the postmen, so Mr. Ron Smith wants another investigation to be conducted, taking other jobs for comparison, which will produce a bigger rise for the postmen. The implication of this is that as long as comparability gives the postmen advantages, Mr. Ron Smith favours different rates of pay according to skills and responsibilities, but that if it does not produce this, he wants to substitute a flat national wage rate.

The government has offered an immediate, back dated, interim pay rise of 4 per cent, and a speedy reconsideration of the comparability scales by arbitrators, which could produce something over and above the 4 per cent. Mr. Bevins, the Post Master General, says such a review could be completed and agreed in a month. Mr. Smith rejects all this, asserting that the review would take seven months, and the postmen are not prepared to wait that long. They demand a 10½ per cent rise immediately.

Two questions suggest themselves: (1) Can the Post Office afford to pay out more in wages without raising its charges to the public? (2) If not, can it devise means of raising the productivity of postal workers and granting a pay rise

Judging by the steadiness of the dollar during July, the foreign exchange markets do not appear to have realised as yet the economic consequences of a Goldwater victory. Or, as I said above, they are over-confident that the good sense of the American public would reassert itself and Goldwater would be defeated. Every banker I have talked to expressed himself in that sense. I can only hope that they will prove to be right, so that the remark that Goldwater's election is out of the question will not prove to be one of the most fateful of historical "famous last words."

on condition that the men accept the new techniques necessary?

If the answer to both these questions is "No", a pay rise would be inflationary. It would add to the wage-price spiral and neither the community nor the postal workers would gain anything because more money would be chasing an unincreased total of goods and services. They would, in fact, lose, because inflation distorts the economic indicators which enable entrepreneurs to allocate available resources in accordance with demand.

You would think that serious papers such as the 'Times' and the 'Guardian', and the B.B.C.'s current affairs interviewers and commentators, would put these elementary questions before the public. Well, they don't.

The trouble with the U.K.'s post-war Welfare Society is that any one who suggests that there is, or should be, a connection between personal effort and reward is regarded as being as eccentric as someone who takes the Bible's Garden of Eden story literally.

The fact is that over broad areas of the economy, once a worker is accepted as a union member, and once he is engaged in a job, it is status, not the quality of his performance that entitles him to employment. The performance must be good enough not to flout customary standards, but to excel that minimum attracts sanctions from the organised upholder of status — the unions. The difficulty that an employer has in dismissing a unionised worker solely on the grounds of inefficiency emphasises status and customary standards of work in established techniques. This is a regression to the static, pre-Industrial Revolution economies, in which the mediaeval trade guilds flourished. The need to achieve the higher productivity of the constantly changing technologies that characterise a society which has substituted competition for ascribed status is lost to sight. All manual workers, more and more white collar workers, and professional people such as doctors, nurses, or teachers, connect pay rises with an across-the-board increase that they expect as routine from the next round of union-employer, or union-government, negotiations, in which the deciding factor is not increased productivity but the "rise in the cost of living" that such practices render inevitable. In a society in which competition was enforced, employers would reach a point at which, without increased productivity, wage rises would cease, because costs had become too high to be passed on without encountering resistance from consumers, which would lead to falling profits.

Such, however, is the climate of opinion here that if (as at the moment of writing) an employer (in this case the government) dares to refuse the full wage rise demanded, the newspapers and the B.B.C. commentators imply, or assert, as a matter of course that the employer must be wrong.

This despatch may have a certain value as a quaintly unique collector's piece, in that the economic considerations outlined in it will be brought to the notice only of those newspaper readers in the U.K. who subscribe to "Eastern Economist".

High Tide in U. S. Trade

GUY SIMS FITCH

WASHINGTON:

THIS YEAR'S upsurge in US trade with the rest of the world is no isolated phenomenon. It is part of a general advance which is likely to see the trade of free nations, expressed in terms of exports, soar well above last year's peak to another all-time high to close to \$150,000 million. The general expectation seems to be that world trade, excluding the \$20,000 million or so exported by Communist lands, will exceed last year's \$134,000 million by from \$12,000 million to \$15,000 million, the largest annual increase yet recorded. This spectacular advance is being fed by the expansion of economic activity, with a consequent rising demand for goods, around the world. What has been happening thus far may only be a foretaste of the even more vibrant gains that promise to accompany successful conclusion of the Kennedy Round of multilateral negotiations to reduce tariffs and other barriers to international trade under the aegis of the General Agreement on Tariffs and Trade (GATT). Ground rules for this round, which would benefit countries everywhere in all stages of development, have been agreed to in principle, although working out the technicalities surrounding their implementation is proving an arduous and time-consuming task.

As the world's largest trading nation, the United States has participated substantially in the current trade upsurge. The respected National Foreign Trade Council (NFTC), leading private organization in its field, new projects US commercial merchandise exports for all of 1964 at \$24,700 million and US imports at \$18,200 million. These figures, which accord closely with adjusted annual rates revealed in official monthly data, are somewhat higher than those forecast by the Council at the beginning of the year. They would represent sizable gains over 1963's actual totals of \$22,700 million for exports and \$16,900 million for imports. The upward trend in trade is based on continued vigorous economic activity at home and abroad. The especially buoyant US expansion could well mean that US imports will be rising somewhat faster than exports as the year progresses. The Council's estimates also envisage

no drastic shift in export or import price levels. On the basis of the NFTC estimates, the US trade surplus—the excess of exports over imports — would come to about \$6,500 million this year. This would be the largest such surplus since the earliest post-war years, and would go far towards reducing the persistent deficit in the US balance of international payments. The payments deficit is the amount by which all US expenditures, loans and investments abroad — public and private — exceed US receipts from abroad. It is the result largely of the continued and sizable transfer of US resources to other countries in keeping with responsible international policies — a transfer which for a number of years has outweighed the traditional US export surplus.

With this surplus now growing substantially, the Council has estimated the 1964 US payments deficit at about \$1,500 million. This would be the nation's seventh deficit in a row, but it would be markedly smaller than the previous six. Last year, the deficit was \$2,600 million. Recent data tend to bear out this forecast of a sharply reduced deficit, although not all government economists are as optimistic as the private traders about the magnitude of the improvement to be registered this year. One of the questionable points is the size of the outflow of private capital from the United States, which will be a major element in the payments deficit despite the widening trade surplus. The NFTC expects this outflow to be about \$4,800 million this year, compared with \$4,200 million in 1963. Much of this private outflow represents long-term investment in productive facilities abroad, thereby contributing to economic growth in other countries. But some of it is in the form of short-term funds which often move in response to advantageous interest rates.

No less a personage than President Johnson, however, has publicly discounted at a recent meeting with business men at the White House any seriously untoward effects of these interest rate increases. Without going into detail, the President flatly predicted that this year's payments deficit will be lower than last year's and that next year's will be lower still.

HIGHLIGHTS OF THE WEEK (Contd. from p. 232)

the Indian authorities in developing and greatly expanding a programme of large-scale aerial spraying against insects and plant diseases.

Another new US programme, the details of which we expect to announce soon, involves a major expansion of the output of grain legumes (beans and peas) which is a major source of protein for Indian villagers. Four United States scientists will come to work with Indian scientists in the development of this programme.

In co-operation with the Government of India and the Rockefeller Foundation we are also making distinct progress in hybrid maize. If present plans are carried forward maize production can be doubled in five to ten years. We are also steadily progressing in the development of hybrid varieties of sorghum (jowar) which will increase the yield of this important crop substantially. About 15 per cent of all India's acreage is devoted to this crop.

On another front, nine American technicians will work with Government of India experts in soil and water conservation. They will be concerned with the upstream problems of building catchments, reforestation and drainage slopes — to conserve water for the dry season — and with the downstream problems of canals and distribution systems to make the best use of available water.

We have also asked eight additional American technicians to work in co-operation with the Government of India and the Ford Foundation in the fifteen districts where intensive use of

modern food growing techniques is now under way.

At the request of Mr. Subrameniam a team of American irrigation experts is now at work in Madras State exploring methods by which the food production miracles of our Imperial Valley in the State of California can be applied here in India.

In another agricultural area we are working with Indian authorities to bring a thousand pedigreed bulls to India to improve the milk production of Indian cattle.

In addition, the United States is co-operating with India in the setting up and operation of seven agricultural universities, which will help meet a basic need for training, research and extension work. We believe that these institutions may contribute to the kind of agricultural revolution which resulted from the United States land grant colleges which were begun a hundred years ago in the United States.

One final word: this is not the first time in India's long history when she has faced serious food shortages. However, this time there is solid basis for confidence.

For the short term, massive shipments of grain are now on their way from the United States. For the longer term the Indian Government, backed by all the scientific skill that the United States can bring to bear, is launching a bold, carefully planned, scientifically sound programme designed rapidly to increase India's food production.

With a reasonably fair break from the monsoon rains and with a determined implementation of the programme I have described, India can successfully meet her food problem in the coming years, and I can assure you that the United States Government is determined to help.

LISTENING POSTS

Dramatic Turn in Madras Refinery Negotiations

By Our Special Correspondent

NEW DELHI:

SOME MODIFICATIONS effected in their offer by the Burmah Oil Company and Shell International last week have dramatically changed the course of negotiations with the prospective collaborators for the Madras refinery. On the eve of his departure on a 4-week tour of Europe, the Union Minister for Petroleum and Chemicals, Mr. Humayun Kabir, disclosed to newsmen that the revised proposals of BOC-Shell International were "extremely attractive" and this had brought the combine very much back into the picture.

Although the modified proposals are being kept a closely guarded secret, it is understood that the Burmah Oil Company and Shell International have made an offer to the Government that if the Madras refinery is set up with their collaboration, they will associate the Government as partner in all crude purchases abroad for the venture. This implies that both the Government and BOC-Shell International can negotiate, severally or jointly, for crude supplies for the Madras refinery on the most competitive commercial prices.

The real tussle for bagging the Madras refinery now appears to be between BOC-Shell International and the National Iranian Oil Company. The Government of India has asked the NIOC to reduce its quotation for crude. No reply, however, has yet been received from the Iranian company.

Three other collaboration offers — from Esso Standard, Philips Petroleum and the French oil interests — are also stated to be still under consideration. But substantial modifications will be required in them if they are to compete successfully with the BOC-Shell International and NIOC's offer.

The decision on the issue is now expected only next month on Mr. Kabir's return from his European tour. It is intended to start construction of the Madras refinery by the end of the current calendar year.

The decision on the proposed Haldia refinery may be taken sometime early next year. Construction of this refinery is proposed to be taken up by October-November, 1965.

During his current visit to the Continent, Mr. Kabir will visit the United Kingdom, France, Italy, Czechoslovakia and Rumania. He will explore the possibilities of securing from these countries financial and technical assistance for the development of petroleum, petro-chemical and fertilizer industries in India.

★★

The seismic survey for oil and gas reserves under the sea-bed along the Coromandel Coast is expected to begin around the middle of this month when the Soviet scientific ship "Akademik Arkhangelsky" arrives in Madras. About 60 Russian seamen and scientists will be manning this ship under the leadership of Dr. Yakov Malovitsky. Nearly 10 Indian specialists are also expected to join in this seismic survey.

Investigations will initially begin in an area 200 km. long and 30 km. wide up to a depth of 100 metres near the mouth of the Cauvery river. They are expected to continue till October. After that, when the weather in this area becomes unfavourable, the Soviet ship will go over to the Rann of Kutch for conducting seismic survey there. It will return to the Coromandel Coast again some time in March.

The seismic surveys both along the Coromandel Coast and in the Kutch area are expected to be completed by October or November next year.

★★

The current thinking in official circles is understood to be in favour of a big role for the Cement Corporation of India

(CCI) in stepping up cement production during the fourth Plan period. The Corporation is expected to be brought into existence towards the end of September.

Of the additional 10 million tonnes capacity for cement manufacture to be created during the fourth Plan, nearly half may be set up by the Cement Corporation of India.

Besides entering the field of cement production, the CCI will undertake prospecting for cement-grade limestone in various parts of the country. It will also render assistance to the private sector in designing new cement plants.

★★

The recent controversy between the Planning Commission and the Union Ministry of Commerce over the fourth Plan target for exports is understood to have been amicably settled. At a meeting of the Planning Commission last week, which was attended by the Commerce Minister, Mr. Manubhai Shah, a compromise is believed to have been effected to fix the fourth Plan exports target at Rs. 5,000 crores. This will mean raising of exports from approximately Rs. 850 crores in 1965-66 to about Rs. 1,150 in 1970-71. The Planning Commission had earlier suggested a target of Rs. 1,200/1,250 crores exports in 1970-71. Mr. Manubhai Shah had characterised it as an unrealistic aim and was credited with the view that exports in the last year of the fourth Plan could not be expected at more than Rs. 1,100 crores.

The Union Ministry of Commerce has been asked to spell out in detail the conditions which need to be created for stepping up exports to Rs. 5,000 crores during the five years 1966-67 to 1970-71. Indications are that greater restraint may be put on domestic consumption of the products which can command a good export market. Prices of such commodities may be pegged at high levels through increases in excise duties. Excise duty rebates are allowed on exports.

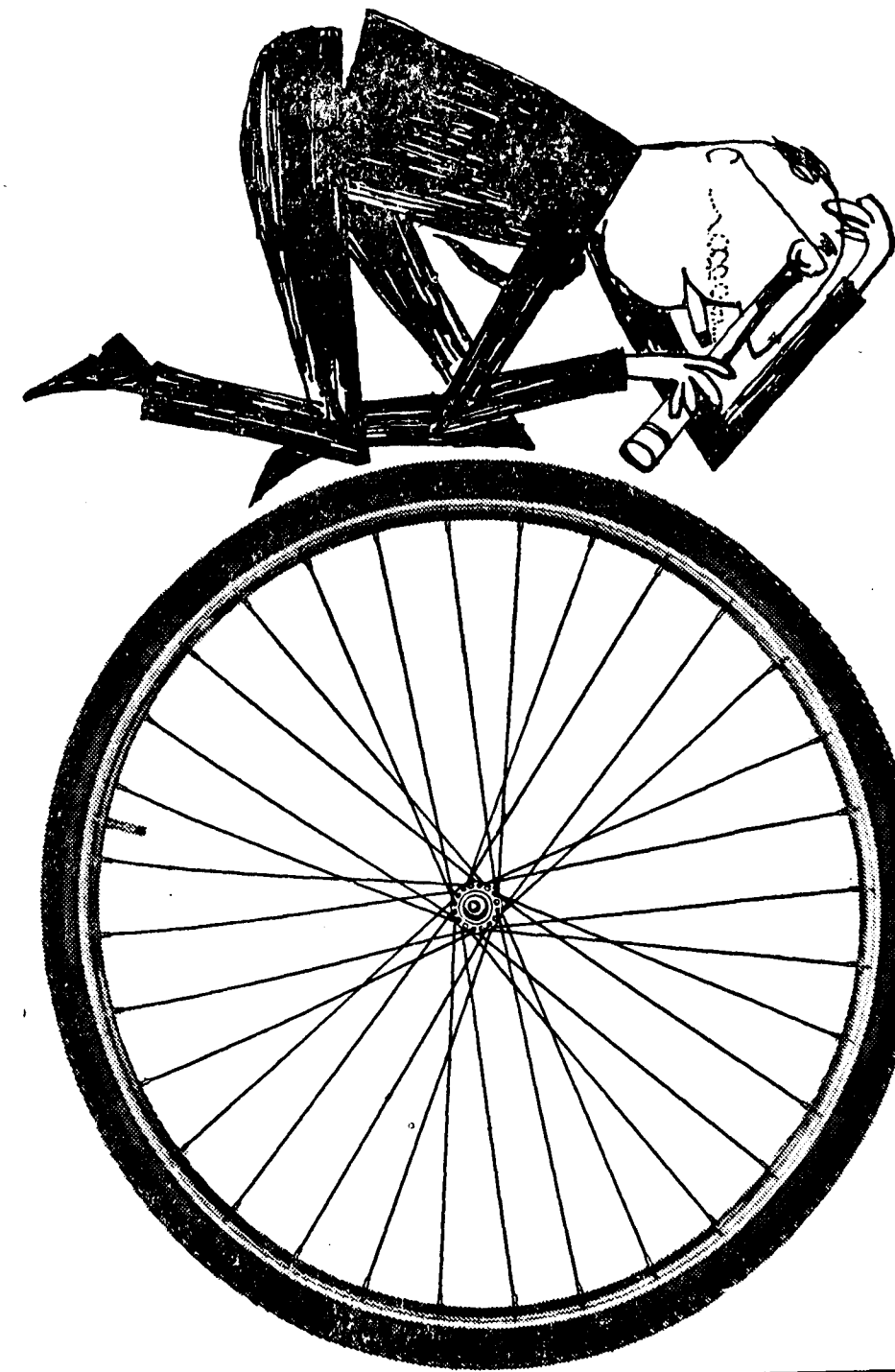
Attempts are also likely to be made to meet the foreign exchange requirements of the exporter industries to the maximum extent possible. The public sector is likely to be assigned a larger role in the manufacture of such consumer goods as raw sugar. Establishment of some export-oriented industrial units is also envisaged.

★★

The representatives of the leading associations of wholesalers, semi-wholesalers and retailers of mill-made cotton cloth, who had been invited for discussion on cloth distribution with the senior officials of the Union Ministry of Commerce, are stated to have expressed the view that there was no need for clamping controls on the manufacture and prices of cloth. In case the Government instituted these controls, as suggested by the Cotton Textiles Consultative Board, the trade should be associated with the sale of both the controlled and the non-controlled varieties. Regarding stamping of ex-mill and retail prices, the trade representatives are said to have opined that no stamping of prices was necessary on the non-controlled varieties; it would be enough if the name of the mill, the nature of the texture, the type of the cloth and the brand names, if any, were printed on such cloth. While they did not object to stamping of ex-mill and retail prices on the controlled varieties of cloth, the trade representatives pleaded for increase in the distribution margin. The present margin of 18 per cent over the ex-mill prices without excise duty, they told the Ministry officials, was inadequate.

The official spokesmen are stated to have assured the cloth trade representatives that for the distribution of controlled varieties, the normal trade channels of wholesalers and retailers

August 7, 1964



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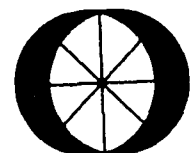
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The applications for the loan will be received at—

- (a) the offices of the Reserve Bank of India, Bangalore, Bombay (Fort & Byculla), Calcutta, Madras, Nagpur and New Delhi,
- (b) the branch of the State Bank of India at Patna,
- (c) the branch of the State Bank of Hyderabad at Hyderabad,
- (d) the branches of the State Bank of Hyderabad conducting Government treasury work within the State of Maharashtra,
- (e) the branches of the State Bank of India within the State of Maharashtra except at Bombay and Nagpur and at places covered by item (d),
- (f) the Government treasuries and Sub-treasuries in the State of Maharashtra at places not covered by items (d) and (e).

Full particulars can be obtained at any of the offices mentioned above.

would be maintained as the quantities of the controlled cloth would be very large — nearly 2,000 million yards a year. Regarding stamping of ex-mill and retail prices of the non-controlled varieties, the officials emphasised that these varieties also should be sold to the consumers at reasonable prices. If the trade could make satisfactory arrangements, there would not be any need for stamping prices on the non-controlled varieties of cloth.

The Government's policy to bring the popular varieties of cloth such as dhoties, sarees, long cloth and shirting, under control, to the extent necessary, was explained by the officials of the Ministry. It was pointed out to the trade representatives that even after the introduction of the production and price controls, the textile industry should be in a position to produce adequate quantities of these popular varieties. The officials ruled out an increase in the distribution margin on the controlled varieties of cloth. They said that this was not feasible in the present-day situation when the prices were rising.

The Textile Commissioner is said to be working out the production and price control measures for the popular varieties of cloth in consultation with the industry. Steps are also being taken to appoint an advisory committee at the apex level, consisting of all interests, namely, industry, trade, labour, consumers and others, to advise the Government on efficient and smooth working of these controls.

★ ★
The British Government last week made available to India a credit of £10 million (Rs. 13.3 crores) out of the £30 million (Rs. 40 crores) assistance promised by it under the aegis of the Aid-India Consortium for the current financial year.

The credit is not tied to any development project and can be used for financing current import requirements. In view of the fall in our foreign exchange reserves in the last few weeks due to exports not picking up commensurably, this general purpose credit has been specially welcomed by the Government of India.

Including this £10 million credit, the total aid made available by Britain for India's third Plan amounts to £135 million. Of this, over £72 million have already been disbursed.

The British Government has also intimated to the Government of India its readiness to extend a loan of approximately £50 million for meeting the foreign exchange cost of expanding the capacity of the Durgapur Steelworks during the fourth Plan, from 1.6 million tonnes ingots to 3 million tonnes ingots. A formal agreement in this regard is proposed to be

signed as soon as the terms and conditions of the loan are finalised.

Construction work under the fourth Plan expansion programme of the Durgapur Steelworks is expected to start early in 1966.

★ ★
The Union Government has accepted the recommendations of the ad hoc committee constituted in August, 1963, for the selection of the rationalised sections to which rolling of steel could be restricted, and decided to limit the number of structural steel sections rolled by the main producers to 153. It is thought that this will result in economic rolling of the steel sections consistent with the broad requirements of consumers.

Special sections such as crossing sleepers, bearing plate bars, telegraph channels, sheet piling sections, etc., will, however, continue to be rolled to meet specific demands.

At present, the main producers roll about 300 sections, while the number of such sections included in the relevant Indian Standards is about 516.

As it will take some time for the existing rolls to wear out and for designs utilising these structural sections to be changed, the change-over to the rationalised sections is proposed to be effected from January 1, 1965.

The main producers have been asked to take all possible steps to ensure that all the rationalised steel sections are made available to consumers in sufficient quantities and in time. The Union and State Government departments have also been instructed to modify and base all their designs on these rationalised sections only. All consumers of steel will place indents from January 1, 1965, on the basis of these sections and import of steel sections not included in the rationalised scheme will be allowed only on the ground that the structures were designed to utilise these other sections.

The future pattern of production of structural sections by the main producers will be restricted to the rationalised steel sections only.

★ ★
With a view to reducing costs and stepping up production expeditiously, the Union Government is understood to be laying great emphasis on technological improvements in planning the advance action on the expansion of the steel industry during the fourth Plan period.

The first step in this direction was taken last week when a technical committee was set up under the chairmanship of Dr. B. R. Nijhawan, Director, National Metallurgical Research Laboratory, to suggest improvements in blast furnaces.

It has been estimated that technological improvements in

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blast furnaces can increase the production of pig iron by one million tonnes. This would go a long way in meeting the demand for pig iron in the fourth Plan.

According to the tentative estimates prepared by the Planning Commission, the demand for pig iron would grow to

around 4 million tonnes by 1970-71. Of this, the existing steel-works and the units already licensed in the private sector would be able to provide 1.75 million tonnes. In case one million tonnes of pig iron are available as a result of technological improvements, arrangements would have to be made only for 1.25 million tonnes additional capacity.

Divided Counsel on Cloth Control

From Our Correspondent

BOMBAY:

"HOWEVER, HAVING faced disappointment after disappointment, at least a section among them (cotton mill interests) must still be nursing misgivings about a definite outcome even on that day" (July 7, when the Cotton Textile Consultative Body met in Bombay). This remark in my despatch to "Eastern Economist" issue of July 3 (page 19) seems to have turned out to be prophetic, though the Cotton Textile Consultative Board (CTCB) did arrive at definite decisions. Thanks to the reported strong opposition from the Congress Parliamentary Party's Sub-Committee on Prices, the Union Government is believed to have rejected this Advisory Body's recommendations which has happened seldom in the past. Although an advisory body, the Cotton Textile Consultative Board has a special status and its recommendations have invariably been accepted. This is only as it should be because the Chairman of the Board happens to be the Union Minister for Commerce, while the Vice-Chairman is the Textile Commissioner. It is these two official spokesmen of the Government who actually determine the official policy in respect of the cotton mill industry in the country. But this need not occasion any great surprise, considering that, not unoften, the Government of India has felt no qualms in overruling the recommendations of even expert statutory bodies such as the Tariff Commission.

The Question of Prices

Presently, it is not this academic question of whether or not the Government should overrule the recommendations of an advisory body, however high its status may be that should occasion concern. What should cause anxiety, and what has, in fact, been doing so, is the question of prices, especially of essential commodities such as cloth. It is not surprising, therefore, that almost everyone heaved a sigh of relief when the realistic recommendations of the CTCB, at its Bombay meeting on July 7, were made known. These recommendations, it is noteworthy, aimed not only at an overall increase in mill cloth production — the only effective answer to the problem of scarcity-cum-high prices—but also at a statutory control of up to 40 per cent of the total mill production, involving about 1,800 million yards or some 90 per cent of the apparel wear of the common man, according to Mr. Manubhai Shah, so as to ensure adequate supplies of varieties of cloth consumed by the common man at reasonable rates. The decisions of the CTCB were spelt out so clearly and in such detail that they left no scope for any possible confusion in the minds of the consumer either about the varieties of cloth to be controlled or as to their prices. Until a few days ago, in fact even after the ten-day long discussions that took place between the Commerce Ministry officials and the association of wholesalers, semi-wholesalers and retailers of mill made cotton cloth, the general impression left on the minds of the people was that the Union Government had accepted the decisions of the CTCB and had actually started implementing them.

This impression gained ground by the reported rejection by the Government of the general view of the cloth traders that there was no need for any control and of their demand for an increase in dealers' distribution margin (of 18 per cent) on the popular varieties to be controlled. As late as last week — on July 28 — it was even said that the Union Government would soon appoint an advisory committee to finalise steps to ensure the

smooth working of production and price control measures on popular varieties of cloth for mass consumption. All this is not to be, it seems. Indeed, there are disquieting reports that all the arrangements that had been set in motion to bring into force statutory controls over the production of popular varieties of cloth within three months, as had been envisaged by the CTCB, have been stayed. The whole question, it would now appear, has to be referred to the Union Home and Finance Ministers for a final decision, presumably after a further meeting of these Ministers and the representatives of the industry. In short, there would appear to be no prospect of the era of uncertain cloth prices ending soon.

The whole problem of cloth prices is becoming, if it has not already become, a sickening affair. If the members of the Congress Parliamentary Party's Sub-Committee on Prices felt that there was a strong case for lowering prices to provide some relief to the consumers, they should have put forward concrete suggestions to bring this about without affecting cloth production adversely. Instead, they were content merely to express this view, as though just a wish on the part of these mighty few would bring down cloth prices. Cloth prices can be brought down only if and when the quantum of cloth production, in particular of the popular varieties, is raised appreciably and the level of prices of at least the popular varieties is fixed. Merely on suspicion that the mill interests might charge unreasonable prices for popular varieties and unconscionable prices for non-control varieties — which is to assume that the mills do not know their own interest — the sub-committee on prices has chosen to throw a spanner into what might have become a smooth-working mechanism, without realising the damage they have unwittingly done to the prestige of the Union Minister for Commerce and the Textile Commission, as also the latter's ability to decide and enforce reasonable prices, not to speak of the demoralisation that the continued uncertainty of prices has brought in its wake.

★★
In connection with the question of accepting deposits by joint-stock companies other than banking companies, it may be recalled, the Reserve Bank of India had issued a notification in May last asking non-banking companies and financial institutions to submit returns of deposits received by them on or after March 31, 1962, by the end of last month (July 31). The last date for the submission of these returns, however, has since been extended to the end of this month (August 31). Meanwhile it is interesting to refer to certain clarifications provided by the Reserve Bank on some points raised by the Federation of Electricity Undertakings of India.

Electric Supply Undertakings stand in a special category by themselves, inasmuch as their working is regulated by the Indian Electricity Act (1910 and 1948). Under the provisions of this Act, security deposits are usually taken from requisitionists for power by way of revenue guarantee. Also, in some cases, consumers are required to place in deposit certain sums representing consumption of energy for a given period (the maximum period is three months). Besides these deposits, electricity undertakings also receive short and medium term deposits from the public to finance their power development schemes. They have, in fact, been driven to resort to this practice because of the fact that interest charges payable to banks are above the ruling standard rate (Bank Rate + 2 per cent i.e., $4\frac{1}{2}\% + 2\% = 6\frac{1}{2}\%$) permitted to electricity under-

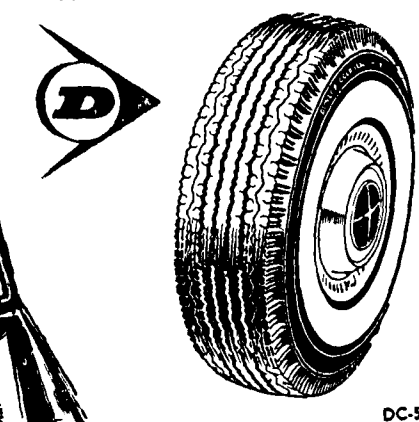


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takings under the Act and also because of the limitation placed by law on the return to investors in electricity companies.

The Reserve Bank's clarification is to the effect that, whereas the first two (those governed by the Indian Electricity Act) need not be included in the returns to be submitted, the third, that is, term deposits from the public raised for development, has to be.

★★

In order to take advantage of the slack season, 13 State Governments have announced the issue of their 4½ per cent 1967 loans totalling Rs. 100 crores. The busy season in the second week of May this year was at its peak when the ratio of total bank credit to aggregate deposits was as high as 80.28. According to the latest weekly bulletin of the Reserve Bank of India, the corresponding ratio for the week ended July 17, 1964 was 72.00 per cent and during the past five weeks had continuously declined indicating availability of surplus bank funds. All the loans, except that of the Kerala Government, will open for subscription on August 24 and close on August 29. The loan of the Kerala Government will open on August 25 and close on August 31. It is stipulated that the State Governments will have the right to retain subscriptions up to 10 per cent in excess of the loans sought. Maharashtra has floated the largest loan at Rs. 15 crores followed by Madras at Rs. 14 crores. The State-wise details of the loans are given

below with the issue price indicated in brackets:

Andhra Pradesh Rs. 11 crores (Rs. 99.50), Assam Rs. 3 crores (Rs. 99.50), Bihar Rs. 4 crores (Rs. 99.50), Gujarat Rs. 7 crores (Rs. 100), Kerala Rs. 4 crores (Rs. 99.50), Madhya Pradesh Rs. 5 crores (Rs. 99.50), Madras Rs. 14 crores (Rs. 99.75), Maharashtra Rs. 15 crores (Rs. 100), Mysore Rs. 7 crores (Rs. 99.50), Orissa Rs. 8 crores (Rs. 99.50), Rajasthan Rs. 5 crores (Rs. 99.50), Uttar Pradesh Rs. 10 crores (Rs. 99.75), and West Bengal Rs. 7 crores (Rs. 99.75)

The loans are uniformly for a period of 12 years and will be paid at par in 1976. Interest in all the cases will be liable to income-tax and will be paid half-yearly on February 24 and August 25, except for the Kerala loan for which the dates will be February 25 and August 25. Subscriptions may be made in the form of cash or cheque. Some of the old securities can also be offered for conversion into the new loans e.g. the 4 per cent Bombay State Development loan, 1964 and the 4 per cent Saurashtra State (Local Bodies Development) loan, 1964 will also be accepted at par for conversion into the new loan of the Maharashtra Government. Similar other loans, which will be acceptable for conversion, are the 3 per cent Madhya Pradesh loan, 1964, the Madras Government 4 per cent loan, 1964, the 4 per cent U.P. loan, 1964 and the 4 per cent West Bengal loan, 1964.

Jute Mills Meet Heavy Weather

From Our Correspondent

CALCUTTA:

AFTER A brief period of prosperity, India's jute industry is facing heavy weather again. This conclusion would appear startling if judged against the country's record production and export figures for 1963 — and jute mills are still working to full capacity. Current prospects, however, are necessarily judged not by past performance but by such factors as market conditions for an industry's products, state of competition and trend of costs — and from these latter points of view, the profit outlook for the jute mills is by no means bright. Therefore, the stock market investor who has been indifferent to jute shares for some time is making a shrewder assessment of the industry's prospects than those who dismiss the market trends as a mere reflection of the speculator's aberrations.

Let us take production costs, first. It has been well known that the costs of the industry have risen steadily over the past year principally due to the Wage Board award adding considerably to labour cost, and higher charges for power, fuel, lighterage, stores and essential parts and components. All these have put up the industry's conversion costs. On top of this, raw jute prices (fibre alone accounts for 60 per cent of the total costs) have been going up unchecked, largely on account of the price support scheme, but lately due to speculation about the size of the current crop, reinforced by reports that this year's crop in Pakistan is likely to be appreciably smaller than that of 1962-63. The Jute Commissioner has taken the timely step of contradicting rumours that no large drop in the Indian crop need be feared and, in fact, the output is likely to be about the same as it was during the past jute year. Yet conditions in the raw jute market continue to be buoyant, so buoyant in fact that both the industry and the East India Jute and Hessian Exchange, which guides futures trading in fibre, are now seriously worried. The member mills of the Indian Jute Mills Association have arrived at a gentleman's agreement not to pay prices above certain rates and the East India Jute and Hessian Exchange has asked its vigilance committee to keep a strict watch on speculative excesses in the fibre market.

While this is the outlook for costs, the prices being fetched in the export markets have been falling steadily. Accord-

ing to an analysis of the cost and price trends in a recent issue of the 'Jute Bulletin' issued by the Indian Central Jute Committee, the average monthly prices of fibre (basis Assam Bottoms ready delivery) have gone up unchecked, and the same for gunnies (for both hessian and sacking) have declined steadily. Hessian rates for 40in. 10oz. construction stood at Rs. 47.28 in January, Rs. 46.35 in February and Rs. 45.73 for March this year (all per 100 yards), compared with Rs. 50.97, Rs. 50.63 and Rs. 47.85 in the same months of 1963. The latest price is Rs. 45.10. Against rising costs, this steady decline in prices can only mean a lower profit margin, and no wonder the investor is assessing the prospects for the current year's working as carefully as he can. It needs to be pointed out here that the prices for jute goods during the past year, although ruling at much higher levels than obtaining currently, have not led to bigger dividends as the profit margins have been squeezed due to the trend of rising costs which set in from the latter half of 1963. In fact, most of the mills who have declared their profits and dividends for the past working year show lower profit levels, and, therefore, smaller dividends. Only a select few have been able to maintain the dividend rate, but it is because of diversification of their activities.

Birla Jute provides a prominent example. The working results of this company for the year ended 31st March, 1964, show higher gross earnings — net earnings are lower because of bigger provisions for depreciation and development rebate — which is entirely due to the expanding activities of its cement manufacturing line, but the other two mills (including Bally) in the Birla group which have announced their results this past week, show smaller profits and declare lower dividends as they depend only on jute manufactures. Howrah Jute has of course announced a higher dividend of 12½ per cent, against 10 per cent last year, but its profit margin has considerably shrunk although its sales for the past working year were substantially higher. The sales of this company have improved to Rs. 3.97 crores from Rs. 3.51 crores in the previous year, but the trading profit is sharply down from Rs. 48.79 lakhs to Rs. 38.62 lakhs. This is more or less the general trend of jute mill profits for the past working year, and most

knowledgeable people say that the outlook for the current year is still worse.

Apart from rising costs and lower profit margins, the jute mills have yet another adverse factor to contend with — competition from Pakistan, which has grown serious by now. The industry in that country enjoys definite advantages — in the form of a better quality fibre, lower labour costs and more modern machinery and equipment — over the mills in India, which are helping the former to get ahead in the competitive race. Moreover, generous subsidies are given by the Pakistani Government in the shape of the bonus voucher scheme, which makes all the difference between incentives and the absence of them, and the Indian mills have no incentive whatsoever except to keep themselves in business. Little wonder then that the production by the Pakistani mills has been rising so markedly, side by side with the expansion of the manufacturing capacity itself. The hessian output of Pakistani mills has increased from 67,259 tons in 1960-61 to 82,109 tons in 1963-64 and that of sacking even more spectacularly from 170,012 tons to 222,380 tons. It is now said that Pakistan has captured many markets from India for sacking and in hessian she has been making good progress in the export field. In fact, India's sacking output over this period has declined from 532,700 tons to 492,160 tons.

Competition from Pakistan

It is a shame that the Indian jute mill industry, much older in life and much better established with infinitely greater experience of the export business, should be losing to a newcomer, but, for this the industry is not entirely to blame. Pakistan's natural advantages and the vagaries of India's export policy have combined to increase the Indian industry's handicaps. In fact, conditions could have been even worse but for the fact that the world's consumption of this packaging material has increased over the years in spite of the inroads which synthetic substitutes have made into the field. This is a hopeful factor, and India must still rely on jute goods as one of her major foreign exchange earners. Since Mr. Manubhai Shah took charge of foreign trade, he has been viewing the industry's problems more realistically than was the case before, and measures have been initiated to put the industry on a sound footing. Mr. Shah's enthusiasm has somewhat infected other Ministers concerned, and a few measures have been set on foot which could considerably improve the economic basis of the industry if they are carried out as planned. One of them is the appointment of a committee to look after raw jute development work. This committee consists of the Agricultural Secretaries of the States concerned, representatives of the Planning Commission and growers and manufacturers. It will function in close co-operation with the Indian Central Jute Committee and the Agricultural Production Commissioner whose particular responsibility it is to supervise the task of the jute development programme.

The main aim of the jute development programme, already under implementation, is to introduce improved strains of jute to the entire acreage as early as possible. The time limit is now fixed in terms of nine years during which period it is proposed to bring the entire jute acreage under improved strains. A package programme for intensive cultivation has been launched in some districts of West Bengal and Bihar, along with other necessary measures such as more efficient distribution of fertilizers, and better retting facilities, which will make intensive cultivation possible. The Indian industry will need more and more superior varieties of fibre as there is every prospect of competition to increase from Pakistan particularly, and from the European industries considerably. Superior grade fibre is essential for making finer varieties of hessian and carpet-backing cloth; this latter item is in great favour with overseas customers at present. But there is also the need to modernise jute mill machinery. A programme to

equip the mills with more up-to-date plant is already being implemented, but the progress has not been as fast as it should be. Now that the indigenous machinery manufacturers have been steadily expanding their output, the mills should be helped to modernise their machinery more quickly so that they may at least hold their own — in the export markets.

★ ★

Eight recognised stock exchanges in the country have just submitted a memorandum to the Union Finance Minister urging him to revise the fiscal system suitably, so that the country's capital market which has been badly hit by the latest Central Budget, may revive. The details of the memorandum were given to the Press by Mr. C. L. Jhunjhunwala, President of the Calcutta Stock Exchange, at a conference last week. Mr. Jhunjhunwala disputed Mr. Krishnamachari's observation that the stock market did not present a correct picture of the economic trends in the country, but its affairs were manipulated by a set of moneyed men, and pointed out that far from being a hunting ground of the rich, the stock market accurately reflected the dismal economic, corporate, fiscal and political trends in India at present. It particularly reflects the outlook for industrial growth, which in turn depends on the success of new issues, among other things. Mr. Jhunjhunwala also pointed out that not only has the value of new issues floated come down sharply over the past few years — from Rs. 73.8 crores in 1962 to Rs. 54.6 crores in 1963 — but even the limited number of issues which are being made are attracting no more than 5 to 10 per cent of the total amounts offered, the rest being taken up by the underwriters. Companies with some amount of Government support are not faring better. This shows what the investor, the saver that is, feels about the future prospects of industry and particularly of his own investment in the shares of industrial concerns. The increase in the corporation tax and the imposition of the super profits tax (now levied under the different style of surtax) had considerably affected the profitability of industries, and the tax on dividends and on notional capital gains from bonus shares in the 1963-64 Union Budget have reduced the attractions of investment in industrial securities further. Mr. Jhunjhunwala, therefore, suggested a few measures which the Union Finance Minister should take, in order to improve the country's investment climate. The suggestions are mainly as follows: (1) The new 7½ per cent impost on dividend and the levy on the tax on bonus shares should be reviewed as these have discouraged risk capital to flow into industry, (2) In view of the continuous reduction in the real income of the investors from dividends because of the serious inflationary pressure in the country and the consequent depreciation of

value of the rupee, the companies should be encouraged to pay larger dividends to shareholders so that the latter's real value of the income is at least maintained. (3) Investors should be encouraged by the elimination of the existing invidious treatment of income from dividends as "unearned income". (4) The margin system, which has considerably hampered the revival of the capital market, should be rationalised. (5) The Reserve Bank should not unduly discourage bank advances against stocks and shares.

★ ★

The Chairman of the Tea Board, Mr. A. S. Bam, is always up to some new idea or the other to popularise India's tea abroad. His latest was to sponsor the visit of Mr.

Rice Prices Raise Doubts

From Our Correspondent

MADRAS:

THE MAXIMUM and minimum prices for coarse varieties of rice announced by the Union Government became effective from August 1, in the four States of Andhra Pradesh, Kerala, Madras and Mysore. It had been anticipated that the Centre would take a decision to this effect though there was a feeling in particular quarters why the Southern States alone should come in for special restrictions while the situation in other States, particularly Maharashtra, Uttar Pradesh, Bihar and West Bengal, had not been effectively tackled. In fact, it was complained by traders as well as consumers that the high level of prices in Uttar Pradesh and Maharashtra had an unsettling effect on the plans of the surplus States and the marginally surplus regions. The statement by Mr. C. Subramaniam about large sales of wheat having been effected has no doubt been welcomed in the present context. But it is wondered why such heavy sales have not made any impression on wheat prices and whether the statistical data published by the Government regarding the yields of the various crops are incorrect.

There is no doubt that there was a shortfall in the last wheat crop by over a million tons and the output of coarse grains was also seriously affected. But with a record rice crop it was emphasised that total availability had not been affected and with heavy releases from central stocks, the availability, if anything, was significantly higher. It is, therefore, intriguing why the food problem is intractable?

Cultivator Hoarders

The readiness of the US Government to supply four million tons of foodgrains in the next 8 months to help this country get over a critical period should help our Government to pursue a vigorous policy. Fresh sales during the lean months should serve to keep down prices besides helping to reveal the true situation. The feeling has latterly gained ground that more than the trade, the cultivators are guilty of hoarding and the high level of prices is not due so much to scarcity as the withholding of stocks by the cultivators from the markets. If these reports are correct, there should be a significant fall in prices when the next crop arrives. In any case, the Central and State Governments will have to be effecting large sales of wheat and rice in the next three months if speculative activity is to be effectively checked.

★ ★

In the Southern Zone, it is generally agreed that enough stocks of rice are available and that, with the arrival of the new crop, there should be a distinct decline in prices. But the fixation of maximum prices for coarse varieties of rice without corresponding maximum prices for paddy in the producing areas would, it is claimed, create difficulties for the trade and lead to fresh complications. Even now it is complained that the maximum prices are 10-15 per cent below the ruling

Tenzing Norgay and his wife to Canada and the United States on the same campaign. The couple distributed tea and promotional literature at the Indian pavilion of the New York World Fair, where they had a tremendous reception from the organised authorities; even July 14 was observed as the Tenzing Day at the Fair. On their return from the tour, Mr. Bam held a Press Conference in Calcutta last week (where the Norgays were present) to tell newspapermen how the Norgays had made a highly successful job of their trip, and from the account given, it appears that active advertising by a popular hero personally could often accomplish much more than thousands of dollars spent on advertising in the Press and on television.

★ ★

At the Bangalore Conference of representatives of labour and the Central Government, the price situation naturally came in for considerable discussion. Industrial unrest has been in evidence in recent months in different parts of the country and a large volume of production has been lost on account of labour strikes. The increase in the cost of living has had an upsetting effect on the minds of labour. Mr. D. Sanjivayya, Union Minister of Labour and Employment, has stated that legislation would be brought forward by Government to compel industrial establishments to open fair price shops or consumer co-operative organisations as, in spite of repeated requests, the establishments employing over 300 workers have not been agreeable to start fair price shops due to the difficulties involved in purchasing essential commodities and distributing them at fair prices. The compulsion to open fair price shops may not be resented as there would be preparedness to take the suggestion if the shops were run on a 'no loss, no profit' basis. But the proposal to pay salaries partly in kind may lead to new difficulties. Any agreement to supply specified quantities of essential commodities at stipulated prices would lead to an uncertain element of subsidy which might have an upsetting effect on the calculations of many industrial establishments. Besides, even if they were ready to sell essential commodities at stipulated prices there would be a problem of securing adequate supplies unless the Government came into the picture. Ultimately, the question

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will relate to the stepping up of production and efficient distribution of available supplies. Whether this can be achieved through the opening of fair price shops by industrial establishments alone or the payment of salaries in kind is difficult to say. Also, the new propositions may satisfy only the demands of industrial labour to some extent. The remaining sections of population would not have similar treatment. It may even happen that the arrangements to supply essential commodities at fair prices to workers in industrial and administrative establishments, would result in higher prices for other classes of consumers. The Government have to move in this matter slowly and surely as new complications might have an explosive effect.

★★

Mr. T. T. Krishnamachari was in Madras State for a short period to take rest. His presence was naturally utilised to discuss problems relating to agriculture and other matters so that production could be stepped up significantly in a short period. Arrangements are being made to adopt a crash programme to raise agricultural production in areas where irrigation facilities are easily available. It is expected that, with the larger availability of fertilisers, there would be a further rise in agricultural production in Madras State. But what is more heartening for the citizens of Mr. T. T. Krishnamachari's parliamentary constituency is the announcement that work on the construction of a deep harbour at Tuticorin and the Sethusamudram canal would be taken up side by side and the total cost would be Rs. 30 crores. In order to relieve congestion at Bombay, Cochin and Madras ports the development of Tuticorin port should be taken up expeditiously. This will also facilitate quicker turn-round of ships after the completion of the Sethusamudram project and enable considerable saving in foreign exchange. The Union Finance Minister has thought it advisable to make an encouraging statement to the effect that there will not be any postponement of the Sethusamudram project. It is needless to say that with the proposal for constructing a new thermal unit at Tuticorin and the provision of additional railway transport facilities, the southern districts of Madras State would become more industrially developed.

★★

The Kerala Government is anxious to draw up its draft plan for 1966-71 so that the per capita income can be raised at least to the all-India average in the next few years. The various political parties are now busy preparing for the coming elections. The decision of the Prime Minister not to delay the elections will probably have a salutary effect on economic progress in the fourth Plan period as the elections would be over early next year and the new Government should be able to devote greater attention to the implementation of Plan schemes. It is hoped that the Congress would be returned to power. The emphasis will naturally have to be on the rapid industrialisation and the harnessing of water-power resources. The Programme Committee will be finalising the draft of the Plan before the end of the next month and the Advisory Board will be able to have fresh discussions on the basis of the draft. It is felt that there will be need for having an outlay of at least Rs. 400 crores in 1966-71 against Rs. 170 crores in 1961-66. If a number of new industries were promoted and large expenditure was incurred on power projects, Kerala can hope to overcome, to a great extent, the adverse effect of slow growth in the last three Plan periods.

It is expected that the availability of large blocks of power, after the end of 1965, will aid industrial growth. The Sabarigiri Project would be able to meet the increasing demand for electricity. It is also proposed that the Idiki scheme, which will be implemented with the help of the Canadian Government, when completed would even enable Kerala to supply surplus power to the neighbouring States. Construction work on this project is expected to start in right earnest in 1965

once the preliminary work had been completed. It is also expected that the shipyard at Cochin will become an accomplished fact as attempts are being made to start work in collaboration with Japanese interests. Kerala's potentialities have not been effectively tapped so far. If there can be larger production of rubber, cashewnuts, tea and timber products, the foreign exchange earnings could be stepped up appreciably. At the same time, if industrial units could be promoted in large numbers, it would be possible to provide employment for many and relieve pressure on land. In view of the peculiar difficulties of Kerala, it will be necessary to have a minimum outlay of Rs. 350 crores in the next Plan period.



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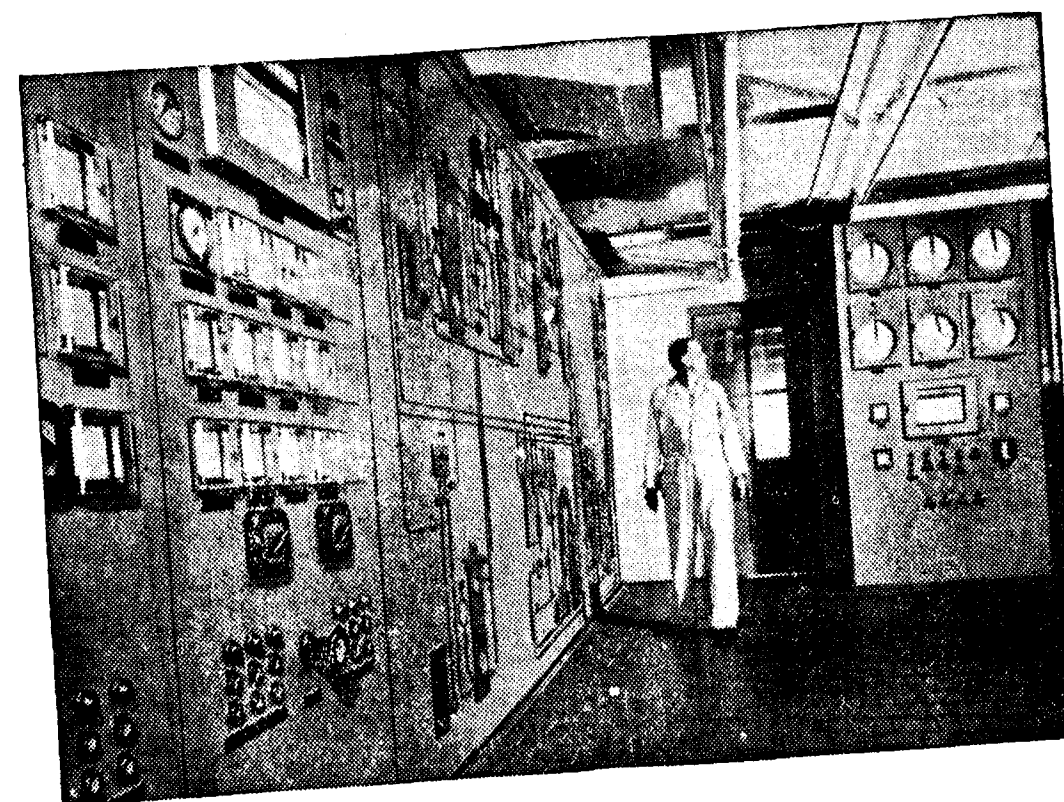
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The moving finger writes

INDIA, HAPPILY, has always been fortunate in its American Ambassadors — and I do not mean the persons whom we send to Washington. It would be worse than a platitude to call Ambassador Chester Bowles a good friend of India. It would be a half-truth. There is in this man a degree of personal involvement with the fate and fortunes of the Indian people which embarrasses you sometimes, but moves you always. Thursday last week was an occasion when I was only moved — and moved very deeply indeed.

On that day Ambassador Bowles held a Press Conference to announce the action the US Government had taken to provide short-term relief and long-term assistance to this country and its Government in the matter of food. The Ambassador informed us that the United States, in an urgent effort at putting the Government of India in possession of badly needed wheat supplies, is doubling the rate of wheat shipments so that about four million tons would be delivered to this country between now and February of next year. Washington would be sending not only this wheat but also a team of shipping and handling experts to work with the people here in devising ways for speedier unloading, bagging and distribution of the incoming grain supplies. Ambassador Bowles modestly suggested that "these emergency measures would help ease India's current problem". What he did not add was that the United States was virtually underwriting India's food economy in the critical months ahead.

Ambassador Bowles also omitted to say something else. This was the vital role he must undoubtedly have played in arranging that the United States came to this country's assistance promptly and adequately. It is interesting that no Minister from the Government of India had to go to Washington or even no mission had to be sent there to plead for urgent assistance. I am aware that Mr. S. K. Patil is in Washington and that among the many explanations he has been giving for going there is the one that he would be talking about PL 480. Mr. Patil, of course, is a resourceful man and he is unlikely ever to be at his wit's end. All the same, it is clear enough that the Americans have been waiting for no emissary from us. The credit, here, must surely go to Ambassador Bowles. It is evident that, having noted that India needed increased imports urgently and made up his mind that the United States should quickly provide them, Ambassador Bowles had apparently lost no time in persuading Washington to view the situation in the same way.

I said that I was deeply moved last Thursday. I must add that I felt a little ashamed too. The United States had sent us a lot of food over the past years. It will be sending more in the future. The only justification for this country receiving assistance in food on this scale is that it is buying time for the programmes which would, in due course, increase its own production of foodgrains sufficiently. We know, however, that we have not kept and are not keeping our part of the bargain. It may be that at some future date the Government of India will succeed in working out a positive policy for agricultural production and it is possible also that Mr. C. Subramaniam may be the man who would have invented that policy. For the time being, however, the Government seems to be going through movements largely meaningless. In the process, it is necessarily becoming desperately dependent on friends. Thus the Americans have not only to send us wheat but they have also to send us men to help us in unloading

and handling them at our ports. Again, more American experts are coming to advise us on how incentive price can be set to encourage our cultivators. Yet another batch is scheduled to co-operate with our authorities in developing and expanding a programme of large-scale aerial spray against insects and pests. Visiting American experts, again, are to advise on the cultivation of hybrid maize and legumes and the hybridisation of jowar. Finally, — that is to say, "finally for the time being" — there will be one more team of American technicians, this for working with our experts in soil and water conservation. After all this, the Ambassador's further announcement that the US Government would be sending a thousand pedigree bulls to this country, could have prompted only one question — whether an appropriate number of American cows should not be accompanying the bulls. I hope my meaning is clear. It is certainly good of the Americans to give us all this help so earnestly and so wholeheartedly. But is there, on our part, some sharing of this purposiveness or sense of urgency? I hope there is, but I wish I could be sure.

Take the case of fertilizers. Stressing the argument that "one of the most important and dramatic means of raising India's food production is sharply to increase its supply of fertilizer and to make this additional fertilizer available to cultivators at a lower price", Ambassador Bowles said that discussions with representative American companies were to begin soon for a massive expansion of fertilizer capacity in this country. These discussions would relate to the Government of India plans for five factories with a total capacity of one million tons of nitrogen per year. The Ambassador pointed out that if agreement on the new factories was promptly reached and construction started without delay, the existing gap in India's fertilizer requirements could be covered within three years. But those are big 'ifs' considering what our general attitudes are in these matters.

Look, for instance, at Sindri. At a time when every ounce of fertilizers which the country could produce is badly needed, the Sindri factory has ground to a standstill as a result of a wage dispute between its management and its employees. At this point I am not concerned with the issues in dispute or with the merits of the conflicting points of view. What I would like to emphasize is that it does not seem to have occurred to any Minister in the Central Government to assume responsibility for keeping this essential factory working. It may or may not be true that the Sindri management had been left with no alternative to a lock-out and it is certainly a very serious matter that the behaviour of workers could have been such as to give rise to apprehensions of sabotage of the plant. What passes my comprehension is that neither the Minister for Petroleum and Chemicals, into whose portfolio comes Sindri, nor the Labour Minister has so far thought it necessary to intervene. It is even more surprising that Mr. G. L. Nanda, who is so ready to arrogate to himself a paternalistic status in all matters concerning Labour, has so far not even noticed the naughtiness of his proteges in Sindri. Incidentally, it is not the Communists who have allegedly attempted or threatened sabotage in Sindri but the followers of the ruling party's most loyal affiliate, the Indian National Trade Union Congress. Perhaps that is why New Delhi is looking the other way.

4¾ per cent STATE GOVERNMENT LOANS, 1976

State	Amount (In crores of Rs.)	Issue Price per cent Rs.
1. Andhra Pradesh	11	99.50
2. Assam	3	99.50
3. Bihar	4	99.50
4. Gujarat	7	100.00
5. Kerala	4	99.50
6. Madhya Pradesh	5	99.50
7. Madras	14	99.75
8. Maharashtra	15	100.00
9. Mysore	7	99.50
10. Orissa	8	99.50
11. Rajasthan	5	99.50
12. Uttar Pradesh	10	99.75
13. West Bengal	7	99.75

All loans, except Kerala Government's loan, will open for subscription on Monday, 24th August, 1964 and close on Saturday, 29th August, 1964 or earlier without notice as soon as subscriptions approximate to the amount of each issue. The Kerala Government's loan will open for subscription on Tuesday, 25th August, 1964 and close on Monday, 31st August, 1964 or earlier without notice as soon as subscriptions approximate to the notified amount. All the State Governments reserve their right to retain subscriptions up to ten per cent in excess of the notified amounts.

The loans will be redeemable at par after 12 years i.e. 24th*/25th@ August 1976 and interest will be paid half-yearly on 24th*/25th@ February and 24th*/25th@ August each year.

Subscriptions may be in the form of CASH/CHEQUE in respect of all the loans.

Securities of 4% Bombay State Development Loan, 1964 and 4% Saurashtra State (Local Bodies Development) Loan, 1964 will be accepted AT PAR for conversion into the new loan of the Government of Maharashtra. Securities of 3% Madhya Pradesh Loan 1964, Madras Government 4% Loan 1964, 4% Uttar Pradesh Loan 1964 and 4% West Bengal Loan 1964 will also be accepted AT PAR for conversion into the new loans of the respective State Governments.

Interest on the securities of 4% Bombay State Development Loan, 1964, Madras Government 4% Loan 1964, 4% Uttar Pradesh Loan, 1964 and 4% West Bengal Loan, 1964 tendered for conversion will be paid at the rate of 4% per annum upto 31st July, 1964 inclusive and at 4¾ per annum for the period 1st to 23rd August, 1964 inclusive. Interest on the securities of 4% Saurashtra State (Local Bodies Development) Loan, 1964 and 3% Madhya Pradesh Loan, 1964 tendered for conversion will be paid at the rate of 4% and 3% upto and inclusive of 23rd August, 1964 and 31st August, 1964 respectively.

Applications for all the loans will be received at the offices of the Reserve Bank of India at Bangalore, Bombay (Fort and Byculla), Calcutta, Madras, Nagpur and New Delhi, the branch of the State Bank of India at Patna and the branch of the State Bank of Hyderabad at Hyderabad.

Applications will also be received at other places within the respective States as follows:

- Branches of the Subsidiary Banks of the State Bank of India conducting Government treasury work.
- Branches of the State Bank of India at places where there is no branch of its Subsidiary Banks conducting Government treasury work.
- Treasuries and Sub-treasuries (except in the States of Assam and West Bengal) at places not served by the aforesaid branches.

Copies of the Notifications and Application Forms may be obtained at any Receiving Office.

Applicants tendering applications at the offices of the Reserve Bank of India at Bangalore, Bombay (Fort and Byculla), Calcutta, Madras, Nagpur and New Delhi will, in the event of over-subscription to the loan applied for, be given subscription. To avail themselves of this facility, the applicants should complete the "Special Option Form" copies of which can be obtained at any of the foregoing offices of the Reserve Bank of India and tender the form along with their applications.

*For other loans.

@For Kerala Loan.

Trade Winds

TROMBAY EXPORTS

AS A result of the Atomic Energy Commission's display at the New York World's Fair of radioisotopes produced at its Trombay complex, large orders are pouring in from the United States. The US demand for the boron group of isotopes is in excess of what the Trombay plant now produces. Arrangements are, therefore, being made to produce this particular product on a commercial scale. The isotope laboratory at Trombay, set up early in 1958, has been producing since 1960, radioisotopes, labelled compounds and some 250 types of radioactive products which have been exported to Ceylon, France, Pakistan, South Korea and Thailand. An order was recently received from the International Atomic Energy Agency. Isotope production is but a small part of what goes on at the Trombay centre which was started a decade ago. The Indian scientists and engineers at Trombay have set up a plant for producing reactor grade uranium metal and a fuel element fabrication plant. The first lot of 10 fuel elements was ready in February, 1960. Out of this, two fuel rods were sent to Canada for use in the NRX reactor there. The Canadians were not only satisfied with their performance but said that Trombay's fuel rods were among the best. A plutonium plant has also been built and commissioned by the Indian scientists working at Trombay. The plant cost only Rs. 3.6 crores, less than half the estimated cost of a plant of about the same capacity being built in Belgium by a consortium of 22 chemical firms from 12 West European countries. The purpose of the Trombay plutonium plant is to treat waste fuel elements from atomic reactors and extract plutonium, an extremely valuable fissionable material for India's nuclear reactors. Facilities have also been developed for producing electronic equipment that will be needed for the expansion of India's atomic energy programme. The fabrication of electronic instruments in India has saved over Rs. 2 crores in foreign exchange so far.

As regards solving the problem of population in India, the Chairman of the Atomic Energy Commission, Dr. H. J. Bhabha, rules out radiation as a means for controlling population growth on account of the health hazards involved. But nuclear science has a useful role to play in the field of agriculture, food preservation and storage. Some work has already been done on irradiating seed to yield new strains of rice with such favourable characteristics as high yield, fine grain and early flowering. It has been found that irradiation of such fruits as mango, apple, guava and banana with suitable doses of gamma radiation, appreciably extends the shelf life at room temperature. Likewise, small doses of gamma radiation have been found to be of use in the extension of shelf life of fresh fish and in processing dried fish products. Significant advances have also been made in the study of control of insect pests in stored grain by radiation, which can be integrated with the existing storage facilities available in India. The method appears to be technically and economically feasible and is competitive when compared with conventional methods.

FOODGRAIN IMPORTS

According to the Union Minister of Food and Agriculture, Mr. C. Subramaniam, imports of foodgrains, particularly of wheat, will have to be intensified during this year and the next. He is of the opinion that foodgrain imports will have to be continued at least until the end of the fourth Plan period. Addressing a meeting of the Regional Directors of Food in New Delhi, on July 30, 1964, Mr. Subramaniam said that even if next season's crop was good, imports next year might have to be of the same order as this year because of the need to build up buffer stocks. It was "absolutely necessary" that

the Regional Directors of Food, who handled imports and arranged for their despatch to various places, functioned efficiently and smoothly.

It is interesting to note that the Soviet Union will import, during the current year, twice the quantity of foodgrains imported by India in any single year. Russia's population is roughly one half of India's. During the past nine months, the Soviet Union and Eastern Europe have accounted for a 60 per cent increase in Canada's wheat exports. Czechoslovakia and Poland have bought from Canada about half a million tons of wheat each. Czech purchases have been made under a long-term agreement with North American exporters. Bulgaria and Hungary are to import 700,000 tons of wheat from North America under similar agreements.

SCRAMBLE FOR CHINESE MARKET

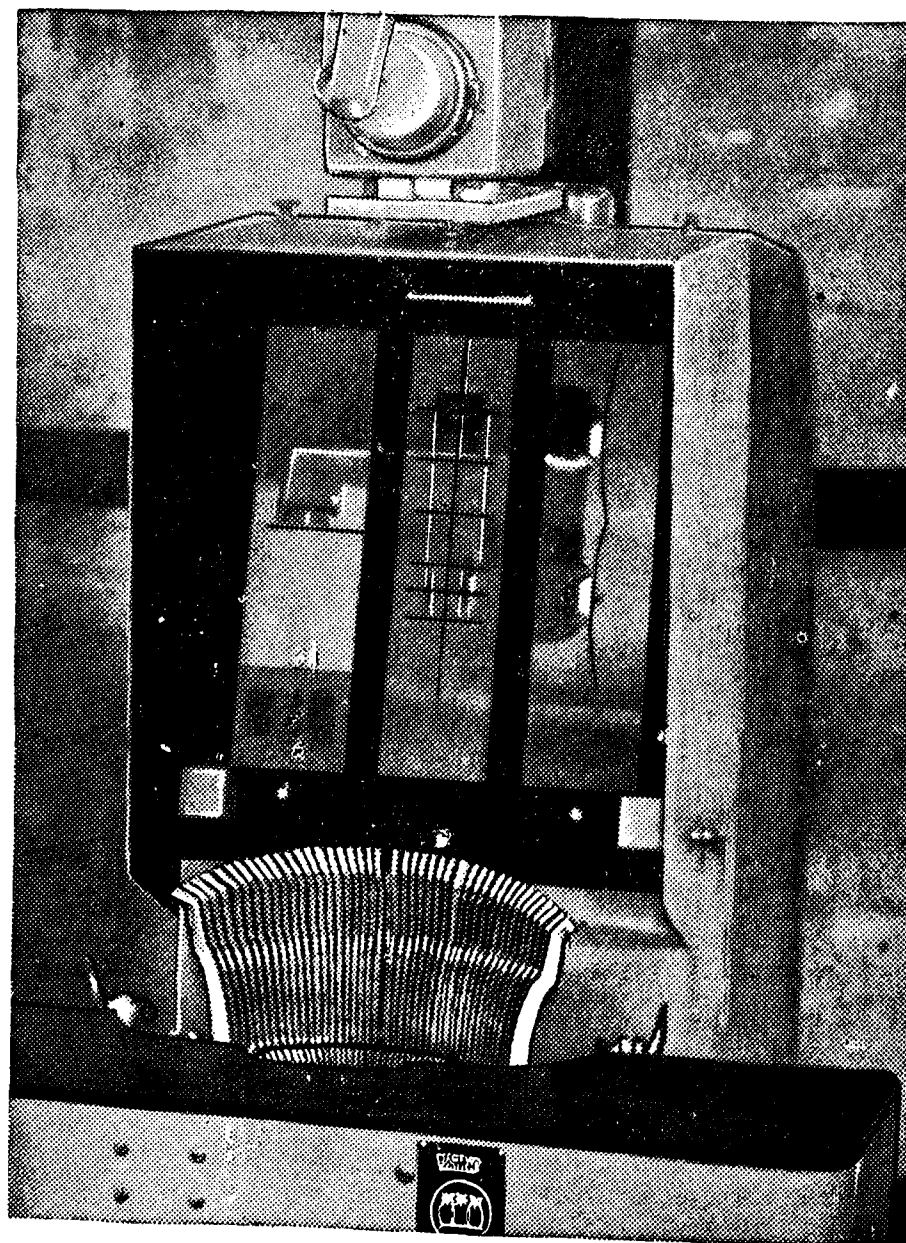
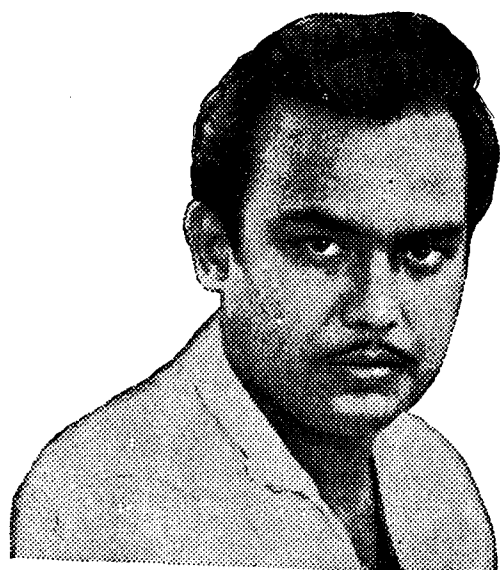
Britain seems determined to go all out in the current scramble among France, West Germany, Italy and other West European powers for capturing the vast Chinese market and is reportedly working out a multi-pronged plan for the purpose. A major exhibition of British industries in Peking is being organised for November this year. More than 100 top British firms are expected to participate. The exhibition which is described as Britain's "biggest show" abroad in recent years has full backing of the British Board of Trade. It is expected to be opened by Mr. Edward Heath, President of the Board. Observers feel that Britain's conciliatory attitude towards China at the recent Commonwealth Prime Ministers' Conference has to be viewed against the background of her determined bid to recapture the market which she considers to be the traditional outlet for her products.

A wide range of products will be on show at the November exhibition. These will include electrical and mechanical engineering goods, earthmoving and mining machinery, commercial vehicles and electronic equipment. Britain has already held two smaller exhibitions in Peking. One was an exhibition of scientific instruments (high precision measuring and manufacturing equipment) in April this year and the other was of mining and construction equipment in June this year. It is significant to note that China bought all the exhibits at "rock-bottom" prices. It paid £300,000 for all scientific instruments and a similar amount for mining and construction equipment. No fresh orders were, however, placed. Britain has also participated in some exhibitions organised by the Chinese. Besides, since 1962 she has been selling all types of goods, including strategic material, to China. These include special steels and nuclear radiation measuring equipment.

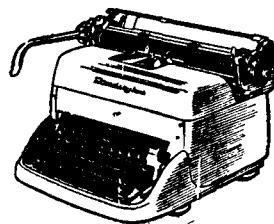
BALANCE OF TRADE DEFICIT

According to a tentative estimate prepared by the Department of Economic Affairs, Ministry of Finance, there will be a deficit of only about Rs. 260 crores in India's foreign trade in 1964 as compared to the actual deficit of Rs. 395 crores in 1963. The imports during 1964 are likely to be of the order of Rs. 1,095 crores and exports slightly over Rs. 835 crores as against Rs. 1,168.9 crores and Rs. 773.3 crores respectively in 1963. These projections are based on the assumption that the pattern of foreign trade observed during the first five months of 1964 will continue till the end of the year. Imports during the first five months of 1964 amounted to Rs. 456.17 crores as compared to Rs. 497.13 crores in the corresponding period of 1963. Exports increased from Rs. 311.30 crores in the first five months of 1963 to Rs. 331.05 crores in the first five months of 1964. The deficit in India's balance of trade during the first five months of 1964 has consequently been smaller at Rs. 125.12 crores as against Rs. 185.83 crores in the first five months of 1963. It is indicated that the rise

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in governmental imports vis-a-vis the decline in private imports in 1963 will be taken a stage further during the current year. Government imports during 1963 amounted to Rs. 568.2 crores — an increase of Rs. 118.5 crores over the figure for 1962. In sharp contrast to this, the private imports registered a decline of Rs. 33 crores to Rs. 600.7 crores during 1963.

WOOL GRADING SCHOOL

A wool grading instructors' training school will be started in Jaipur on August 10, 1964. It will be set up as part of the integrated sheep and wool development programme of the United Nations Special Fund. In the first instance the school will take 40 students for a six-month training. Most of the students are from among the officers working on wool extension centres in the State. Three Australian experts have been assigned to teach at the school for a period of three years. The school will prepare the necessary staff to manage the various wool shearing, grading and marketing centres to be set up in the State. The entire State is proposed to be divided into 14 "sheep districts", each district comprising a population of about five to six lakhs sheep. The State will also have nine grading centres and three marketing centres. The total annual wool yield in Rajasthan is estimated at 27 million lbs. of which about 7.4 million lbs. are said to be comb-worthy and capable of producing fine apparel.

AIR PARCELS TO MALAYSIA

New rates have been prescribed by the Directorate General, Posts and Telegraphs, for air parcels to Malaysia. These rates which came into force with effect from August 1, 1964, provide for a charge of Rs. 4.60 for the first 250 grams of weight in case of air parcels to Malaya, North Borneo (now called Sabah) and Sarawak (except Limbang, Lawas, Trusan and Sundar). Each additional 250 grams of weight of air parcels addressed to these places will be charged at Rs. 1.90. Air parcels to Limbang, Lawas, Trusan and Sundar in Sarawak will be charged at Rs. 5.55 for the first 250 grams and Rs. 2.85 for each additional 250 grams. This means that the rates which were earlier applicable only to Lawas will now be applicable to three more places in Sarawak, namely, Limbang, Trusan and Sundar.

STANDARDS FOR FOREIGN COLLABORATION

The ISI Advisory Committee on Implementation of Indian Standards has recommended that Indian manufacturers entering into foreign collaboration should adopt, wherever possible, Indian Standards and raw materials. It has been observed that, at present, in some cases where industries are set up with foreign technical collaboration, foreign standards for raw materials, spare parts, design practice and even the terms of measurement, are being used, when corresponding Indian Standards and raw materials are available.

CZECH FOUNDRY FORGE PLANT

A protocol, defining the scope of the foundry forge plant being set up in the public sector with Czechoslovak collaboration, was signed in New Delhi on July 29, 1964, between the governmental representatives of Czechoslovakia and India. This is in pursuance of the second agreement on economic collaboration between the two Governments signed on May 11, 1964. Czechoslovakia will supply the requisite machinery and equipment for the project and assist in putting up the plant. This is the second foundry forge plant being set up in India with Czechoslovak assistance. The project will comprise a main plant to be situated in Wardha, including a steel foundry and forge shop, and a branch plant for grey iron foundry, to be located at another place. The steel foundry will have a total annual capacity of 12,000 tons in castings and 13,500 tons in ingots for forgings. The plant will manufacture moulds required by producers of cast iron pipes and steel casting needed in trucks, tractors and other industries. It is also proposed

to set up a grey iron foundry with necessary auxiliary shops and facilities at the branch plant.

BRUSSELS FAIR

India will be participating in the 35th Food and Domestic Equipment Trade Fair to be held in Brussels (Belgium) from October 10 to 25, 1964. The fair is organised by the Co-operative Society of Manufacturers and Dealers of Materials and Products of Foodstuffs, Brussels, and is almost an annual feature in which many countries of Europe and other continents take part. It offers an excellent opportunity for stimulating our exports of foodstuffs and domestic equipment, particularly in Belgium and the adjoining countries. It will also help in establishing good trade contacts and in negotiating on-the-spot business.

SUGAR PRODUCTION GOES UP

According to the Indian Sugar Mills' Association the total production of sugar in the month of June, 1964, was about 9,000 metric tons as against 1,000 metric tons produced last season during the corresponding period. This brings the total half-yearly production till June 30, 1964 to 25,03,000 metric tons as against 20,93,000 metric tons during the corresponding period last season. The off-take of sugar from factories during the month of June, 1964, including 42,000 metric tons despatched for exports, was 2,12,000 metric tons as against 2,44,000 metric tons (including 73,000 metric tons despatched for export) during the corresponding period last season. The total despatch during first 8 months in 1963-64 season was 17,58,000 metric tons (including 2,35,000 metric tons despatched for exports) as against 21,03,000 metric tons (including 4,24,000 metric tons despatched for exports) by the same period last season.

SMALL SCALE INDUSTRIES

The Planning Commission is stated to be in favour of encouraging small-scale industries during the fourth Plan period at a much faster pace than has been possible hitherto. It is felt that although the third Plan laid a good deal of emphasis on the development of small industries, in practice the process has not made sufficient headway. There still remains considerable bias in favour of the large-scale sector.

With a view to correcting this bias, the Planning Commission thinks that production of nearly 54 industries — plastic goods, dyes, leather footwear, pressure cookers, bolts, nuts and screws, tape recorders wire products, metal buttons, locks, lanterns, cycle pumps, cigarette lighters, microscopes for students and medical use, mechanical toys, paints and varnishes, pesticides, detergents, soaps, etc. — should be exclusively reserved for the small-scale sector.

The Commission has proposed an investment of Rs. 500 crores on the development of small-scale industries during the fourth Plan. The annual rate of growth in this sector is envisaged to be stepped up from the present 4 per cent to 8/10 per cent.

FOREIGN PARTICIPATION IN STEEL INDUSTRY

In a statement issued on July 27, the Union Minister for Steel and Mines, Mr. N. Sanjiva Reddy, has denied that there is any proposal under the consideration of the Government to permit participation by foreign capital in the expansion of the Indian steel industry. The Government, he says, has no intention of deviating from the principles embodied in the Industrial Policy Resolution of 1956. The question of a shift in the Government's policy relating to the development of the public sector, hefore, does not arise.

The need for issuing this statement arose because in an interview to the Industrial Correspondent of the 'Statesman' Mr. Reddy was alleged to have expressed the view that he saw no harm in equity participation by foreign capital in the public sector steel plants in India. This had raised a controversy in the Press. Mr. Reddy hopes that after the clarification made by him now, this controversy will cease.

Company Affairs

EXPANSION OF ALUMINIUM CAPACITY

SOME TIME back the Government of India decided to raise the production capacity of aluminium for the third Plan to 120,000 tons instead of 85,000 tons. Important units in the industry consequently decided to raise their production capacity. Both Hindustan Aluminium Corporation Ltd., and Indian Aluminium Co. Ltd., decided to raise their capacity, for which these companies required foreign exchange. Last week a loan of \$11 million was approved by the Export-Import Bank for the Hindustan Aluminium Corporation. This loan will assure the first phase of expansion from 20,000 tons capacity to 48,000 tons, which is likely to cost nearly Rs. 13 crores. The balance is to be met partly by taking rupee loan from PL 480 funds and partly from company's own resources. HINDALCO approached the Government for permission to expand its capacity upto 60,000 tons for which it received the approval. This expansion will be achieved in two stages so that the first phase, which will take its installed capacity to 48,000 tons, is likely to be achieved by 1965. It has been indicated that the management of the company had no intention of making a fresh capital issue for this expansion programme. The company is already doing very well in the sense that the installed capacity of the present plant is 20,000 tons which yielded an actual output of 22,000 tons during 1963. During the current year it is expected to yield even better results because for the first five months its production has been of the order of 10,000 tons which means an output valued at about Rs. 3.60 crores. The sales for 1964 are expected to be around Rs. 8.5 crores and profit for the year at about Rs. 3.50 to 4.00 crores. A fact of remarkable significance is that the company has reached this stage within less than four years of starting the erection of the factory in 1960 so that HINDALCO has established a record of its technical efficiency.

The Indian Aluminium Company Ltd., had planned to raise smelter production from 11,000 to 16,000 tons of aluminium per year. To achieve this expansion the company has been extended a loan of \$900,000 by the Canadian Government in addition to the \$1 million credit provided last December. The loan is to be utilised to acquire additional capital equipment from Canadian suppliers, the Aluminium Company of Canada Ltd., Montreal, for the expansion of INDALCO's bauxite mine and alumina facilities at Loharga in Bihar, and of its smelter at Alupuram in Kerala. It has been agreed that the entire additional output of the Indian Aluminium Company will be of electrical conductor rod, which will be placed at the disposal of the Indian Government to help meeting high priority requirements of the rapidly developing electrical industry in India.

The Indian Aluminium Company is affiliated with the Aluminium Company of Canada and operates a fully integrated industry from bauxite mining, alumina and smelting facilities, to the production of aluminium sheets, foil and extrusions and other fabricated products. Recently it has approached the Government of India for a licence to build the first stage of a large integrated aluminium unit starting with a 30,000-tonne per annum smelter together with related alumina and bauxite facilities. The proposed smelter will draw power from the Sharavathi project in Mysore State. A separate application has been submitted to establish a rolling mill in Maharashtra State. When these industrial undertakings are through, a large integrated aluminium company will have been established with its principal unit in Mysore State. The

directors have convened an extraordinary general meeting to consider the possibility of transferring the registered office of the company from Calcutta to a suitable place in Mysore.

GWALIOR RAYON

The directors of Gwalior Rayon Silk Manufacturing Company Ltd., have recommended a higher dividend of Rs. 2.75 per share, subject to tax, for the year to March 31, 1964. A dividend of Rs. 2.50 per share was paid last year. The turnover has risen from Rs. 13.20 crores to Rs. 16.21 crores. The gross profit has also gone up from Rs. 426.96 lakhs to Rs. 433.84 lakhs. A sum of Rs. 163.35 lakhs has been provided for depreciation as against Rs. 83.89 lakhs last year. Provision for development rebate reserve has been lower at Rs. 7.98 lakhs as against Rs. 112.36 lakhs last year. The net profit for the year came to Rs. 248.53 lakhs as against Rs. 192.54 lakhs last year. The directors have proposed to transfer Rs. 15 lakhs to preference shares redemption reserve and Rs. 233.57 lakhs to general reserve. The proposed dividend including the dividend on preference shares will absorb in all Rs. 81.67 lakhs which is to be paid out of the general reserve. The company will be appropriating from the general reserve Rs. 6.71 crores being the tax liability for the past years upto March 31, 1964, since the Supreme Court decided the case for tax exemption against the company. As a result of this the general reserve has been reduced to Rs. 2.40 crores.

The company has been successful in producing rayon grade pulp and its production during 1963-64, the first year of production, is 7,500 tons and has been consumed entirely by its staple fibre factory. It has also produced 24,400 tons of paper pulp during the year. The production of rayon and paper grade pulp has saved foreign exchange to the extent of Rs. 3 crores. The company is expected to produce even a high quantity during the current year. The output of staple fibre has been higher at 29.67 million kgs. as against 28.78 million kgs. last year. It would have been even higher but for an accident in one of the ancillary units. The Government's decision in allowing Indian Cotton Mills Federation to import 8.35 million kgs. of staple fibre adversely affected the staple fibre market and this continued throughout the year under review. The selling price of staple fibre was also reduced and this affected the margin of staple fibre production. The working of the weaving division has been very satisfactory and suitings have earned a wide reputation. Even though an industrial licence was granted three years back to the company to manufacture rayon and other chemical plant machines, no appreciable progress has been made because of delay in the licence to import necessary plant and machinery.

The company has purchased a cotton textile mill at Bhiwani — Bhiwani Textile Mills — with an installed capacity of 18,000 spindles and 286 looms. It has been licensed to increase its capacity further by 9,200 spindles. The working of the unit is quite satisfactory. The company has also applied for a licence to set up a polynosic staple fibre plant with a capacity of 50 tons per day and for P.V.C. fibre plant with a capacity of 10 tons per day. The capital outlay on the first plant which is proposed to get priority is of the order of Rs. 4 crores and foreign collaboration for this project is being finalised. The working of the company during the current year has also been reasonably good.

PREMIER CABLE

The Premier Cable Company Ltd., will enter the capital market in the middle of August with a public issue of Rs. 52

lakhs comprising 300,000 equity shares of Rs. 10 each and 22,000 cumulative redeemable preference shares (93 per cent) of Rs. 100 each. The entire public issue has been underwritten. The company has an authorised capital of Rs. one crore and an issued capital of Rs. 70 lakhs of which the directors and their friends have taken up equity shares of Rs. 18 lakhs. The company will manufacture P.V.C. insulated power cables at its factory in Kerala. It has entered into technical collaboration with an East German manufacturer of aluminium conductor cables. The construction of buildings is under progress and machinery is expected to arrive by the beginning of 1965. It has been sanctioned a loan of Rs. 50 lakhs by the Industrial Finance Corporation of India.

NIMAR TEXTILES

The Nimar Textiles Ltd., a new company incorporated in Maharashtra to establish a textile mill at Khandwa, is likely to enter the capital market at the end of the next month to raise Rs. 42 lakhs by the issue of equity and preference shares. The authorised capital of the company is Rs. 3 crores made up of equity shares worth Rs. 2.50 crores and preference shares of Rs. 50 lakhs. The issued and paid up capital will be worth Rs. 50 lakhs of which Rs. 56 lakhs will be in equity shares and Rs. 14 lakhs in (9.5 per cent) cumulative redeemable preference shares of Rs. 100 each. The promoters, directors and their friends will take up equity shares worth Rs. 28 lakhs and the remaining equity shares worth Rs. 28 lakhs and preference shares worth Rs. 14 lakhs will be offered for public subscription. The entire public issue has been underwritten. The total cost of the project is estimated to be around Rs. 197.49 lakhs, out of which Rs. 70 lakhs will be raised by way of capital, Rs. 70 lakhs as a loan from the Industrial Finance Corporation of India, Rs. 12.65 lakhs as unsecured deposit from the managing agents and Rs. 34.84 lakhs by borrowing from banks. The balance of Rs. 10 lakhs will be raised by a further issue before going into full production of the entire complement of 25,000 spindles licensed to the company. Construction has already started and production is expected to begin by July 1965. Machinery worth Rs. 25 lakhs is to be imported from the United States and other countries.

CENTURY'S ISSUE

The response to the 8.57 per cent preference shares of the Century Spinning and Weaving Company Ltd., has been encouraging. The company offered 25,000 shares of Rs. 100 each at par to the existing shareholders in the ratio of one for five. Against this offer the company has received applications for 32,000 shares. The allotment of additional shares will be finalised in a few days.

BALLY JUTE ISSUE

The directors of the Bally Jute Company Ltd., have proposed to offer at par ordinary capital of Rs. 20 lakhs as right shares to the existing shareholders on the basis of one new share for every existing share held. This step has been proposed to be taken as a corrective measure to raise its paid-up capital in relation to assets of the company. Meanwhile, the working of the company has resulted in a lower net profit of Rs. 26.28 lakhs for the year ending March 31, 1964 against Rs. 38.19 lakhs last year. From this amount a sum of Rs. 10.48 lakhs has been set apart for depreciation, Rs. 4 lakhs for tax-

ation and Rs. 6.95 lakhs for development rebate reserve. Dividend on ordinary shares has been reduced from 25 per cent to 20 per cent, less tax.

BIRLA JUTE

Birla Jute Manufacturing Co. Ltd. improved its working during the year ended March 31, 1964 so that the net profit for the year, before providing for depreciation and taxation, was higher at Rs. 212.25 lakhs against Rs. 207.29 lakhs last year. Depreciation has been raised to Rs. 101.24 lakhs from Rs. 67.43 lakhs and development rebate reserve to Rs. 35.56 lakhs from Rs. 14.11 lakhs. The taxation provision is lower at Rs. 36 lakhs against Rs. 60 lakhs and development and rehabilitation reserve at Rs. 2.24 lakhs against Rs. 3.10 lakhs. After paying the dividend on ordinary and preference shares and reducing general reserve to Rs. 4 lakhs from Rs. 30 lakhs, there is a balance of nearly Rs. 40,000, which is forwarded to next year. The directors have decided to maintain dividend on ordinary shares at 15 per cent, less tax.

POYSHA ISSUE

The Poysha Industrial Company Ltd., proposes to enter the capital market shortly to offer for public subscription shares worth Rs. 60 lakhs. It plans to raise its capital from Rs. 25 lakhs to Rs. 110 lakhs. Of the additional capital to be issued, the existing shareholders will be offered shares in the ratio of one for one. The company is considering to obtain long-term loans of Rs. 74 lakhs from various financial institutions for its expansion programme. In addition to the modern factory to be set up near Thana, the company proposed to erect a factory each in Cochin and Ghaziabad. Additional printing machinery for the Bombay factory has been received and is awaiting installation. It has also secured permission for a second automatic body maker line for the Bombay factory which will enable quick changeover from one can diameter to another without much loss of time. Results of the company for 1963 show sales around Rs. 129.17 lakhs — nearly 18 per cent more than last year. Gross profit for the year was around Rs. 17.46 lakhs as against Rs. 9.14 lakhs last year. Equity dividend has also been raised from 9 per cent to 10 per cent.

ION EXCHANGE

Ion Exchange (India) Ltd., a subsidiary of the well-known Permutit Company Ltd., of London, will shortly produce in India a comprehensive range of modern polystyrene ion exchange resins of both cationic and anionic types. In addition, the company will design and engineer all types of Permutit plant to serve the growing demand of the Indian industry. Permutit plant and ion exchange resins are also used extensively in the chemical and metallurgical fields for purposes other than water treatment. Permutit plant is employed in the extraction of uranium from its ore. A large fully automatic Permutit plant of this type was expected to satisfy the existing requirements of the Indian Atomic Energy Authority. The establishment of this new manufacturing unit will strengthen considerably the country's industrial potential, more so it will help in saving the valuable foreign exchange. In fact the possibilities of export will also be explored, particularly in view of the parent company's worldwide reputation. Land has already been acquired and construction is ex-



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pected to be completed by February 1965. The issued capital of the company is Rs. 25 lakhs of which Rs. 15 lakhs has been subscribed by the Permutit Company Ltd., and the balance of Rs. 10 lakhs from Indian sources.

MODERN FAMILY PLANNING ISSUE

Modern Family Planning Products Ltd., a new company incorporated for the manufacture of family planning products and contraceptives on a large scale by highly automatic methods for the first time in the country, is expected to enter the capital market shortly to raise Rs. 15 lakhs by a public issue. The authorised capital of the company is Rs. 50 lakhs divided into 50,000 equity shares of Rs. 100 each. The issued and subscribed capital will also be Rs. 50 lakhs of which promoters, directors and their friends will take up shares worth Rs. 20 lakhs, foreign collaborators worth Rs. 15 lakhs and the balance of Rs. 15 lakhs will be offered for public subscription.

The company will manufacture Cooper Creme, Sampooon foam tablets, rubber diaphragms and jellies. It will also manufacture contraceptives like Dumas caps and check pessaries. It has entered into collaboration agreement with American and Japanese producers. The Government of India has granted a licence to the company to establish a factory near Bombay with a capacity of 360 tonnes of Jelley and Creme. It has also received a licence to produce 54 million pieces of foam tablets, besides 103.7 million condoms and sheaths, 1.2 million diaphragms, 1.68 million Dumas caps and check pessaries and 0.3 million gynecic models. The company hopes to achieve full production capacity by the end of 1965. Though initially the products will be made at the Wadala factory it has plans to shift its factory to Thana in the near future. Its research department had developed various contraceptives keeping in view the indigenous conditions.

BATALA ENGINEERING ISSUE

The Batala Engineering Company Ltd., a subsidiary of Mukand Iron and Steel Works Ltd., will enter the capital market shortly to raise Rs. 7.36 lakhs to finance its expansion schemes at an estimated investment of Rs. 120 lakhs. The company proposed to set up a factory at Ballabgarh near Delhi

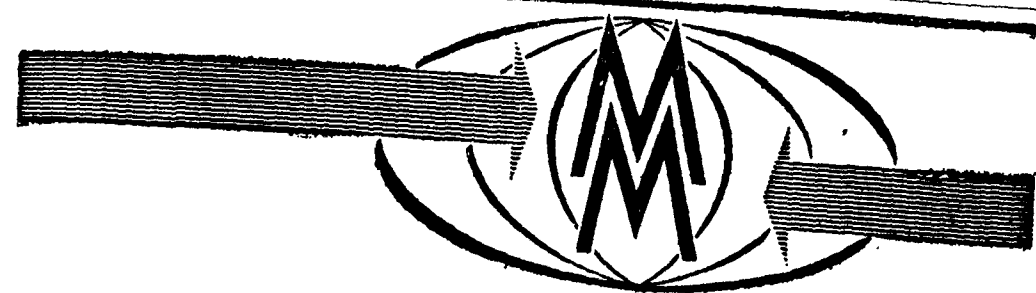
to manufacture production lathes and open-side hydraulic planing machines. It has been licensed to produce 360 lathes and 60 planers every year. The company has entered into collaboration with an Italian firm to manufacture these items. The Government has approved the company's application to import equipment worth Rs. 39.36 lakhs, subject to the availability of foreign exchange loan of Rs. 22.05 lakhs. The proposed public issue of Rs. 7.36 lakhs in 73,636 equity shares of Rs. 10 each at par, is the unsubscribed capital of the three for five rights issue of Rs. 8.25 lakhs made in last January.

In addition to the proposed plan at Ballabgarh the company intends to diversify its activities on its Batala factory for which it has received an import licence for Rs. 15 lakhs to import plant and equipment. The total capital investment for expansion programme which will cost nearly Rs. 120 lakhs will be financed by borrowings, internal resources and by increasing share capital. The company has been granted a loan of Rs. 15 lakhs from the National Industrial Development Corporation Ltd.

NEW SWADESHI MILLS

The New Swadeshi Mills of Ahmedabad Ltd. fared quite well during the year ended 31st March, 1964. The gross profit has gone up to Rs. 42.41 lakhs from the previous year's figure of Rs. 27.38 lakhs. Sales during the year went up to Rs. 482.25 lakhs as against Rs. 387.91 lakhs. Provision for depreciation was Rs. 21.81 lakhs as against Rs. 14.23 lakhs last year. Provision for taxation was Rs. 10 lakhs as against Rs. 3.57 lakhs. A sum of Rs. 5 lakhs has been carried to general reserve. Dividend on equity shares has been maintained at the rate of 10 per cent which means Rs. 10 per share.

During the year under review, the Company has purchased one more textile mill in Ahmedabad at a price of Rs. 55 lakhs as per the scheme sanctioned by the High Court of Gujarat. This mill, which remained closed for about eight months, has now been restarted employing about 3000 workers. In addition to the acquisition of the block assets of this mill as stated above, the Company has spent Rs. 11.96 lakhs on renovation and modernisation of its mill known as "New Swadeshi Mills". The Company now owns two textile mills in Ahmedabad.



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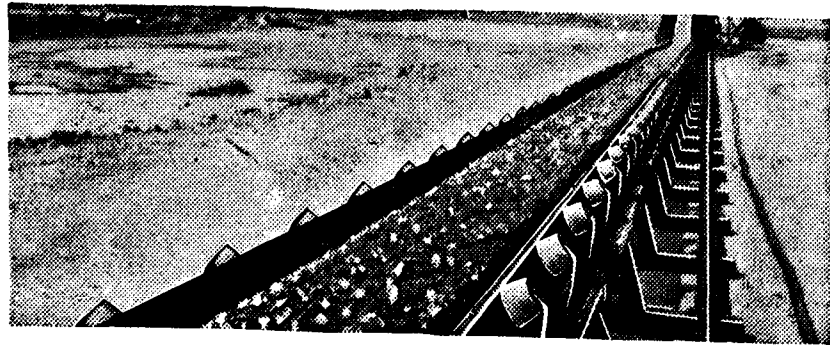
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BOOKS BRIEFLY

Here Was a Man

Hugh Gaitskell: 1906-1963: Edited by W. T. Rodgers; Thames and Hudson, London; Pp. 167; Price 25s

THIS IS a series of pen-portraits of the late Hugh Gaitskell by contributors who have attempted either to record the recollections of him during that stage of his life which each knew best or to convey their impressions of him in that role of his career which each perhaps found most interesting. Thus John Betjeman rightly writes of the times when he and Gaitskell were boys together at The Dragon School (Oxford), while Sir Maurice Bowra, Margaret Cole, Prof. Michael Postan and Marjorie Brett take the story further into the successive stages of New College (Oxford), Gaitskell's "discovery" of the Labour Movement, the evolution of his political ideas and his entry into Parliament respectively. Then comes a distinct division in the scheme of the book, with Gaitskell's political or trade union colleagues speaking of various phases of his career as civil servant, minister or leader of the Labour Party of which, by the time he died, he had become the unquestioned mentor and spokesman.

Editor W. T. Rodgers, in his introduction, claims that the book is intended to go some way towards answering these two questions: How was it that Hugh Gaitskell, from a conventional middle class environment, succeeded in becoming a political figure greatly respected not only in Britain but

throughout the world? What gave his early death the proportions of a major tragedy and left such a hollow gap in the lives of those who were close to him? It must be said that the contributions included in this publication go very far indeed, both individually and collectively, in answering those questions and perhaps farther still in their answer to the second one. A collection of this kind is bound to have many threads running through it, but on the present occasion we have an instance where it is not difficult to select the one that is most vital. There is striking agreement among the contributors to this volume of the essential quality of the individual who was Hugh Gaitskell, an agreement expressing itself in respect for his sharp intelligence, admiration for his intellectual courage and, above all, affection for the man because of his charm and worth as friend and companion. As if by common consent, every chapter in this volume concentrates almost furiously on demolishing that notorious Bevanite image of an ice-cold middle class intellectual who would function in the Party of Keir Hardie and Lloyd George only as a "desiccated accounting machine". Hugh Gaitskell emerges from these pages as a man of enlightenment, with a wholesome appetite for the good things of life, to whom the appeal of socialism lay precisely in its promise that those good things would in the widest commonality be shared.

V.B.

Readers' Roundtable

BALANCE OF ADVANTAGE

Sir, — I have read with interest the comments of V.B. on Mr. Masani's protest against export of rice, edible oil and bananas. While V.B.'s comments are fair, they are apparently based on such reports of Mr. Masani's views on the subject as have appeared in the Press. But please permit me to say there are some aspects to the objection to exports of these edible commodities which may not be known to many. In the first place, neither the Swatantra Party nor any of its spokesmen would have objected to exports of a given quantity of high-priced rice generally not in demand in this country to earn enough foreign exchange to import double that quantity of qualities of rice consumed here. That, however, was not the explanation furnished to the Swatantra Party by the STC. The STC, when approached, informed the undersigned that the rice exported was, after all, a negligible quantity meant for the use of the staff of Indian embassies and Indians residing abroad. Surely, even V.B. will agree that exports should not be allowed of any rice to meet this unbecoming demand of Indians abroad, especially in the prevailing circumstances.

As regards edible oil, I agree that no hasty action should be taken for the sound reasons stated by V.B. At the same time, I am sure, V.B. will not support those who have based their export targets of edible oil on their targets of production which have failed to materialise. The third Plan target for oilseeds production of 98 lakh tons is nowhere near sight even in the second half of the third year of the third Plan. Why, for that matter, the planners have not yet been able even to achieve the second Plan target of 78 lakh tons! Those responsible for this stagnation in oilseeds production have no right to indulge in the luxury of fixing impracticable export targets, even if they may be excused for failing to take note of the additional 10 million mouths every year of our mounting population.

In the case of banana exports by the Maharashtra State Co-operative Society to Italy, the Swatantra Party criticism relates also to the uneconomic nature of the deal — entailing a loss of as much as Rs. 11 lakhs in respect of just two consignments due to the rotting of the fruits on the way and the cost of destruction and disposal of the damaged plantains. No one can argue that this experience will be repeated in respect of future consignments also, particularly after all the steps now proposed to be taken to prevent such damage in transit. Nor would any one wish it when the Society has fixed an export target of 14,500 tons of bananas to yield nearly a crore of rupees in foreign exchange.

At the same time, is it not pertinent to restrict exports of a fruit which constitutes probably all the mid-day meal to lakhs of people as in Bombay? At least the export of those varieties that cannot stand long voyages could be stopped. And to make the proposition more profitable — also to provide more employment — is it not better to process bananas into banana powder and export it in that form? Is V.B. aware that a small venture that has started doing this business with foreign collaboration has orders which will keep it busy, at its present rate of production, for the next five years? As a well known economist, V.B. should appreciate that the balance of advantage lies in favour of exporting banana powder and not bananas.

MADHU MEHTA.

Bombay.

II

Sir, — In "Eastern Economist's" issue of July 24, V.B. of 'The Moving Finger Writes' congratulates the Jalgaon Co-operative Society "on its enterprise" — namely banana export. But is it possible that V.B. hasn't heard, or has completely overlooked, the fact that this project cost the Co-op. over Rs. 7 lakhs in losses? Surely this sort of performance calls for anything but congratulations! It is all very well to launch into new experiments — after all "nothing venture,

nothing win" — but let's also maintain a certain amount of discretion in patting each blunder on the back. It seems the Centre magnanimously has stepped in to fill the breach and will make good the loss to the Jalagaon Co-op. Society. In all fairness let's ask this question: Exactly how many private enterprises has the Centre helped in their losses in new ventures? Surely the Co-op. should have first studied the marketing methods of a highly perishable product — a very specialized field — before starting to export. This is just one more example of the slipshod way in which we run things. Apart from depriving the already starved home market of yet another cheap food, the arrival of a perished cargo/cargoes of bananas could hardly have added anything to the stature of Indian goods abroad.

ZENOBIA BOYCE.

Bombay.

[V.B. writes: "From the first paragraph of Mr. Madhu Mehta's letter it is clear that the Swatantra Party's objection to the export of a small quantity of high-priced rice was prompted by inadequate information regarding the economics of the trade. Mr. Mehta blames the STC for not shedding full light on the circumstances of rice exports, but then why should he have imagined that the STC would be a competent expounder of government policies? He could have sought enlightenment elsewhere. In any case, I cannot share Mr. Mehta's contempt for Indians abroad wanting to have some good quality rice to eat. After all, a certain amount of quality rice is being produced in this country and has to be consumed. There is no harm in our sharing a part of it with others, who are willing to pay for it. The only issue, as I pointed out in my column of July 24, is whether these exports constitute a net advantage or a net disadvantage. The evidence is clear that they confer a benefit. By exporting a ton of superior rice at about £90 per ton, we are securing enough foreign exchange for about three tons of imported foodgrains. The point cannot be overemphasized that while a certain quantity of foodgrains has to be imported from abroad, the foreign exchange for the purpose is strictly limited and can bear being added to in all possible ways.

As for bananas, Mr. Mehta as well as Miss Boyce ought to make up his or her mind what precisely he or she is objecting to. If the contention simply is that no banana should be exported at all because there is a market for them in India, I am afraid this line of reasoning would justify a good part of our export trade being wound up. It is true that bananas are a relatively inexpensive article of food, although I doubt that they are a substitute in any significant sense for foodgrains. But even assuming that they are a marginally important element in our domestic food supplies, is it not possible that the emphasis should be on producing more bananas so that export opportunities may also be availed of? It is surely possible that the emergence of a profitable export outlet could provide an incentive to the banana grower to step up his output. There have been recurring cases in the economic histories of nations of export opportunities resulting in increased production, improved quality, better marketing practices and lower prices from all of which the domestic consumer stands to profit perhaps even more than the foreign customer.

As for the misadventure of the Jalagaon Co-operative Society, I repeat my suggestion that it is possible to be too hard on a pioneering effort. I am aware that a loss has been incurred through the consignment of bananas to Italy going bad in transit. But such occurrences are not uncommon in world trade, especially when business is attempted in new directions. Can it be seriously claimed that no exporter in the private sector has ever burnt his fingers? I am second to none in my preference for normal trade channels, but I also believe that co-operative societies can and ought to be encouraged to function in a normal businesslike manner. I am glad to note that Mr. Mehta at least harbours no unkind thought towards the Jalagaon Co-operative Society's Rs. one-crore programme of banana export. I appreciate also his point about export of banana products. But I would suggest that the banana as a fruit is, in its own right, an article of merchandise, and since there is always a market for the banana in its true state, taste and flavour, India need not deny itself export opportunities in this direction. Our aim, in other words, should be to export bananas as well as banana products or banana chips"—Ed.]

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RECORDS AND STATISTICS

Foreign Collaborations

(Approved during April - June 1964)

Name of Indian firm	Name of foreign firm	Item of manufacture
INDIA — U.K.		
M/s. Advani Private Ltd., 3D, Garstin Place, Calcutta-1.	M/s. Dalmas Ltd., 215, Charles Street, Leicester, U.K.	Surgical adhesive plasters and industrial material tapes.
M/s. Bharat Auto Parts Manufacturers Pvt. Ltd., Vallabh Vidya Nagar Industrial Zone, Station Road, P.O. Karamsad, Distt. Kaira.	M/s. Quinton Hazell Ltd, Clowyn Bay, North Wales, Great Britain.	Clutch assemblies.
M/s. Elecon Engineering Co. Ltd., Vallabhvidyanagar, Gujarat.	M/s. Richard Sutcliffe Engineering Systems Ltd., Herbury, Wakefield, Yorkshire, England.	Belt conveyor system.
M/s. Hyderabad Allwyn Metal Works Ltd., Sanatnagar, Hyderabad-18.	M/s. Carrimore Six Wheeler Ltd., North Finchley, London No. 12.	Trailers and semi-trailers.
M/s. Kirloskar Pneumatic Co. Ltd., Jeevantara, Parliament Street, New Delhi-1.	M/s. Broom & Wade Ltd., U.K.	Air compressors.
M/s. Kilburn and Company Ltd., 2, Fairlie Place, Calcutta-1.	M/s. W. H. Nelson Ltd., U.K.	Air break dry controller and resistances A.C. and D.C. Motors.
M/s. Marshall Sons & Co. (Manufacturing) Pvt. Ltd., Marshalls Building, 9, Second Line Beach, Madras-1.	M/s. W. H. Baxter Ltd., 71, Gelderd Road, Leeds 12, U.K.	Crushers and quarrying plants.
M/s. Mahindra Sintered Products Ltd., Gateway Building, Appollo Bunder Bombay-1.	M/s. Birfield Overseas Ltd., 20, Hill Street, London-W. 1.	Iron, copper and tin powder.
M/s. National Engineering Industries, Ltd., Jaipur.	M/s. International Nickel Company (Mond.) Ltd., Millbank, London S.W.1.	Castings of magnesium, treated cast iron
M/s. New Standard Engineer Company Limited, Carroll Road, Bombay-13.	M/s. B. & S. Massey Ltd., Openshaw, U.K.	Trimming, presses.
M/s. Rane (Madras) Ltd., Rane Buildings, 47, Velachery Road, Madras-32.	M/s. Small & Parkes Ltd., Handloom Vale Works, Manchester, England.	Molded brake linings and clutch facing.
Shri M. M. Rafi, Barkath Stores, 6, Mahatma Gandhi Road Mayuram.	M/s. Techados Monterrey, Mexico.	Asphalt roofing materials.
Shri C. Rai, Fort House, 221, Dadabhoy Nauroji Road, Bombay.	M/s. Pyrene Company Ltd., Great West Road, Brentford, Middlesex, U.K.	Phosphating chemicals.
M/s. Ruston & Hornsby (India) Ltd., 1, Forbes Street, Bombay-1.	M/s. Propulsions of U.K.	Propellers and sterngear.
Shri R. N. Shah, C/o. M/s. Shah & Shah, Darbargadh, Bhavnagar (Gujarat).	M/s. Rotunda Ltd., Manchester (England).	Black adhesive insulating tapes and white pressure sensitive adhesive paper or cloth tapes.
M/s. Service Parts Pvt. Ltd., 20/21, Stephen House, Dalhousie Square, Calcutta-1.	M/s. Cords Piston Ring Co. Ltd., London.	Cord piston rings.
Shri H. K. Shah, C/s. C. Ramon & Co., 35, French Road, Kastur Nivas, Bombay-7.	M/s. Montex Ltd., 29, Museum Street, London W.C.1.	Automobile ancillaries — automobile gear etc.
M/s. Sikands Limited, 2nd Floor, 59 Janpath, New Delhi.	M/s. Rubery, Owen & Co., Ltd., Booth Street, Stafford (England).	High tensile fasteners.
M/s. Super Seals India Private Limited, 54, Hanuman Road, New Delhi-1.	M/s. Super Oil Seals and Gaskets Ltd., Birmingham Factory, Centre Kings Norton, Birmingham, England.	Hydraulic rubber brake hoses.
M/s. Ultradent Private Ltd., 4, India House, Fort Street, Bombay-1.	M/s. Amalgamated Dental Company Ltd., U.K.	Dental equipment.
M/s. Vinar Limited, 24, Theatre Road, Calcutta-16.	M/s. Resources and Facilities Limited, 152, Sloane Square, London W.1. U.K.	Conveyors.
M/s. Voltas Limited, 19, Graham Road, Ballard Estate, Bombay-1.	M/s. Wharton Crane & Hoist Co. Ltd., Reddish, Stockport, U.K.	Electric hoists and crafts for electric overhead travelling crane.
M/s. Walchandnagar Industries Ltd., P.O., Walchandnagar, Distt. Poona.	M/s. G & J Weir Ltd., 149, Newlands Road, Cathcart Glasgow S.4, Scotland.	Steam turbines.

FOREIGN COLLABORATIONS — Contd.

(Approved during April - June 1964)

Name of Indian firm	Name of foreign firm	Item of manufacture
INDIA — U.S.A.		
M/s. American Refrigerator Co. Ltd., 20-A, Najaigarh Road, New Delhi-15.	M/s. Chicago Blower Corporation, Illinois, U.S.A.	Industrial blowers.
M/s. Birla Gwalior Private Limited, 15, India Exchange Place, Calcutta-1.	M/s. International Paper Co., New York, U.S.A.	Paper and newsprint.
	M/s. Beloit Eastern Corporation, U.S.A.	Paper making machinery.
M/s. Delta Remco Products Corporation (I), Delta House, 18th Road, Bombay-52.	M/s. Remco Products Corporation, York, Pa, U.S.A.	Engine valves.
M/s. Gandhi Electric Industries (P) Ltd., 94, Meadows Street, Fort, Bombay.	M/s. Wagner Electric Co., U.S.A.	Fractional horse power meters.
M/s. Hyderabad Allwyn Metal Works Limited, Sanatnagar, Hyderabad.	i) Anthony Company, Streator, Illinois, U.S.A.	Hydraulic hoists and tipper and dumper bodies.
	ii) M/s. Western Corporation, Muskegon, Mich, U.S.A.	Landing gear or vertical front supports.
Shri Indar Singh, M. 132, Connaught Circus, New Delhi-1.	M/s. A. C. F. Industries Corporated, 2840 No., Spring Ave. St. Louis, Mo., U.S.A.	Carburettors, fuel pumps, etc.
M/s. Kirloskar Pneumatic Company Ltd., Hadapsar Industrial Estate, Poona - 13.	M/s. Twin Disc. & Clutch Company, U.S.A.	Power transmission equipment (torque converters)
M/s. Kalvinator of India Limited, 28, New Industrial Town, Faridabad (Punjab).	M/s. Rudy Manufacturing Company, Michigan, U.S.A.	Refrigerator evaporators.
INDIA — WEST GERMANY		
M/s. Auto-cy Machine Products, Chelabhai Mansion, 34, Chowpaty Road, Bombay-7.	M/s. Semprex Erzeugnisse, West Germany.	Tyre tube valves for automobiles.
M/s. Dr. Beck & Co. (India) Ltd., Gateway Building, Apollo Bunder, Bombay-1.	M/s. Dr. Beck & Company, G.m.b.H., Hamburg, West Germany.	Synthetic resins.
M/s. Brunton & Company Engineers Ltd., Ballard Road, Cochin-1.	M/s. Spintex Spinnerie Maschinenbau Stiehl Fromm & Co., West Germany.	High speed draw frames.
M/s. Bharat Auto Parts Manufacturers Pvt. Ltd., Vallabh Vidya Nagar, Industrial Zone, Station Road, P.O. Karamsad, Distt. Kaira, Gujarat.	i) M/s. Paul Bernhardt, Hamburg-1.	Tie rod end and universal joint cross.
Shri A. Doraiswamy Naidu, 8/146-B, Trichy Road, Singanallur Post, Coimbatore.	ii) M/s. Werkzeugmaschinenfabrik Salzgitter, G.m.b.H., Germany.	
M/s. Glass & Miniature Bulb Industries, 84/22, Fazalganj, Kanpur-9.	M/s. M.S.O. Maschinenund Schleifmittelwerks A.G. Offenbach/main, West Germany.	Universal grinding machines.
M/s. General Abrasive Co. (P) Ltd., Patel Estate, Bombay-62.	M/s. H. F. Cordes & Co., West Germany.	Fluorescent tubes.
M/s. Hoechst Dyes & Chemicals Ltd., Parekh Mahal, Vir Nariman Road Churchgate, Bombay-1	M/s. Naxos-Union Schleifmittel-Und Schleifmaschinen-Fabrik, Frankfurt (Main), West Germany.	Bonded abrasives.
M/s. Industrial Minerals and Chemicals Co., 125, Narayan Dhru Street, Nagdevi, Bombay-3.	M/s. Farbwerke Hoechst A.G. West Germany.	'Hoechst' Acid pre-cements.
M/s. T. T. Krishnamachari and Company, Pharmaceutical Division, 331-333, Thambu Chetty Street, Madras-1.	M/s. Huco Wachenfeld, Dusselderf-Oberkassel, Schanzenstrasse-780, West Germany.	Fluxes for treatment of ferrous and non-ferrous metals.
M/s. Kalinga Otto Private Ltd., 24-B, Park Street, Calcutta-16.	M/s. Kali-Chemie Ag., Hanover, West Germany.	Pancreati.
M/s. Narendra & Co., Hanuman Chowk, Dehra Dun.	M/s. Karrena Feuersrungsbau, GmbH, Duesseldorf - Rath, Ruedigerstr-20, West Germany.	Karrens' design refractory bricks.
Shri S. Prakash Chopra, C/o S. P. Chopra & Co., 'F' Block, Connaught Place, Radial Road No. 7, New Delhi-1.	M/s. J. Meissner, West Germany.	Black powder.
M/s. Dr. Paul Lohmann (India) Ltd., 23, Cemac Street, Calcutta-16.	M/s. Lurgi Gesellschaften, Frankfurt, Federal Republic of Germany.	Consultant engineering firm.
	M/s. Karl Fisher of West Germany and Dr. Paul Lohmann, West Germany.	Formic acid, Oxalic acid and Sodium formate.

FOREIGN COLLABORATIONS—Contd

(Approved during April - June 1964)

Name of Indian firm	Name of foreign firm	Item of manufacture
Shri N. J. Patel, Ram Niwas, Race Course Road, Baroda.	M/s. J. F. Nold & Co., Stockstadt/Rhein, West Germany.	Perforated metal screens.
Shri R. K. Somani, Moha House, 29, Strand Road, Calcutta-1.	M/s. G. H. W. and M/s. Buderus West Germany.	Cast iron spun pipes.
M/s. Saran Engineering Company Ltd., Marhowrah Works Branch, Marhowrah, Saran Distt., Bihar MARHOWRAH.	M/s. Beche & Grohs, GmbH, Hockeswagen, West Germany.	Pneumatic power hammers.
M/s. Utkal Machinery Ltd., Kansbahal, Near Rourkela, Rourkela-1 (Orissa).	i) M/s. Gutenhoffnungshutte Sterkrade Aktiengesellschaft, Werk-Sterkrade, Oberhausen-Sterkrade, West Germany.	Sugar mill machinery.
	ii) M/s. Heinrich Koppers GmbH, Essen, West Germany.	
	iii) M/s. J. M. Voith GmbH Heindenheim/Bens, West Germany.	
M/s. Utkal Machinery Ltd., Kansbahal, Near Rourkela, Rourkela-1.	M/s. Schuler A.G. Goepfingen, West Germany.	Schuler presses.
Shri K. C. Venkatesh, 275, Jayarajnagar, Block-2, Bangalore-11.	M/s. Hestika Spezialmaschinenfabrik Karl Hees K. G. & Company, 714, Ludwingsburg, West Germany.	Special purposes machine too's (Turret Lathes) etc.
INDIA — JAPAN		
M/s. Associated Cement Companies Ltd., 82-84, Jan Path, New Delhi.	M/s. Hitachi Ltd., Tokyo, Japan.	Electric over head travelling cranes
Atul Products Ltd., Atul W. Railways, Distt. Surat.	M/s. Hodogaya Chemicals Ltd., 2-1, Shiba Kotenira-Cho, Minato-Ku, Tokyo.	Phosgene.
Shri A. M. Bhalla, Baradari Gardens, Nihal Bagh, Patiala.	M/s. Chuo Katan and Co. Ltd., Japan.	Malleable iron castings.
M/s. Currimbhoy Industries, 286/A, Thiruvottiyur, High Road, Madras-21.	M/s. National Vacuum Bottles Manufacturing Co. Ltd., 161, Hokusho-cho 3-Cho, Sakai City, Osaka Prof, Japan.	Steel glass vacuum — refills.
M/s. Des Raj Basant Ram Jain and Sons, Gaii Matke Wali, Sadar Bazar, Delhi-6.	M/s. Penguin Co. Ltd., 12, 2-Chome, Asakusa Kotobuki-Cho, Da-to-KU Tokyo, Japan.	Cigarette lighters and gas lighters.
M/s. D. C. M. Engineering and Development Works, Najaigarh Road, New Delhi-15.	M/s. Shiu Etsu Chemical Industry Co. Ltd., Tokyo, Japan.	Caustic soda plants
M/s. Famous Cine Laboratories and Studios Ltd., 20, Haines Road, Mahalaxmi, Bombay-11.	M/s. KOKUSAI Shoji, Kabusn'iki Kaisha, Japan.	Mirror reflectors for cine projectors.
M/s. Himalay Paper (Machinery) Pvt., Ltd., 20, Seven Tanks Lane, Calcutta-20.	i) M/s. Saito Iron Works Co. Ltd., 3-Chome Hyoshicho, Yoshihara City, Japan.	Paper making plant.
	ii) M/s. Hasegawa Iron Works Co Ltd., 307, Matsuoka, Fuji City, Japan.	Disc. finers for paper machines.
	M/s. Sumitomo Electric Industries Ltd., Osaka, Japan.	Power cables.
M/s. The Omega Insulated Cable Company (India) Ltd., P.O., Box 704, 122/2, Mount Road, Madras-8.	M/s. Diimarui Industrial Co., Ltd., Japan.	Welding electrodes.
M/s. South East Asia Electricals, 177-179, Mount Road, Madras-2.	M/s. Mitsubishi Electric Manufacturing Co. Ltd., Japan.	Safety breakers.
M/s. Universal Electric Ltd., Diamond Harbour Road, P.O. Joka, 24, Farganas (West Bengal).		
INDIA — SWITZERLAND		
M/s. Atul Drug House, 85, Dr. Annie Besant Road, Worli, Bombay-18.	M/s. Laboratories Vifor S.A., 48, Route de Drize, Geneva, Switzerland.	Flex-flac-plastic apparatus.

FOREIGN COLLABORATIONS—Contd

(Approved during April - June 1964)

Name of Indian firm	Name of foreign firm	Item of manufacture
Shri M. Basavarajappa, C/o M/s. Ravi Metalloide, Jalahalli Post, Bangalore.	M/s. Oerlikon Machine Tool Works, Buerhle and Company, Zurich, Switzerland.	Universal drilling and boring machines.
M/s. B. K. Khanna & Co. (P) Ltd., 14-F, Connaught Place, New Delhi	i) M/s. Establishments Sim of Switzerland ii) M/s. Karl Schmidt, West Germany.	Piston rings. Pistons.
M/s. SLM-Maneklal Industries Ltd., Vaswani Mansion, Dinshaw Vachha Road, Bombay-1.	M/s. Navak Engineering of Switzerland.	Castings for the manufacture of diesel engines, water ring pumps, exhausters, compressors and roots blowers.
M/s. Tirath Ram Ahuja Pvt. Ltd., Engineers and Contractors, 16, Fire Brigade Lane, New Delhi.	M/s. B. B. R. of Zurich (Switzerland).	BBRV presstress concrete.
M/s. Walchandnagar Industries Ltd., P.O. Walchandnagar, (Dist. Poona; Maharashtra).	M/s. Maag Gear-Wheel Co. Ltd., Hardstrasse, Zurich, Switzerland.	Gears.
INDIA — EAST GERMANY		
M/s. Itraco Private Ltd., Alice Building, 339, Dadabhoy Naoroji, Bombay-1.	M/s. Kjellberg Electroden Und Maschinen G.m.b.H. (represented by LIMEX m.b.H.)	Welding electrodes.
M/s. Arc Electrodes (P) Limited, 11/12, Second Line Beach, Madras	-do-	Welding electrodes.
M/s. Southern Electrodes (P) Limited, 'Dhun Villa' Dinabad Estate, Hyderabad-1.	-do-	Welding electrodes.
Shri G. C. Patel C/o M/s. EAW Motors and Motors, Pvt. Ltd., 8, Rampart Row, Bombay-1	M/s. EAW, Treptow, G.D.R represented by the Foreign Trade Co., Limex, m.b.H., Berlin.	Electric measuring instruments.
Shri Har Kishore Jain, Ivanhoe Buildings, Foreshore Road, Bombay-1.	M/s. Limex G.m.b.H. Berlin, GDR.	Automatic socks knitting machines.
M/s. Industrial Plants Ltd., 36, Ganesh Chandra Avenue, Calcutta-13.	M/s. Veb Grossdeshmaschinenbau 8, Mai Karl Marx Stradt, GDR.	Centre Lathes.
INDIA — FRANCE		
Dr. P. K. Chakravarty, 16, North Road, Jadavpur, Calcutta-32.	M/ss. Tractel, S.A. 16, Place de la Republique, Paris.	Tractel range of universal pulling and lifting machines.
M/s. Enamelled Wires Private Limited, C/o Mash Trading Co., Odeon Building, Connaught Circus, New Delhi.	M/s. Alsthom, 38, Avenue Kleber, Paris-16, France.	Wire enamels and impregnation varnishes.
M/s. Indo-French Suedes Ltd., 110, Medows Street, Fort Bombay-1.	M/s. Societe Nouvelle Le Flockage, 92, Avenue de la Manufacture, Chateauroux (France).	Suedes.
M/s. International Equipment Corporation Private Ltd., 21, Sunder Nagar, New Delhi.	M/s. Jouan, 113, Boulevard Saint Germain, Paris 60; M/s. Beaudouin, 1, rue Tataud, Paris; M/s. Societe A. Jobin & Yvon, 26, rue Berthollet, Arbueil France.	Various process control instruments.
Shri V. K. Nevatia, M/s. Vinar Limited, 2A, Theatre Road, Calcutta-16.	M/s. Arthur Marcin, Paris, France.	Gas and electric cookers.
INDIA — AUSTRIA		
M/s. K.G. Khosla & Co. (P) Ltd., 1-Deshbandhu Gupta Road, New Delhi.	M/s. HOERBIGER, Ventilwerch, A.E. 23, Braunhubergasse, Vienna XI, Austria.	Disc and plate valves.
M/s. Mysore Electro-Chemical Works Ltd., Post Box No. 1022, Bangalore.	M/s. Sempriet, Austria.	Battery containers components of storage batteries.
INDIA — HOLLAND (NETHERLANDS)		
M/s. Indian Textiles Co. Pvt. Ltd., 13-N, Connaught Place, New Delhi.	M/s. Noordster, N.V. Tapitfabriek, Loosdrecht, Holland.	Floor covering based on P.V.C., etc.

FOREIGN COLLABORATIONS — Contd.
(Approved during April - June 1964)

Name of Indian firm	Name of foreign firm	Item of manufacture
INDIA — NORWAY		
M/s. Tungabhadra Steel Products Ltd., P.O. Tungabhadra Dam, Distt. Bellary (Mysore State).	M/s. Ferrum Montage, Oslo, Norway.	Penstock pipes and special vessels.
INDIA — CANADA		
M/s. Steelcrete Pvt. Ltd., 15, Brabourne Road, Calcutta-1.	M/s. Foundation Overseas Limited, Toronto, Canada.	Civil engineering work.
INDIA — CZECHOSLOVAKIA		
M/s. Electric Construction and Equipment Co. Ltd., 24, Parganas, P.O. Parbangla, West Bengal.	M/s. KRALOVOPOLSKA STROJIRNA BRNO, Czechoslovak National Enterprise, Prague, Czechoslovakia.	Electric overhead travelling cranes.
INDIA — POLAND		
M/s. Modern India Construction Company Ltd, 2, Brabourne Road, Calcutta-1.	M/s. CEKOP, Poland.	Grinding machines.
M/s. New Standard Engineering Company Ltd., Carroll Road, Bombay-13.	M/s. Centrala Handlu Zaczarnicznego Obiektow Przemyslowych CEKOP, 40, Mokotowska, Warsaw, Poland.	Hot blast cupolas.

CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(Base: August 1939 = 100)

(Base: August 1959 = 100)

		Bombay		Delhi	Bengal	U.P.	Bombay	Madhya	Madras	E.P.		
Period		Bombay	Bombay June 1934 =100	Ahmeda- bad July 1927= 100	Delhi†	Calcutta	Kanpur	Nagpur	Jabbul- pur†	Madras June 1936= 100	Ludh- ianat	All† India
1955	.. ..	322	338	218	130	334	371	364	133	321	134	132
1957	.. ..	352	363	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	463	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	402	511	502	198	484	182	179
1963*	.. ..	424	445	299	176	446	524	522	207	488	190	185
1962	August	433	454	303	177	431	530	510	204	488	187	184
	September	429	450	310	176	434	525	506	204	488	187	182
	October	425	446	290	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	416	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	500	500	201	438	187	182
	June	425	446	297	174	448	509	522	202	485	189	185
	July	427	448	300	175	448	530	540	204	487	192	186
	August	428	449	302	177	449	537	541	213	490	194	188
	September	433	454	305	179	459	540	552	216	490	194	189
	October	432	453	306	179	469	547	550	216	489	192	190
	November*	433	454	312	182	459	561	554	216	494	194	190
	December*	460	481	333	185	459	566	553	219	508	200	193
1964	January*	462	483	—	185	438	565	567	230	508	203	193
	February*	468	489	—	191	438	584	601	239	506	208	196
	March*	475	496	—	191	455	589	590	240	511	208	197
	April*	476	497	—	193	463	594	591	237	514	207	199
	May*	—	—	—	190	—	594	—	239	526	202	203
	June*	—	—	—	191	—	608	—	—	546	—	—

* Provisional.

† Base 1944 = 100.

Source: Indian Labour Journal.

CEMENT OUTPUT AND CAPACITY IN THE FIRST HALF OF 1964

(In '000 tonnes)

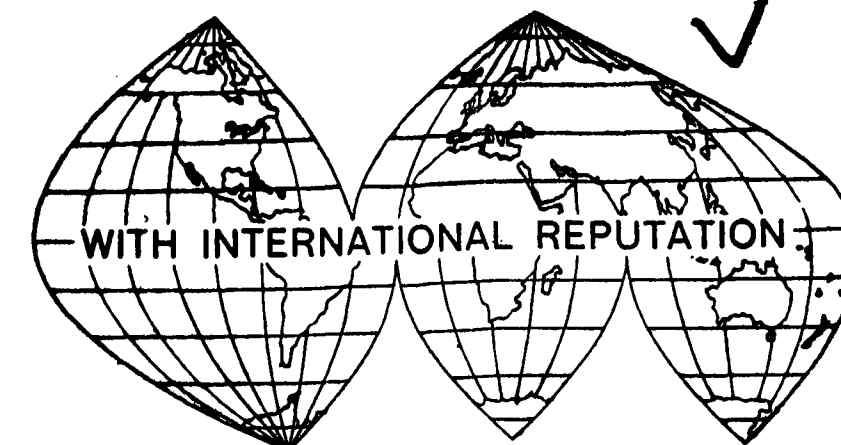
Name of Member	Capacity for	Performance for the first two			Percentage	Capacity for
	Production	quarters of 1964			of production	production
	of 'Cement	Product'on	Cement	Cement	to capacity in	of 'Cement
	equivalent of						Ground	Despatches	the first two	equivalent
	clinker' in the	of 'Cement			quarters of	of clinker' in
	first two	equivalent			1964 Col.2/	the second
	quarters of	of clinker'			Col. 1	quarter of
	1964					of 1964
	(1)	(2)	(3)	(4)	(5)	(6)
The Associated Cement Cos. Ltd.	2001.5	1933.3	1953.3	1943.0	96.8	1000.7
The Andhra Cement Co. Ltd.	94.5	84.0	82.3	80.4	88.9	47.3
The Ashoka Cement Ltd	100.0	79.8	81.5	81.1	79.8	50.0
Bagalkot Cement Co. Ltd.	99.2	92.0	96.0	95.5	92.8	49.5
Dalmia Cement (Bharat) Ltd.	209.5	240.2	246.9	243.7	114.7	104.8
Dalmia Dadri Cement Ltd.	96.6	99.3	96.9	98.8	102.8	48.3
The India Cements Ltd.	331.5	332.8	313.2	309.9	100.4	165.8
Jaipur Udyog Ltd.	375.0	369.0	357.5	361.5	98.4	187.5
Kalyanpur Lime & Cem. Works Ltd.	73.0	66.7	71.4	71.4	91.4	36.5
The K.C.P. Limited	127.0	93.2	107.2	108.3	73.4	63.5
Madras Cements Ltd.	94.4	73.5	80.4	89.1	77.9	47.2
Orissa Cement Limited	185.5	184.5	177.2	176.6	99.5	92.8
Panyam Cements & Mineral Industries Limited	34.3	41.8	40.7	39.5	121.7	17.2
Rohtas Industries Ltd.	157.5	145.2	153.8	152.9	92.2	78.8
Satna Cement Works	167.5	136.5	131.9	133.8	81.5	97.5
Saurashtra Cement & Chemical Industries Limited	113.2	99.8	100.6	101.1	88.2	56.6
Shree Digvijay Cement Co. Ltd.	319.8	282.4	272.8	268.5	88.3	159.9
Sone Valley Portland Cement Company Limited	107.1	106.1	110.6	112.8	98.7	53.8
Travancore Cements Ltd.	25.4	33.5	34.5	34.9	131.9	12.7
TOTAL*	4712.9	4493.8	4508.9	4498.7	95.4	2370.1

Name of Member	Performance for the second quarter of 1964			Percentage Capacity of production for production		Performance for the second quarter of 1963			Percentage of production to capacity the second quarter of 1963
	Production of 'Cement equivalent of Clinker'	Cement Ground	Cement Despatches	in the second quarter of 1964 Col. 7/ Col. 6	of 'Cement equivalent of clinker' in the second quarter of 1963 Col. 11	Production of 'Cement equivalent of Clinker'	Cement Ground	Cement Despatches	Col. 12/ Col. 11
	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
The Associated Cement Cos. Ltd.	955.6	964.8	662.7	95.5	1000.8	979.3	984.8	985.8	97.9
The Andhra Cement Co. Ltd.	43.6	38.8	40.9	92.2	52.1	34.8	34.8	34.3	66.8
The Ashoka Cement Ltd.	36.5	37.6	36.9	73.1	50.0	36.5	36.1	36.2	73.0
Bagalkot Cement Co. Ltd.	46.5	45.9	46.1	94.0	51.0	48.8	51.5	52.3	95.7
Dalmia Cement (Bharat) Ltd.	119.5	128.3	127.4	114.0	104.8	123.2	118.1	119.9	117.6
Dalmia Dadri Cement Ltd.	50.9	48.7	48.0	105.4	48.3	51.0	51.2	51.4	105.8
The India Cements Ltd.	160.6	147.1	141.9	96.9	119.3	123.4	123.3	121.2	103.5
Jaipur Udyog Ltd.	166.4	152.5	153.5	88.7	187.5	182.0	202.9	205.6	97.1
Kalyanpur Lime & Cem. Works Ltd.	34.2	37.3	37.1	93.7	36.5	38.0	38.1	38.2	104.2
The K.C.P. Limited	43.4	50.6	48.8	68.3	63.0	37.2	47.7	46.7	59.0
Madras Cements Ltd.	40.3	40.0	41.4	85.4	17.2	15.8	17.2	15.4	92.3
Orissa Cement Limited	86.8	85.6	88.5	93.6	92.7	72.9	74.1	78.0	78.6
Panyam Cements & Mineral Industries Limited	21.4	20.1	19.0	124.7	16.5	16.9	17.6	17.8	102.5
Rohtas Industries Ltd.	60.4	70.9	69.5	76.7	78.8	63.6	89.3	94.4	80.7
Satna Cement Works	70.6	75.6	75.3	72.4	56.3	63.9	61.3	50.5	113.6
Saurashtra Cement & Chemical Industries Limited	52.5	47.2	47.5	92.8	56.6	62.7	58.8	53.3	110.8
Shree Digvijay Cement Co. Ltd.	133.3	133.7	132.1	83.4	108.0	100.8	114.8	119.7	93.3
Sone Valley Portland Cement Company Limited	49.7	56.8	55.6	92.5	53.8	51.1	60.6	61.7	95.1
Travancore Cements Ltd.	16.3	17.4	17.8	128.7	12.7	16.4	16.6	16.9	129.4
TOTAL*	2188.6	2199.0	2189.9	92.3	2205.8	2118.8	2198.8	2199.4	96.1

*Marginal differences in totals are due to rounding up of figures.

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EASTERN ECONOMIST

AUGUST 14, 1964

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Food Without Politics

WE ARE glad that the police raids organized by the Delhi Administration on grain godowns in the city have resulted in exploding the myth of large-scale hoarding activities being responsible for the high prices or local shortages of cereals in the country at the present time. Here, in the Capital, it seems to have been established to the satisfaction of the authorities that no substantial or serious infringement of food regulations has been taking place. This development, we hope, will serve to reassure public opinion which has been unnecessarily and unduly inflamed by exaggerated political propaganda and, let it be added, thoughtless and sweeping statements on the part of Ministers or others holding high and responsible positions in government or public life. There is little doubt that the difficulties or the food situation have been aggravated by observations or assertions which have undermined public morale and provoked a crisis of confidence. The immediate need is to ensure that this crisis ceases and this can be done only if the Governments at the Centre and in the States call off indiscriminate campaigns of raids on and seizure of trade stocks. The Delhi episode has firmly established the truth that such raids bring no relief to the people. On the contrary, they tend to inflame popular sentiment, build up tension and incite tendencies to public disorder. This apart, they also make the food situation worse instead of better. Thus, it is seen in the Capital that the first result of the raids on godowns is that arrivals of grain into this important consuming area have been discouraged and disrupted. The consequence is that some further increase has taken place in the prices of foodgrains. The consumer, in other words, has been hurt rather than helped by the so-called drive against hoarding. If more normal conditions are to prevail and food stocks are to move freely into the market and be available for purchase or consumption by the public, it is obvious that the Government should give up any excessive reliance on police methods. Incidentally, we do not believe that the Home Minister's reported offer to State Governments to let loose the Special Police Establishment on the grain trade will serve the public interest at all since flamboyant gestures of this kind are bound to deepen the crisis of confidence.

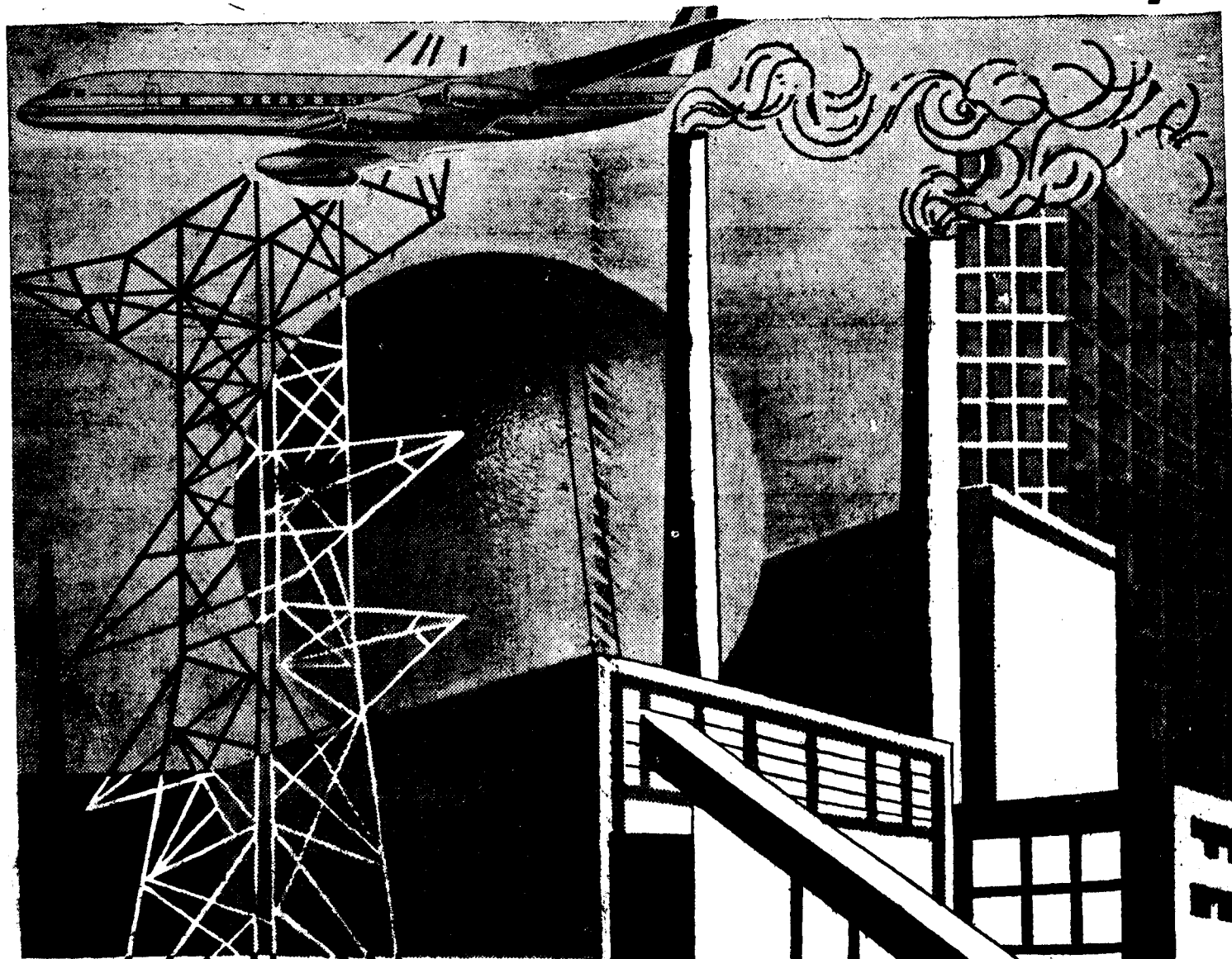
How then is the food situation to be constructively dealt with? This is a legitimate question and our answer would be that the Government should concentrate on easing the food situation during the period from now to the gathering of the harvests of the next crop year by the intelligent and efficient handling of the unloading, allocation and distribution of the imported grain supplies which are to be expected. The Government of the United States has agreed to ship quickly and regularly wheat to the extent of four million tons in the period ending February next year. It has also agreed to provide some rice while the Government of India is also arranging to buy more from a number of neighbouring countries. These imported supplies, given proper management, should enable the Government and the country to tide over current food difficulties. The outlook for food, particularly in psychological terms, will further improve if, as we recommended last week (on page 229), the Government makes the imaginative gesture of permitting imports of foodgrains on private trade account. There is thus no need to panic, but a very great need indeed, to handle imports of foodgrains with competence and good planning. There is also reason to believe that the relaxation of regional barriers to the trade in foodgrains could facilitate larger and smoother flow of supplies to consuming areas and thereby help moderate scarcities or scarcity prices encountered in deficit or high-consumption pockets. We believe that the Central and the State Governments concerned should

August 7, 1964

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Stealing a march over me—are you?

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agree, as early as possible, on the modification of zonal restrictions. The Southern States have been brought together for the movement or distribution of foodgrains. In the same manner, the restrictions on grain exports from Madhya Pradesh to Maharashtra or Gujarat should be abolished forthwith. Secondly, Uttar Pradesh should be brought into the northern zone of Punjab, Kashmir, Himachal Pradesh, Rajasthan and Delhi, while free movement of grain should be provided for among States of Orissa, West Bengal, Bihar and Assam forming the eastern zone. With fairly large quantities of imported grain scheduled to be available for supplementing supplies in urban centres or deficit pockets, this modification of zonal barriers could be expected to have a healthy influence on local or regional trade and movements in foodgrains. The Minister for Food and Agriculture concedes the case for the abolition of the

Steel : Performance and Prospects

FROM THE preliminary results of working for the year 1963-64 released by the Tata Iron and Steel Co. Ltd. (TISCO) and the Indian Iron and Steel Co. Ltd., (IISCO), it is evident that the recent expansion programmes of the two companies have started yielding results. The gross profits of both the companies have shown marked improvement. Both of them have stepped up their lividends.

The substantial improvement in the results of the working of these two companies will be clear from the following table showing details of production under different heads:

Tata Iron & Steel Company Ltd.	Pig Iron	Steel Ingots	Salable Steel
1960	1,594,000	1,555,000	1,237,000
1961	1,588,000	1,623,000	1,237,000
1962	1,647,800	1,643,400	1,317,700
1963	1,766,000	1,799,300	1,412,700
1964	1,811,200	1,891,700	1,506,400
Indian Iron and Steel Co. Ltd.			
1960	1,070,470	840,305	672,707
1961	1,160,576	914,159	722,034
1962	1,187,397	934,498	736,970
1963	1,291,825	1,002,038	795,119
1964	1,237,000	1,027,000	810,000

A rise in output of salable steel of nearly 2.2 per cent in the case of TISCO and a rise of nearly 1.7 per cent in the case of IISCO over a five-year period (1959-60 to 1963-64) may not appear spectacular, but in the circumstances in which the companies have had to operate, these results must be regarded as about the best

prevailing pattern of zonal inter-State restrictions, but pleads that the reform should await the harvests of the next crop year. We, however, believe that the relaxations we have suggested here could be effected safely even now in view of the safety margin provided by scheduled imports. The Minister for Food and Agriculture, despite flaws in government thinking or faults in government action, here or there, has on the whole been addressing himself to a challenging job with vigour and freshness of mind. There is no reason why he should not succeed in bringing the food situation under control provided his efforts are directed towards reviving public morale and confidence by discouraging witch-hunts for so-called hoarders and through the bold liberalization of regional restrictions on trade and skilful management of imports.

that could have been achieved. These five years especially were years in which the industry had to function under a series of handicaps. The main obstacle to steel production was the high ash content of coal. In one of his speeches, Mr. J. R. D. Tata, TISCO Chairman, explained how serious it was for the industry to use coal with high ash content. For every one per cent increase in ash content of coal, production of iron at blast furnace declined by five per cent or more. At the same time, a higher ash content of coal also led to an increase in consumption of about five per cent of coke and limestone. The combined effect of both is to raise costs of production unduly. The industry also had to put up with irregular and insufficient railway transport, lack of facilities for beneficiation and blending and, until this year in the case of Tatas, the need for a tonnage oxygen plant. On top of it all was the rigid and complicated system of fixing retention prices which has since been replaced by a plan of partial decontrol of prices, the precise impact of which has yet to be seen. In the meanwhile, both TISCO and IISCO have suffered from the Government's unrealistic, if not unsympathetic, price policy. In 1960-61 alone, according to an estimate given by Mr. Tata, TISCO failed to earn a surplus of Rs. 14 crores, which they had expected and which they had planned to use to finance part of their two-million-ton expansion programme.

Much has been said about the alleged uneconomic expansion programmes of the two units in the private sector. Indeed, even the Government at one time insinuated that the TISCO expansion programme actually cost about Rs. 120 crores, as against an original estimate of Rs. 66 crores. There was, however, no proper basis for such calculations and Mr. Tata roundly repudiated them in one of his speeches. He recalled how, in 1956, the World Bank had estimated the cost of this expansion at Rs. 95 crores and pointed out further that the actual cost, including the

cost of certain additions and modifications effected subsequently, but not contemplated earlier, was Rs. 110 crores. Making allowances for increases in import duty and escalations of suppliers of plant and machinery which amounted to Rs. six crores, the excess over the estimate came to only Rs. nine crores or less than 10 per cent.

There seems to have been a slight setback in the working of the two steel companies during the last quarter April-June, 1964, as the following comparative output figures indicate:

	Pig Iron	Steel Ingots	Salable Steel
	1964	(1963)	1964
	1964	(1963)	1964
TISCO			
April-June	4,20,000	4,89,000	4,50,800
IISCO			
April-June	3,18,345	3,37,780	2,43,558
			2,62,637
			1,76,267
			1,96,845

It may be presumed that the setback is due to the cropping up again of some of the difficulties already alluded to.

It is against this record of performance of the two units in the private sector and the working of the three main units in the public sector that one has to view the outlook for the proposed fourth Plan steel target of 17.3 million tons of ingot steel. It is a moot point whether, by the end of this century, India would be able to produce 100 to 120 million tons a year, as the then Union Minister for Steel, Mr. C. Subramaniam, remarked in Bhilai on April 13, 1964. But, for the time being, there would appear to be doubts about the attainment of even 17.3 million tons by March, 1971, because of the long time that it takes to expand the existing plants and to build new ones, not to speak of the many and difficult problems involved in correspondingly increasing supplies of raw materials, coal, transport and power. Discussing this point, Mr. Tata expressed some time ago the view that the maximum capacity which could reasonably be aimed at in the fourth Plan would be not more than 15 million tons.

The steel targets proposed to be reached at the end of 1970-71 are as follows:

TISCO	3 million tons
IISCO	2 "
Bhilai	3.5 "
Durgapur	3 "
Rourkela	2.5 "
Bokaro	2 "
Gap to be filled by new units	1.3 "
TOTAL:	17.3 "

The absence of any reference to the 500,000 tons Salem steel plant at a cost of Rs. 80 crores, which was to have been taken up during the current Plan period itself, is significant.

The Steel Steering Group of the Planning Commission has suggested an annual production target of 17 million tons of ingot steel, four million tons of pig iron and one million tons of alloy and special steel ingots.

According to the Steel Steering Group, the total indigenous steel production in 1963-64 was no more than 4.4 million tons, as against a total demand in the country of 5.6 million tons. In other words, even with the import of one million tons in 1963-64, the entire demand for steel in the country could not be met in full. Similarly, the indigenous production of pig iron in 1963-64 was only 1.2 million tons, as against a total demand of over two million tons.

Although the present level of actual production in both the public and the private sectors does not seem to warrant thinking in terms of an ambitious target of over 17 million tons per annum, as envisaged by the Planning Commission, the pace of expansion in the public sector lately seems to lend some hope that the target might not be so difficult after all of fulfilment. Since the agreement for expansion was signed with the USSR in July, 1964, Bhilai, for instance, has shown some commendable progress. Its present annual rated capacity of one million tons of steel ingots is expected to rise to 1.8 million tons with the completion of the first phase. The second phase, about which discussions have been in progress between the General Manager of Bhilai and the Russians in Moscow, and which is expected to take up the production to 2.5 million tons, is

Eastern Economist 20 Years Ago

AUGUST 11, 1944

The Government of India have informed all Provincial Governments that the machinery of food control will continue to operate for three or four years after the war. The fact that in recent years our population has been fast outrunning our food supply, has been brought home to us only by catastrophic happenings, and in the recent House of Commons debate emphasis was again and again laid on what might be called the elements of an acute Malthusian situation in India. The mere end of the war will not mean the end of our food problem; for, although the availability of shipping and possibility of importing food-stuffs from abroad in the last resort will not allow the deterioration of the domestic supply and distribution position beyond a certain point, the tough problem of adequately feeding a rapidly increasing population in a stagnant agricultural economy will remain. Taking the average of the quinquennium before the last war as the base, the gap between the index of food supply (including net imports) and the index of population was progressively narrowing down until in 1937-38 the index of food supply was actually 7 points below the index of population. The chronic underfeeding of at least 40 per cent of the population even by any standard of bare subsistence, makes our "factor of safety" nil, and inflationary maldistribution of purchasing power, transport difficulties or hoarding by consumer, producer or dealer only provide the final push over the precipice. Until the population-food ratio is rendered more satisfactory by a planned drive to put our food economy on a sound basis, rationing would be deemed a desirable social policy -- not for only three or four years after the war, but for at least a decade.

expected to be ready by 1965. Meanwhile, in 1963-64, Bhilai has established some records. Against its annual rated capacity of 1.1 million tons, the actual production of hot metal was 1.3 million tons; against an annual rated capacity of one million tons of ingot steel, actual production was 1.14 million tons, and against an annual rated capacity of one million tons, again, ingots rolled actually turned out to be 1.12 million tons. The Bhilai plant also exceeded its rated capacity in steel ingots (116 per cent) as well as in salable steel (113 per cent) during 1963-64. At this rate, the claim of those in charge of Bhilai that they expect to reach an overall production of four million tons annually by the end of the fourth Plan period does not seem too tall.

Durgapur also has been making steady progress. Production of pig iron and steel ingots, which amounted to 4,04,078 tons and 2,58,400 tons, respectively, in the first half of 1962 rose to 6,84,619 tons and 5,18,474 tons, respectively, during the first half of 1964. The latter figures represent, it is claimed, 106 per cent and 102 per cent, respectively, of rated capacities.

The performance of Rourkela plant, on the other hand, has not been as satisfactory. Much better results were expected than have actually materialised. But there were a number of setbacks, and, even now, the plant is still said to be not altogether out of the woods. Last year, the plant had to be closed for 15 days because of communal disturbances. There has been some kind or other of labour unrest for the past two years. One blast furnace was ineffective for three months. The result is that the plant could reach only 79 per cent of its rated capacity in hot metal, 80 per cent in steel ingots and 79 per cent in salable steel. Even so, these figures, it is said, represent an improvement over the previous year by 7 per cent, 14 per cent and 35 per cent respectively.

The expansion programme of Rourkela, which will raise its capacity from one million tons to 1.8 million tons of steel ingots by the middle of 1968 and further to four million tons by 1970, is presently being finalised by the Chairman of the Hindustan Steel with the West German Government and the German Bank for Reconstruction. As per this plan, Rourkela's fourth blast furnace will be commissioned in June, 1966 and the remaining units during 1966. Various other items of expansion at Rourkela are estimated to cost Rs. 137 crores, of which the foreign exchange component is Rs. 62 crores. After the expansion, Rourkela's output of finished products will rise from 720,000 tons to 1,240,000 tons. It is noteworthy that all the additional iron ore requirements for Rourkela's expansion are available from its present sources—the Barsua mine.

According to a recent press release of Hindustan Steel, the public sector complex as a whole attained in 1963-64 a level of production equivalent to 99.4 per cent of rated capacity in hot metal, 97 per cent of rated capacity in steel ingots, and 94 per cent of rated capacity

city in salable steel. Their combined despatch of pig iron rose from 800,000 tons in 1962-63 to 869,000 tons in 1963-64 made up as follows:

Bhilai	..	405,000 tons
Durgapur	..	400,000 "
Rourkela	..	64,000 "

Hindustan Steel also claims the following achievements:

It has accounted for 2.9 million tons of steel ingots, which is only three per cent short of rated capacity. Its salable steel output of 2.15 million tons represented a 95 per cent utilisation of available capacity. It has reached its ingot capacity and its total sales have risen from Rs. 130 crores in 1962-63 to Rs. 180 crores in 1963-64. It has met all interest payments and depreciation and paid Rs. 5.7 crores by way of interest to Government. It has incurred a loss of Rs. 6 crores.

According to Hindustan Steel, it has been able to bring down its cost of production steadily, despite the rise in costs of raw materials and wages. Its cost (in April, 1964) is said to be Rs. 500 per ton, as compared with the project estimate of Rs. 409. In 1963-64, it is stated, costs were lower by 15 per cent in Rourkela, 13 per cent in Durgapur and 7 per cent in Bhilai. The marked reduction in the case of Rourkela — from Rs. 308 for ingots in 1961-62 to Rs. 252 under the open hearth system and to Rs. 226 under the L.D. process — compares with a reduction from Rs. 333 to Rs. 217 in respect of Durgapur and the present rate for Bhilai ingot of Rs. 214.

The demand for alloy and special steels has been growing. This is only to be expected with the rise in industrial production and increase in the degree of sophistication of our products. In fact, it bears a broad relation to the consumption of common steel, ranging from five per cent to nine per cent in the western countries. It cannot be less than five per cent in India, according to experts. Their estimate accordingly is that the demand may reach 0.5 million tons by the end of the fourth Plan period. In order to meet this demand, Durgapur will install an alloy steel plant with an ultimate production capacity of one million tons. The first furnace of the alloy steel plant (which is estimated to cost Rs. 65 crores) is to be commissioned on October 2. This is probably the largest single project designed in India (by Messrs. Dastur & Co.) and undoubtedly constitutes an important milestone in the industrial progress of the country. The present installed capacity, according to one estimate, is 339,200 tons, as against a demand of 360,700 tons. Actual production however, was, only 29,000 tons, mainly of spring and other low alloy special steels. As against a licensed capacity of 127,000 tons of alloy constructional steels and low alloy high tensile steels, the demand during the fourth Plan period is estimated to go up to 200,000 tons. Taking other varieties, such as alloy high strength steel (100,000 tons), spring steel (1.329 lakh tons), stainless and heat-resisting steel

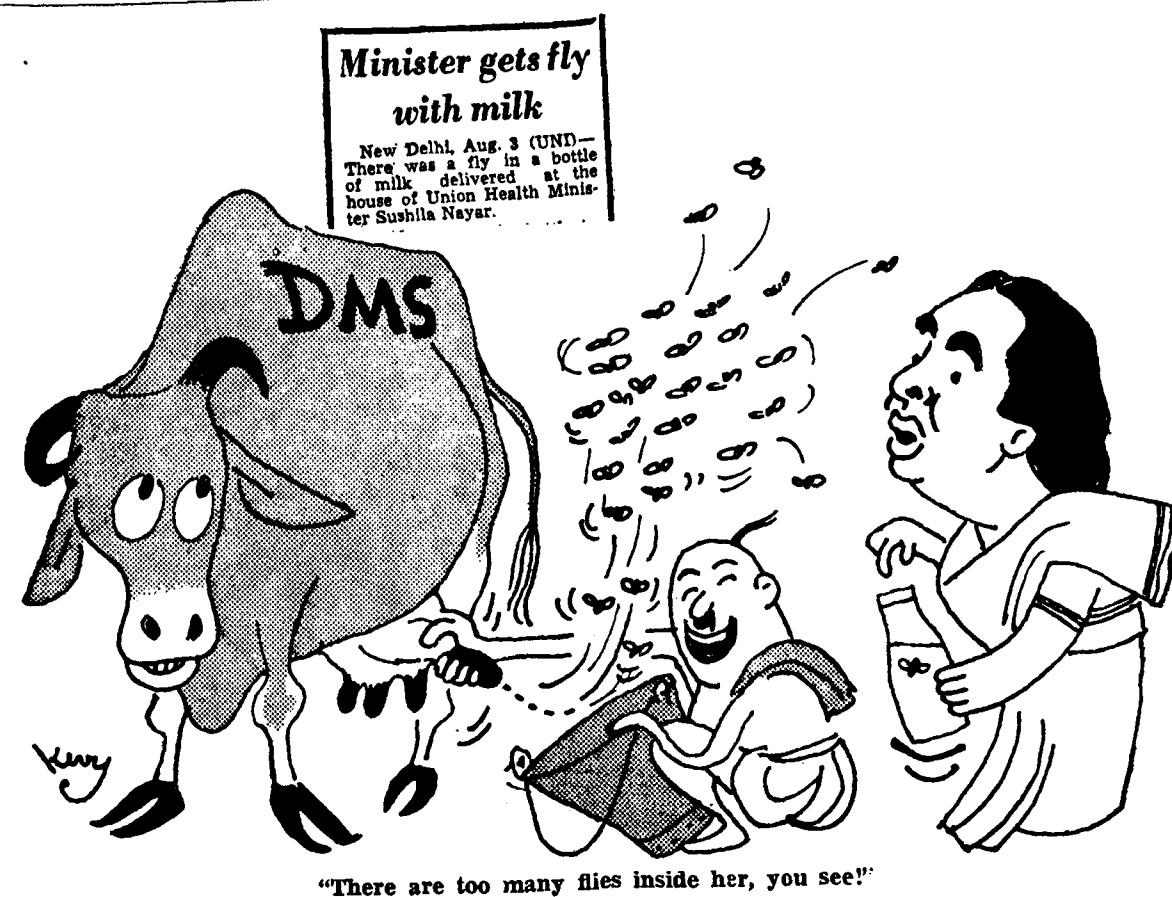
(80,000 tons), free cutting steel (1.16 lakh tons), high speed tool steel and die steel (86,000 tons), the total demand works out to more than 700,000 tons.

Besides Durgapur and Mysore (Bhadravathi Steel Works) which are to specialise in special alloy steel manufacture, several private sector units have been licensed. Of the three alloy steel units so far licensed, the MAN Industrial Corporation, Jaipur, is to produce 24,000 tons of spring steel; Messrs V. H. Shah of Ahmedabad 20,000 tons of stainless steel and Chase-Bright Steel of Bombay 14,000 tons of free cutting steel. In addition to these, seven more firms have entered into joint ventures for producing 134,000 tons of alloy steels. Bhadravathi, which has a total expansion programme of Rs. 17 crores, will spend Rs. 12 crores on its special steels project. The proposal is to raise its present pig iron capacity of 80,000 tons to 200,000 tons, half of which is to be used for foundry grade pig iron, leaving the other half to be converted into 77,000 tons of alloy and special steels in two stages. In the first stage, which is expected to be completed by the end of the year (1964), about 45 to 50 thousand tons of low alloy and high carbon steel are to be produced. During the second stage, i.e. by 1966, it is proposed to manufacture high speed steel, high alloy chrome steel and other categories of special steel for aeronautical and defence needs.

Now that the Bokaro project also has been finalised — the Soviet firm offer of help and assistance was announced on May 14, 1964 — it is possible to expect from Bokaro a production of 1.5 million tons by 1968 during the first stage if a firm schedule is agreed to

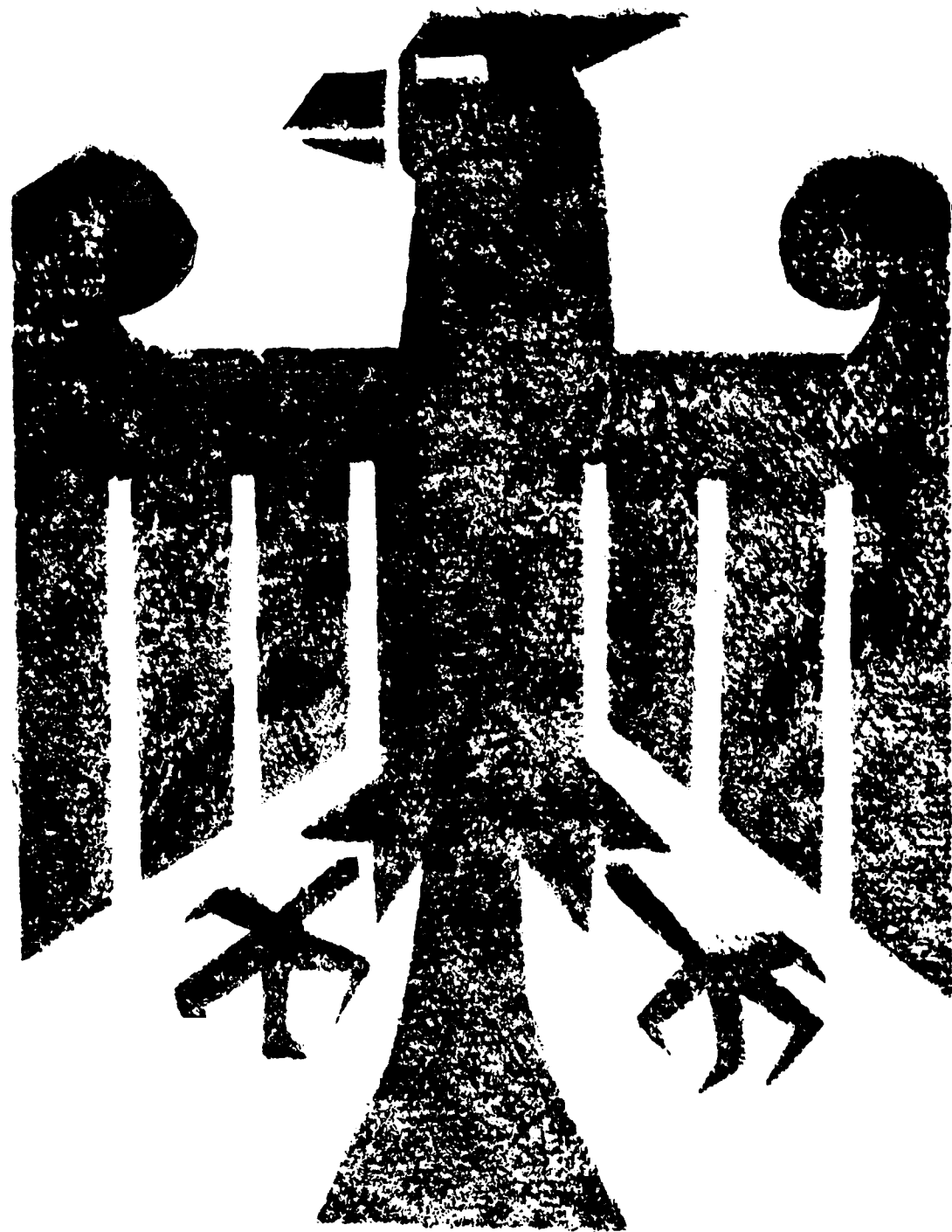
with the Soviet collaborators. So far, it may be noted, the Soviet Union is committed firmly to aid only the first stage, although the Plan target is to attain four million tons by 1970-71. Some important questions, such as the sizes of the strip mill and the blast furnace, on which there would appear to exist differences between the Government of India and the USSR, were discussed in Moscow recently by an Indian team led by Mr. Wanchoo.

The private sector also has been assigned an expansion programme during the fourth Plan. Following recent discussions between the officials of the Ministry concerned and also the World Bank, the Planning Commission's Steering Group for the Iron and Steel Industry has recommended that TISCO should expand its present production from two million tons to three million tons and IISCO should expand its present output of 1.7 million tons to two million tons. This is perhaps the maximum expansion that the two units, situated as they are at present, can undertake. Their contribution to the total steel production of the country, even after they have completed this expansion, would be less than 30 per cent. Meanwhile there are several difficulties in the way of the proposed further expansion programme being fulfilled. Some of them, such as the need for additional development of ancillary facilities and importing of balancing equipment, the high ash content of our coal supplies, and the still unsatisfactory transport and other infrastructure facilities, have however been recognized by the Government. What remains is action to widen the bottlenecks.



COUNTRIES WE EXPORT TO (5)

WEST GERMANY HAS PURCHASED IN 1963 100,000 PAIRS OF FOOTWEAR FROM *Bata* INDIA



Highlights of the Week

WAR AND PEACE

THE WORLD was once again on the brink of a war in the first week of August when torpedo boats belonging to North Vietnam attacked the US vessels in international waters in the Gulf of Tonkin. The attack, it is stated, was unprovoked. In order to retrieve its prestige, the US, in the words of Mr. Adlai Stevenson, US Ambassador to the Security Council, "found it necessary to take defensive measures." The facts relating to the skirmishes are that on August 2, 1964, the United States destroyer, the Maddox, while patrolling in the Gulf of Tonkin at a distance of nearly 30 miles from the mainland of North Vietnam, was approached by three high-speed North Vietnamese torpedo boats which were all poised for an attack. Despite three warning shots delivered by the Maddox, the torpedo boats continued approaching it and then launched the attack with machine guns. Another aircraft carrier, Ticonderoga, which was also plying nearby in the international waters came to the rescue of the Maddox and sent out four aircraft for providing cover. This incident was followed by a note sent by the United States to the North Vietnamese regime drawing attention to the aggression committed against the United States ships. This warning note stated that "grave consequences would inevitably result from any further unprovoked offensive military action against United States forces."

On the night of August 4, the destroyers, the Maddox and the C. Turner Joy, were again attacked by motor torpedo boats of the North Vietnamese Navy. According to American sources, the vessels were 65 miles from the shores of Vietnam. It was a deliberate and planned attack against the US ships, which had every right to ply in the international waters. In order to stop these unprovoked attacks, the US forces gave a fitting reply by striking at the North Vietnamese torpedo boats and their support facilities. Extreme care was taken by the US forces to limit the operations so that the hostilities did not spread and, at the same time, the necessary lesson was brought home to the North Vietnamese regime. A fitting reply of this nature, perhaps, was necessary in order to safeguard the whole of South-East Asia. This operation has, without doubt, made it clear that the United States will continue to honour its obligations "to help its friends and protect their independence."

The US case was presented to the UN Security Council in very clear terms by Mr. Adlai Stevenson and the following lines from his speech indicate the determination of the American nation to make full use of its rights in international seas. Mr. Stevenson said, "Let me repeat that freedom of the seas is guaranteed under long-accepted international law applying to all nations alike. Let me repeat that these vessels took no belligerent actions of any kind until they were subject to armed attack. And let me say once more that the action they took in self-defence is the right of all nations and is fully within the provisions of the Charter of the United Nations." Mr. Stevenson also made a very sincere plea that peace would be restored in South-East Asia if all foreign troops withdrew from the area. The peoples of Laos, Vietnam and Cambodia wished to be left alone and the US will be happy to withdraw all its forces if the foreign troops in these lands decided to withdraw forthwith.

It is believed in some quarters that the vast mobilisation of warships, planes and warriors by the United States was a misconceived operation. This seems to be an inadequate appraisal of the situation in South-East Asia. The United States

has an obligation to protect its friends in this zone and if it had not acted in the manner it has in the present case, the weaker nations would have lost confidence in the capacity of the United States to protect them. To state the present firm operations as Goldwaterism is a distortion of facts.

THE CREATIVE URGE

A SYMPOSIUM on "Science and the Nation", held at the National Physical Laboratory last week, focussed attention on the importance of technology in economic growth. Many a speaker touched upon the urgency of disseminating technical information to the people who can make the most profitable use of it. The number of technical colleges continues to grow in this country and is reported to have exceeded the 100 mark. The number of research laboratories is also increasing at a fast rate and a considerable volume of research work is reported to have been conducted in these institutions. But there is very little attempt to make practical use of all the discoveries made in these institutions. The scientists seem to have remained in their ivory tower making no attempt to explain in popular language the findings made in the laboratories and the manner in which they could be instrumental in solving some of the basic problems facing this country.

Most of the participants were specialists in their own spheres and harped upon their favourable themes. Dr. K. L. Rao, Minister of State for Irrigation and Power, stated that the need for electricity for rural areas was of basic importance. He laid stress on the use of power in agriculture and also suggested that atomic energy should be harnessed to fulfil the country's need for 40 million KW of power. Dr. C. H. Bhabha, Chairman of the Atomic Energy Commission, also laid stress on the need for extending the capacity for power generation because, according to his estimate, shortage of power in industry would result in 10 per cent loss of national income, while the excess of energy would mean only the loss of one seventh part of income. Citing figures, he stated that an average investment of Rs. 1,000 was required for every KW of energy, whereas industries working on energy required an investment seven times that level. He also gave the opinion that nuclear power was cheaper than the power derived from coal in certain areas in this country.

Mr. Asoka Mehta, Deputy Chairman of the Planning Commission, said that the war against poverty could only be won by the young scientists of India. He further said that in bringing about a dynamic society in this country, it would be essential to foster a scientific outlook. Science, he said, was the most important factor of production.

The Lebanese delegate drew attention to the surfeit of experts who had been visiting his country in order to explore what had been repeatedly explored before. He said that his country "had been subjected to a new kind of colonialism where it was over-run by experts and super-experts to explain to new experts what old experts failed to understand". It means that everywhere considerable volume of energy, time and funds were being wasted for lack of co-ordination. Even the type of symposium that was held in Delhi was of not much use because, except for long-winding speeches, the delegates failed to arrive at any tangible conclusions on any basic issue. It was, therefore, suggested by many delegates that smaller symposia should be organized in place of these big conferences so as to discuss specific problems and to obtain some concrete results therefrom. A suggestion in the same direction was made by the delegate from the Philippines who asked for the

publication of an Afro-Asian Science Quarterly containing information relating to the developments in science in different countries. The need for such a journal was great because, in the words of the Indonesian delegate, "there had been in recent years an information explosion" and every research worker was today finding it extremely difficult to keep track of the research work being conducted on a specific subject in other countries.

Dr. H. J. Bhabha made an interesting point about the use of the term "developing countries" for the "under-developed countries". He said that the really developing countries were those which were technically advanced and had recorded rapid progress in recent years. There was no stigma attached to the term "under-developed" because this alone signified in unmistakable terms the present state of these countries.

A point which was talked about the least at the symposium but which was in the mind of most of the Indian scientists assembled there related to the state of scientific research in our universities and in our research laboratories. It has been noted that most of the Indian scientists of repute did their research work in foreign universities or their merit was recognized abroad. Not many scientists in this country have been acclaimed as outstanding on the basis of their work done in the Indian institutions for reasons which are too well-known. The Indian mathematician, Dr. Jayant Vishnu Narlikar, who earned world-wide renown recently for his new theory on gravity was able to do so only in association with the British professor, Dr. Fred Hoyle. The younger scientists complain that the atmosphere conducive to creative research is not available in the universities and that the enthusiasm of the young scientists does not get proper encouragement. It is in this direction that more attention needs to be paid.

THE PRESS

THE LATEST annual report of the Registrar of Newspapers for India reveals that the circulation of newspapers and periodicals in 1963 rose by 5.4 per cent as against 8.8 per cent in 1962. The decline in the rate of rise of newspapers' circulation was caused by the continuing need to ration newsprint and other requirements of newspapers. Foreign exchange position remained difficult throughout 1963 and hence, the overall curb on the expansion of the newspapers. Throughout the year, some of the newspapers were not able to satisfy the demands of their readers.

The total number of newspapers and periodicals in the country was 7,790 at the end of 1963 as against 7,397 in 1962. Statistics were, however, available for a lesser number of papers which recorded an increase in circulation from 19.3 millions relating to 4,467 papers in 1962 to 20.3 millions in 1963 for 4,570 papers. Comparable figures were available for 3,596 papers only whose circulation rose from 17.7 millions in 1962 to 18.3 millions in 1963. The Union territories of Goa, Daman, Diu and Pondicherry were also covered in the 1963 survey. In all, 24 papers, including 9 dailies from Goa, Daman and Diu were added while 20 papers from Pondicherry were included.

A high percentage of the newspapers published was either weekly or publications brought out less frequently. The dailies constituted only 6.5 per cent of the total. Out of 4,570 papers for which circulation figures were available, there were only 345 dailies which commanded a circulation of 5.6 millions or 27.5 per cent of the total. Regarding ownership, it is disclosed that out of 4,737 papers for which relevant details were available, 50.2 per cent were under individual ownership while a little less than a quarter were owned by societies or associations. Under common ownership were 203 newspapers with a circulation of 5.0 millions or a little less than one-fourth of the total circulation.

The report has made a special study of the so-called

monopolistic position of different papers in various regions and languages. It has disclosed that six daily papers owned by "big business" enjoyed a monopolistic position in their respective languages or regions. A monopoly has been defined as a position wherein "a paper enjoyed a circulation of more than 50 per cent in a particular language or region". The study has indicated that 8 daily papers not connected with "big business" also enjoyed a monopolistic position. There were 143 dailies under common ownership in 1963 as against 130 in 1962; they controlled 68 per cent of the total circulation of all dailies in the country in 1963 as against 66 per cent in 1962. Their total circulation improved from 3.5 million in 1962 to 3.8 million in 1963. Nine of the owners published 43 dailies commanding a total circulation of 2.3 millions or 41 per cent of the total circulation of all dailies in the country. Amongst the political parties, the Congress Party owned the largest number of papers at 29, followed by the Communist Party which had 25 papers. In terms of circulation, the Communist Party led the rest with a circulation of 82,920.

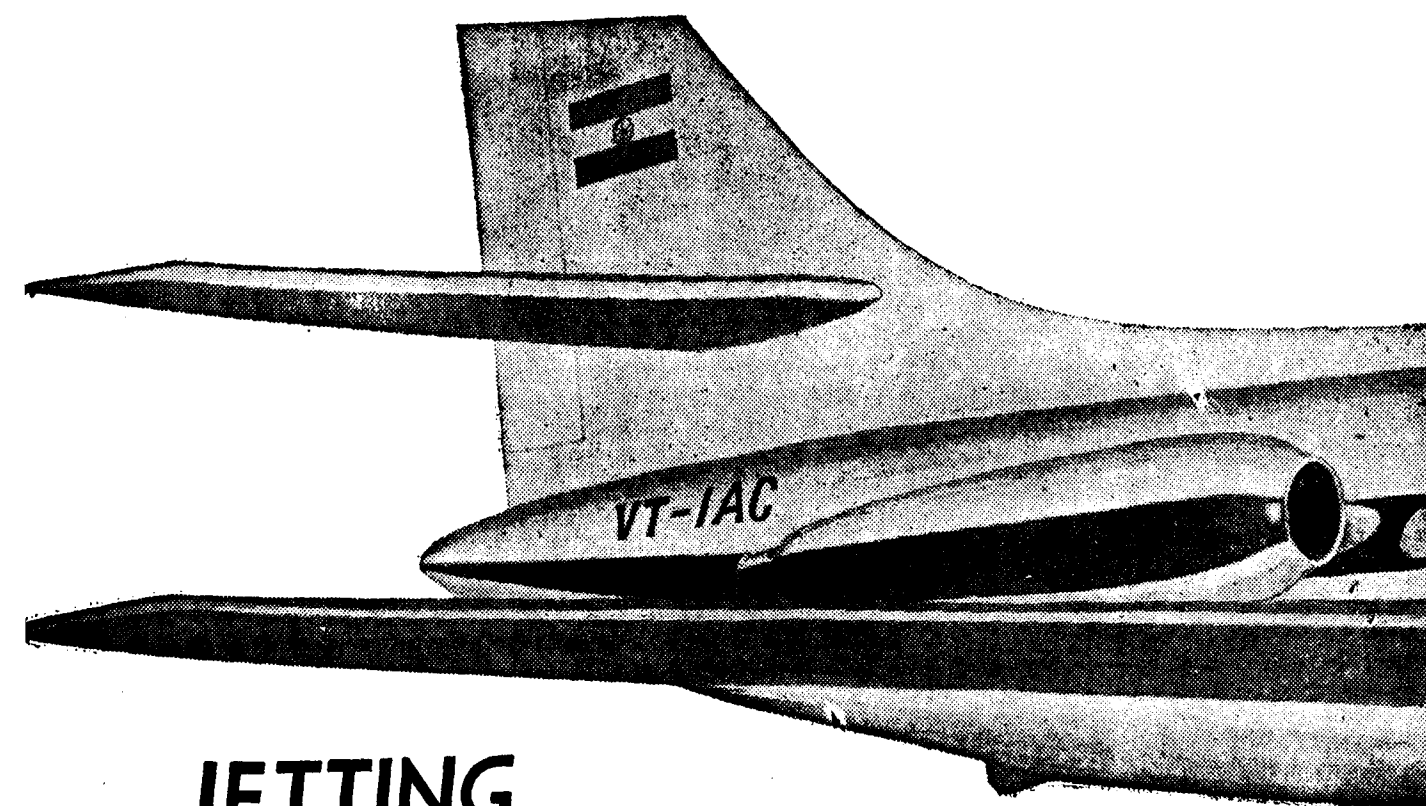
In the language-wise distribution of the daily papers, Hindi papers were on top with the total number at 142 followed by Urdu (64), English (54), Marathi (41), Malayalam (39), Kannada (34), Gujarati (35), Tamil (29), Punjabi (15), Telugu (13), Bengali (9), Oriya (5), Assamese (1) and Sanskrit (1). The largest circulation was of the English dailies at 1.5 millions or 26 per cent of the total. The Hindi dailies commanded the second position with total circulation at 0.8 million. Nine dailies in the country had circulation of more than 1,00,000. The highest circulation at 1,46,819 was claimed by a Bengali daily, "Ananda Bazar Patrika" of Calcutta.

The newspapers in the smaller towns are gradually coming into their own. The number of dailies published from towns with population of less than 1,00,000 nearly doubled from 63 in 1962 to 114 in 1963. Amongst the States, Maharashtra was the leader with the largest number of daily papers followed by U.P. and Madhya Pradesh.

A COURTESY CALL

NEW DELHI played host last week to a distinguished guest from the Netherlands — Dr. J. M. A. H. Luns, Dutch Foreign Minister, who was on a four-day visit to this country. Dr. Luns had "very interesting and cordial meetings" with the Prime Minister and the Minister for External Affairs. He discussed with Mr. Swaran Singh, among other things, the international situation, the ECM's role in India's economic development, and the Dutch aid to India through Aid India Club. His discussions with Mr. Lal Bahadur explored the possibilities of cultural and educational collaboration between the two countries.

To the extent that he had no "burning" problems to discuss, Dr. Luns was right, but that he was being modest is evident from the outcome of his deliberations with Indian leaders and his public speeches and press statements. The Netherlands has been an active member of the Aid India Consortium, and it has extended to this country, through the Consortium, aid valued at \$33 million over the last three years. His assurance that the Netherlands would continue to assist this country is certainly of vital interest to us. Reiterating that the ECM was designed to expand international trade, much less to retard or restrict it, Dr. Luns stated that India's exports to Common Market countries had, in fact, increased by 41 per cent over the last six years. The ECM, he said, not only strove for a more harmonious distribution of income within the member countries, but was also pledged to helping developing countries in raising their standards of living. Dr. Luns also emphasised the common approach of the two countries to the question of a 50 per cent reduction in tariffs, and said that the Netherlands and India saw eye to eye at the recent United Nations Conference on Trade and Development.



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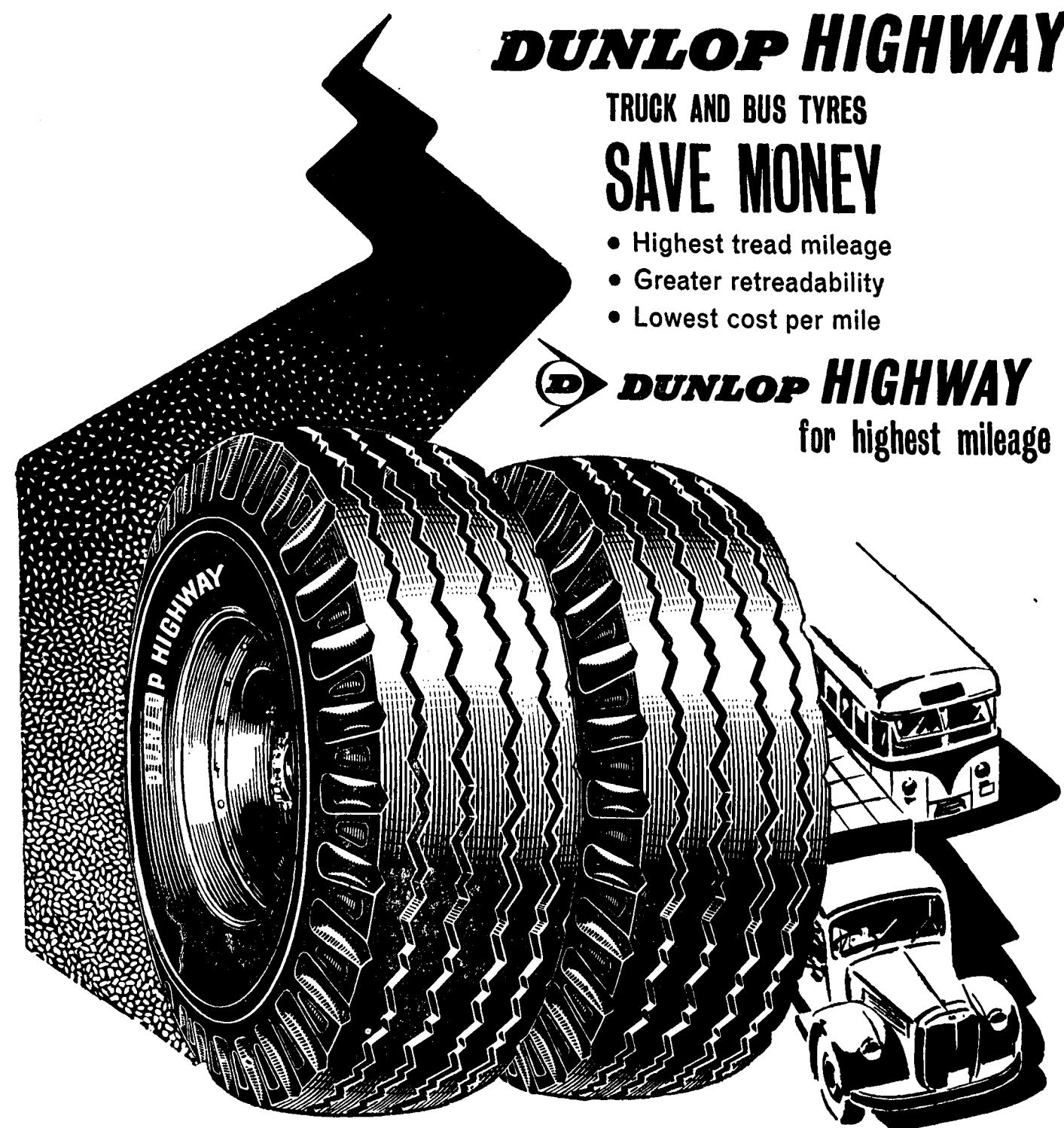


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Export Policy and the Fourth Plan

MANUBHAI SHAH

(Union Minister of Commerce)

WHEN THE third Plan was formulated it was recognised that unless the exports over the period added up to Rs. 3,700 to 3,800 crores so as to cover maintenance imports during the Plan there was no possibility of completing a plan of Rs. 10,400 crores with the amount of foreign aid likely to materialise. The third Plan Report had stated clearly: "Without a substantial move forward on exports further progress of the economy will be seriously jeopardised. The estimate of Rs. 3,700 crores is the minimum to be aimed at; the needs of the situations are, in fact, larger." It was also felt that such a target would not be achieved unless an overriding priority was given to exports in domestic policy decisions.

The performance of exports over the first 3 years of the third Plan has been encouraging judged by any standards. Total exports amounted to Rs. 2,188 crores for the period 1961-64. During the remaining two years of the Plan, even if exports do not go beyond the level reached in 1963-64, the country will have attained the target she set for herself. The improvement has come as much from new items like iron ore, oil cakes and sugar as from jute, about the prospects of which everyone had been so pessimistic at the beginning of the Plan.

This should not lead to any complacency on our part regarding the future. We should not feel that the battle of exports will be easy any more and that we can achieve any target we lay down for ourselves. Such a note of caution is necessary because the fourth Plan is being discussed now. It will necessarily have to be a large plan if the pace of growth has to be maintained and it will by implication require a large export effort. It will be unfortunate if a larger export effort following from a large plan is made the subject of fancy and wishes rather than of facts and hard work towards modest practical targets. Also the effect of any modestly high target on the domestic policies will have to be identified and detailed. Such a caution may look strange at this time but it would be realistic and therefore in the larger interests of the country, if we are to avoid sudden downward land slides in the performance of key sectors of the Plan, which mainly rest on availability of foreign exchange.

Traditional Commodities

An analysis of our exports over the years since planning was started in the country yields certain interesting conclusions about the growth of India's exports. The principal items of exports today continue to be the same as those fourteen years ago, viz., jute, tea, cotton textiles, tobacco, leather and leather manufactures, vegetable oils, spices, fruits, vegetables, etc. The only new items the exports of which we have been able to build up to a significant extent are iron ore, sugar and oil cakes. On the other hand, items like manganese ore and lac, which used to be important earlier, have lost their place in the export list. This would go to emphasise the fact that our export performance still depends heavily upon traditional items and that our efforts to diversify our exports have not been all that successful. Any new export drive in the immediate future will have to depend therefore greatly on the prospects of these commodities which we have always exported.

A close look at the figures will reveal another interesting fact. In the case of many items, the performance today,

after three years of intense promotional effort, is at about the same level as it was over a decade ago. The important exception to this rule will be jute, iron ore, sugar, and oil cakes. Such a tendency indicates two things: (a) our hard work has enabled us to gain to some extent the ground we have lost in the past years, particularly during the second Plan; (b) future progress will be very much harder because we will have to create new trading opportunities and consequently our efforts at export promotion will have to be redoubled.

Agricultural Output

Under these circumstances, what steps do we take to raise our exports to the high level that will be required during the fourth Plan if investment is to be maintained at high levels? The most important action that is required is an all-out effort to increase agricultural productivity so that larger surpluses are available for export at competitive prices. The low productivity in most primary products has meant that there are no surpluses available for export in the face of domestic demand, or that prices are uncompetitive. Both these obstacles have to be eliminated immediately if a large export drive is to be successful.

This will mean more investment in agriculture, mining etc. which no doubt will be provided for on an overall basis. This will also mean the ushering in of a technological revolution in agricultural production methods and the productivity of our lands and crops. A mere economic approach to agriculture will not suffice. It will have to be technological-cum-economic. Furthermore, what is required is a specially favourable treatment of those sectors in which the export potential is great. Although theoretically investment anywhere will have a beneficial effect on exports by neutralising demand or augmenting supplies somewhere in the economy, in actual practice a concentration of effort will yield better results, particularly because of the economies of scale in export promotion effort and removal of export incentives. Items like sugar, oil seeds and oil cakes, fruits and fish are instances in point. We have not undertaken such development programmes for any item except iron ore; we will have to do so in more fields. Our efforts have to be selective as otherwise they will be spread so thin as not to yield any measurable results.

Secondly, a steadiness in supplies will have to be maintained if we are to hold and enlarge our share in the world market. This needs to be stressed because a fluctuation in the output of agricultural commodities is inevitable and this often leads to a fluctuation in supplies because export demand is looked upon as a residuary charge rather than a first charge on available supplies. It is important to realise that such fluctuations destroy the valuable work done in building up contacts and may lead to a loss of markets altogether if a reputation for uncertainty is established. Therefore, unless a grave crisis threatens the economy frequent changes in policy regarding export availabilities should not be made. Exports have to be steady even if some diminution in domestic supplies and consumption results therefrom.

It is also necessary in this connection to emphasise the necessity for restraint on consumption. The basic fact about a developing economy is the constant pressure of consumption on available goods. Incomes are rising, unemployed are

being drawn into work and so on and therefore expenditures on consumer goods are increasing all the time. Defence expenditure and other non-productive expenditures are bound to rise, at least modestly, even if great thrift and vigilance are kept. Thus an induced inflationary pressure in a nation-building, heavy-industries-based, welfare-conceived economic planning is inescapable. These pressures tend to affect particularly items like sugar, tea, tobacco, cloth, footwear and vegetable oils, especially due to the influence of those in higher income brackets upon the consumption of those in lower brackets. Similarly increased production of goods in the economy raises the demand for items like jute. In all these cases efforts have to be made to restrain internal consumption for the sake of exports though (a) it seems unethical to deny the poorest classes the fruits of development and (b) it has serious consequences in a political democracy. The alternative is slower progress because the larger import requirements of a higher rate of investment cannot be met.

Policy on Export Push

These measures will not take the export target beyond a certain point in view of the well known limitations of production of primary and intermediate products. Therefore the kind of growth in exports needed for the fourth Plan can come about substantially through a rapid diversification of exports. That is, exports of manufactures will have to be built up quickly. Our inability to do so has been due to the policy of import substitution that our industrialisation has been geared to so far. It was, of course, logical to follow such a course so long as exports of manufactures were uncertain and foreign exchange was actually scarce. The development of industrial capacity for export was too risky a proposition to be considered seriously. However, now that the basic foundations of industrial growth have been securely laid, we will have to think seriously of developing capa-

city for export in certain selected sectors. It will have to be selective because a general expansion would not lead to exports and is clearly beyond our means. Such sectors can be: castings, rolled products, prime steel, structurals, railway and communication equipment, constructional goods, pipes, transport equipment etc. Having created this capacity we must set aside a certain part of the output for export without heeding the continuous cries of internal shortages which arise from time to time. Unless this policy of deliberate export push in certain sectors is followed, we will not get the increases we want. Frequent vascillations and short-term pressures will dissipate effort because it must be realised that selling each product requires specialised skill and we have only a limited amount of such skill.

There is nothing new in all this. A casual glance at the third Plan Report will show that these steps have been spelt out there. What is stressed here is that everyone should realise that a large export effort cannot be made without sacrifices from the people in a developing economy; that when shortages of particular products come in the way of exports what is really affected ultimately is long run growth, that export promotion and import substitution are two aspects of the same question and that promoting one at the expense of the other does not lead to particularly fast rates of growth. A failure to export has the same serious repercussions on growth as the failure to secure adequate foreign assistance. Therefore the two should be viewed with the same sense of realism while formulating necessarily large development programme. The 'political will' to export is the 'open sesame' to greater exports. Export earnings can be raised to what may look as enormous figures as compared to the present level but which in fact are our minimum needs if we have to fight poverty. But this needs a will and understanding. Have we got these in any adequate measure? This is the real question of our time.

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WINDOW ON THE WORLD

What Are "National Equities" ?

JOSSLEYN HENNESSY

LONDON :

THAT THE government should issue securities in the form of "national equities", whose dividends would vary with the rise or fall of the Gross National Product is the novel suggestion made in a recent issue of the "Westminster Bank Review" by Mr. Alan Day, outstanding among the leading economists of the younger generation.

Mr. Day's scheme, which has received wide publicity in the UK, should interest the Government of India, because its aim is to help to meet the enormous and continuously rising government expenditure on national development projects.

Mr. Day argues that the convention that the only way in which a self-respecting government should raise money is by issuing fixed interest securities "runs counter to every example set by commercial enterprise". The issue of "national equities" would contractually commit the government to pay an annual dividend, which would vary in proportion to changes in the GNP. For example, a national equity issued at £100 in 1964 might promise a dividend of £2-10-0, with annual dividends equal to £2-10-0 multiplied by the last available index of GNP divided by the base year index. If GNP in 1968 were 20 per cent above the base year (say, 1963), the dividend payable at the end to 1968 would be £3. Mr. Day does not specify whether the dividend would be reckoned in constant values or in current monetary values. The latter would obviously make the equities easier to sell to investors.

Reluctant Buyers

Continuing experience of inflation has made investors in most Western countries reluctant to buy fixed interest securities, and a substantial part of the market for them has often to be artificially created by legislation compelling institutions, such as insurance companies, to maintain a proportion of their investments in gilt edged. On the other hand, most governments are now committed to full employment and to economic growth policies, so that the risks that ordinary shareholders will experience a set-back during a period of deflation have been substantially reduced.

This does not, of course, mean, as so many of Britain's Labour politicians keep saying, that the ordinary shareholder can no longer lose and can be sure of a continuous rise in "unearned" capital values. Investment in bad managements or in industries, which find themselves overtaken by innovations or changes in consumers' tastes, will lose money however full employment is and however fast the economy as a whole is growing. Nevertheless, it remains true that a reasonably broadly based portfolio of equities is likely to enjoy the benefits to dividends arising from the secular growth of profits due both to inflation and to economic growth. By insisting on borrowing on fixed interest rates in these days of inflation-bitten investors, governments all over the world are probably paying bigger charges on their debt than they would if they were to diversify their borrowing more widely through the issue of equities.

One of the biggest tasks facing the UK is urban reconstruction. It is unlikely that this can be carried out fast enough, and on the vast scale necessary, unless government and municipalities have more power to acquire land than they now have. Private enterprise has its part to play here, but cannot be expected to provide all the necessary public services (e.g. roads). At the same time, the public authorities are inhibited by the sheer size of the sums of capital needed to

buy large blocks of land, many on already valuable sites, and to stand the long waiting period before full returns from re-development are earned.

Mr. Day suggests that the public authorities should swap land for some other kind of asset with the present owners of the land. If compensation is fair, everyone is as well off after as before. As matters stand today, such a swap encounters tremendous opposition because owners of property regard compensation in fixed interest bonds, which inflation then proceeds to rob of all their value, as compulsory confiscation. Mr. Day argues that the difficulties of raising these large sums, and persuading property owners to sell, would be avoided if national equities were offered for land. Property owners would receive in compensation an asset of the same kind as they were selling. And the government would buy the land on cheaper terms than it could today. The immediate cost to the government of borrowing by issuing national equities can be judged from the present state of the UK equity and land markets. Probably the cost in the first year would be about half the cost of issuing long-term, fixed-interest securities. Subsequently as GNP rose, the cost differential would narrow and in the more distant future would reverse itself. This must always be remembered: in economic affairs one cannot get anything for nothing, and the government would be getting the advantage of cheaper borrowing now at the cost of satisfying a demand for securities whose earnings would rise over the years.

If my impression is correct that land reform and urban redevelopment in India has been delayed by the difficulties of

NEW DELHI, Aug 3.—The Delhi Administration's drive to check foodgrain stocks in the city was "anti-factory as an exercise."

Announcing it at a Press conference today, the Chief Commissioner, Mr. Dharmu Vira said that the drive



"It was very good exercise sir; it doesn't show in your muscles, though."

just compensation, Mr. Day's ideas would seem worth studying in New Delhi and the State capitals.

There is, of course, always a fly in any ointment, and the fly here is that the government would be competing against private enterprise for investors' savings, and if it were so minded could strangle private enterprise by the back door without legislation. One can only hope that cabinet ministers

will not continue for ever to be such fools as they too frequently make themselves out to be today. To achieve greatness — spiritual and material — a nation needs a self-reliant, self-confident population. The way to achieve that is not to create multitudes of "yes-men", fearfully and obsequiously at the behest of the "Party" and its civil servants, but to encourage private enterprise, because it diffuses initiative and self-help among the masses.

Is a Gold Scare Imminent?

PAUL EINZIG

LONDON:

AFTER MONTHS of remarkable stability in the London gold market, there are now some indications that it might witness another gold scare in the near future. Until the closing week of July the dollar price of gold remained low, even though its sterling price advanced in accordance with the weakening of sterling in relation to the dollar. The volume of activity was moderate and there was no evidence of any substantial or persistent hoarding demand from the continent or from the East. The extent to which the gold pool had to intervene in support of the market was very moderate, and the Bank of England's policy to limit such intervention to satisfying only part of the demand did not cause a rise in the dollar price of gold. As usual when things are going well for a few months, the optimistic impression was gaining ground that gold scares were now a matter of the past, and that the gold pool arrangement of the Central Banks had succeeded in ensuring lasting stability.

Even though the rise experienced during the concluding days of July was moderate, it was sufficient to dispose of this unwarranted complacency. The view is now gaining ground that the gold market is likely to experience another spell of hectic activity before this year is over. This opinion is based on the following reasons:

(1) Open hostilities in Viet-nam, Malaysia and Arabia are widely anticipated. Should these materialise, they are likely to step up hoarding and speculative demand for gold from the Middle East, the Far East and elsewhere.

(2) The possibility of Senator Goldwater's election is giving rise to anticipation of war scares both in Europe and in the Far East, leading to a certain amount of flight into gold.

Flexible Dollar

(3) Senator Goldwater's economic advisors are known to favour the flexible dollar, which would mean a depreciation in terms of hard currencies. The prospects of his election are likely to induce holders of dollars to play for safety by switching into gold.

(4) The coincidence of a sterling uncertainty on account of the possibility of a Socialist victory with a dollar uncertainty is likely to drive many people into the gold market.

(5) Since the last major gold scare, the financing of gold hoarding has become much easier as a result of the plentiful supplies of Euro-dollars that have become available for that purpose because of growing distrust in unsecured Euro-dollar transactions.

By far the most important factor is the possibility of Senator Goldwater's victory. Writing in "The Commercial and Financial Chronicle" of New York on the day after his nomination as Republican candidate for the Presidency, I wrote that, should he be elected, his name would indicate the fate of the United States — gold would flow out like water. This view was not shared by the foreign exchange market which was impressed by his programme of balanced budget and of high priority for balance of payments equilibrium. But it is easier to declare such objectives than to carry them into practice on the basis of the foreign policies that would be pursued by

Senator Goldwater. It is his declared intention to revive the cold war and to adopt an uncompromisingly aggressive attitude towards both Soviet Russia and Communist China. To do so would necessarily involve a heavy increase in military expenditure, which would wipe out any economies in other directions.

Apart from the effect of war scares on the dollar, the high degree of co-operation that exists now between the American and Western European monetary authorities would inevitably suffer as a result of the Senator's arrogance in dealing with Allied statesmen. For instance, his personality is bound to clash with that of General de Gaulle, and the latter would retort to any real or imaginary affront from Washington by availing himself of his right to withdraw the Bank of France's very considerable dollar reserve. The resulting heavy loss of gold would inspire distrust in the dollar, apart altogether from the effects of war scares and of increases in military expenditure.

Speculative Pressure

It is true, amidst the uncertainty of the political outlook resulting from his attitude, no European currency would be considered safe enough for inspiring an influx of funds from New York. But there is always the gold market. So long as the price of gold remains artificially low as a result of intervention by the gold pool, there would be utmost temptation for the conversion of refugee moneys into gold. This process could only be discouraged by allowing the price of gold to rise to a level at which speculators and hoarders would stand to lose if their pessimism should prove to be unfounded. The present "heads you win, tails you won't lose" policy can only be continued successfully so long as speculative and hoarding pressure remains moderate.

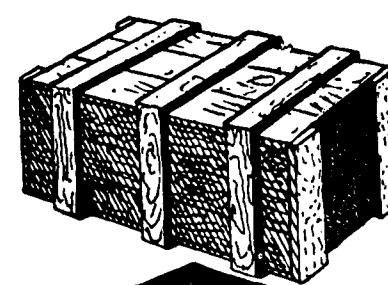
It would be little short of miracle if that pressure did not increase very considerably between now and the Presidential election in November. As it is difficult to forecast the result of that election, possibly hoarders and speculators will not be prepared to pay unduly heavy premiums. But once Goldwater is elected, the anticipation of the effects of his policies is bound to produce a spectacular effect on the gold market. The resources, actual and potential, of the gold pool are by no means unlimited, and anticipation of a termination of official support would add to the pressure.

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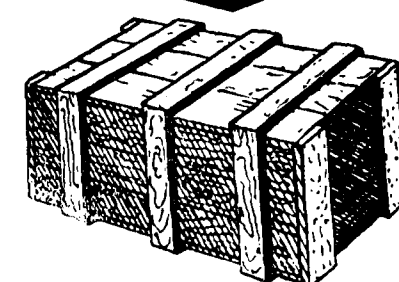
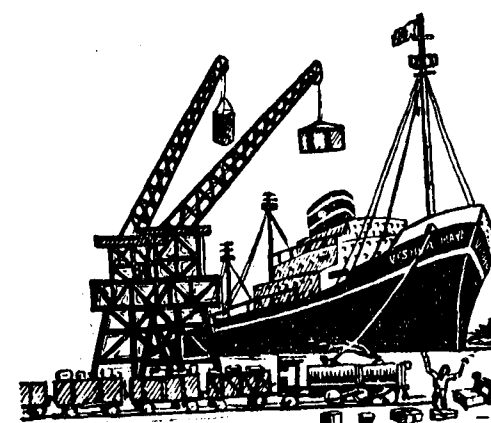
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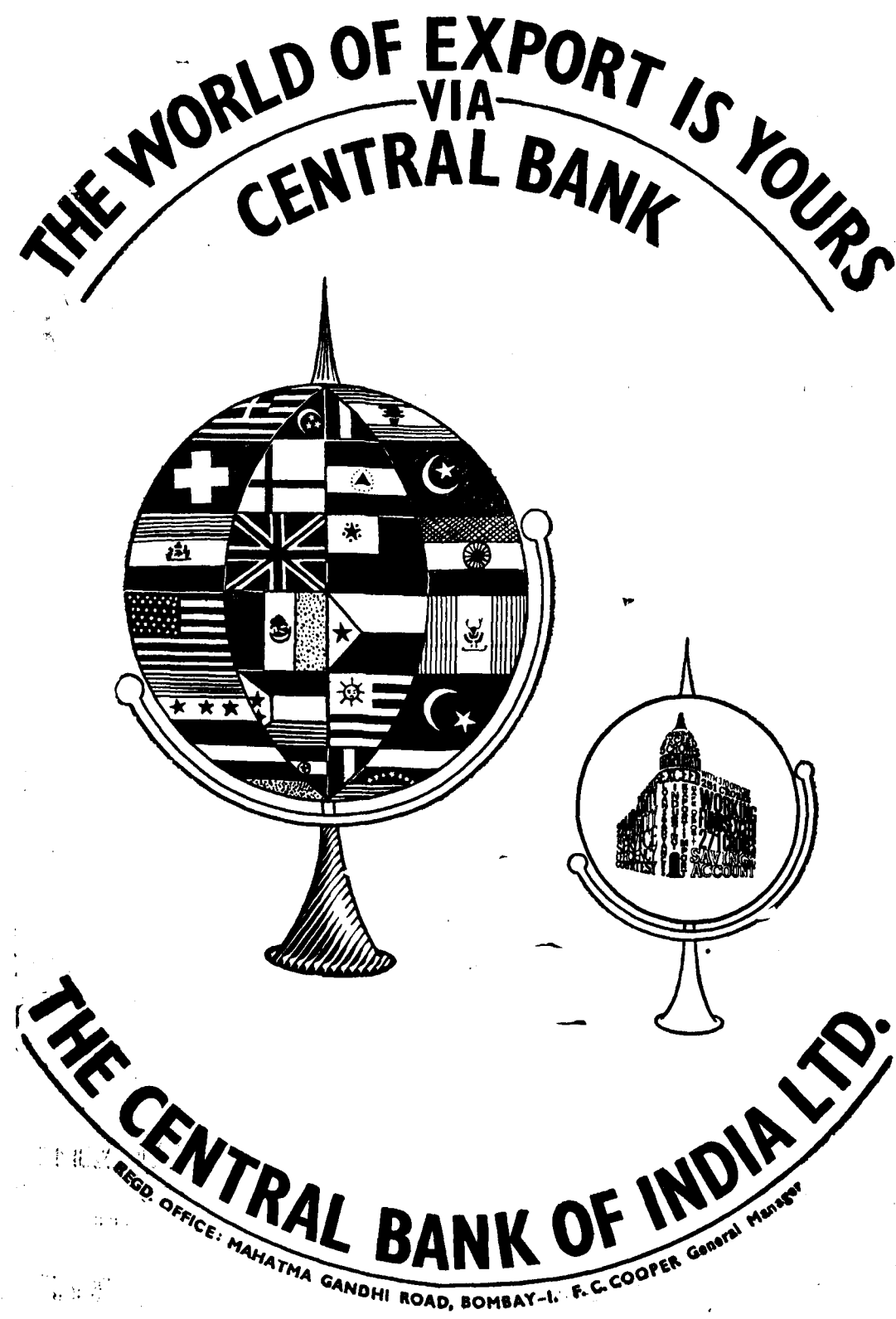
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LSTEN'NG POSTS

P. M. Writes to States on Food Problem

By Our Special Correspondent

NEW DELHI:

IN A letter to the State Chief Ministers, the Prime Minister, Mr. Lal Bahadur, has suggested a number of steps to meet the challenge of the expanding price spiral. The most important recommendation made by him is that with a view to bringing out the hoarded food stocks, the State Governments may not take any penal action in the next two weeks if any trader or stockist brings into the open any stocks of foodgrains not previously declared by him. At the expiry of this two-week period, however, stern action should be taken against hoarders as had been done already in some places.

The Prime Minister has also hinted at introduction of rationing in the big cities like Bombay, Calcutta, Madras and Delhi, whose problems, he says, have to be dealt with in a special way. For easing the food situation in the rural areas, the Prime Minister has advised that more and more fair price shops should be opened and Panchayats should be asked to take upon themselves the responsibility of keeping an eye on every man in the village to see that there is no starvation. Panchayats should also be in a position to know with whom stocks are available. They should use persuasive methods to bring these stocks out.

Another short-term measure suggested by the Prime Minister is that the larger hotels and restaurants which serve a wide variety of dishes, should cut down their consumption of rice and wheat. Those who are non-vegetarians should also curtail their consumption of cereals. In the States of Punjab, Delhi, U.P., Rajasthan and Madhya Pradesh, people should cut out rice from their meals for a month.

Laying emphasis on firm implementation of the price policy of the Government, the Prime Minister has urged that the officials of the State Governments should frequently go around and find out for themselves if the daily items of consumption are being sold at the prices fixed by the Government.

Surplus States' Co-operation

The Prime Minister has advised the surplus food producing States that they should keep the all-India situation in view, co-operate with the deficit States in this difficult period and resist the temptation of enforcing measures for easing the position in their own States. He has assured that the Union Government will spare no efforts to see that the surplus States do not suffer on account of any co-operation or help they might extend to those which are in greater need.

The Prime Minister observes in his letter that in the present-day difficult situation, there is no alternative to importing cereals from abroad as quickly as possible. But the only effective and real solution to the food problem of the country is stepping up of production. Detailing the measures which are being taken to increase foodgrains output and for improving the distribution system (such as setting up a commission to suggest remunerative producer and reasonable consumer prices of foodgrains, establishment of the Foodgrains Trading Corporation, etc.), he has called upon the State Chief Ministers to devote their full attention to agricultural development.

Regarding import of foodgrains, the Prime Minister has stated that substantial quantities of rice and wheat would be imported during the current and the next few months. Nearly 50,000 tons of wheat will be shipped from the United States during the current month out of the four million tons promised by it to be supplied between now and February, 1965. Arrangements have been made for importing rice from the

United States to the tune of 300,000 tons (200,000 tons will be available between August and December), 71,000 tons from Pakistan and 10,000 tons from Thailand. Further efforts are being made to import another 50,000 tons of rice from Thailand and 60,000 tons from Cambodia on barter basis. The impact of these imports is expected to be felt by the end of this month.

The Prime Minister has also emphasised the need for maintaining the prices of such articles of daily consumption as sugar, cloth, vegetable oils, matches, kerosene, tea, soap and vanaspati. He has expressed the view that prices of these commodities should be fixed and properly enforced.

The Prime Minister is understood to have addressed a communication to his colleagues in the Central Government in which he has stressed the need for cutting down expenditure in the interest of curbing inflationary tendencies. He is believed to have suggested that the Union Ministries should avoid making fresh commitments for a year or so in the case of heavy industry projects on which real work has not yet started. He has suggested that the Union Finance Minister and the Deputy Chairman of the Planning Commission should attempt a reassessment of the projects and programmes for which funds are currently being allocated or are to be allocated next year. The emphasis, the Prime Minister says, should be on rapid completion of the schemes already in hand. He is also said to have advised cutting down of all wasteful expenditure even in the sphere of defence. The legitimate defence build up, of course, is not to be slackened. The Prime Minister has further recommended that consolidation of the past gains should take precedence over new schemes and the fourth Plan should be drawn up realistically on the basis of the current Plan.

With a view to securing the co-operation of the Opposition parties for bringing down foodgrain prices, the Prime Minister had discussions last week with the leaders of the Opposition groups in the Parliament. He appealed to them that they should advise their parties to refrain from agitational approach to the food problem at the present juncture.

The Soviet Union has offered more assistance for increasing food production in India. It is understood to be willing to provide machinery, technical know-how and fertilizers for this purpose. Full compliment of equipment has also been offered for setting up another Government farm on the lines of the Suratgarh farm in Rajasthan.

★★

A team of steel experts from Russia, headed by Mr. A. Goubert, Chairman of the Giprorez, the Soviet enterprise handling exports of metallurgical plants and equipment, is expected here next week for further investigations and detailed discussions on the proposed Bokaro Plant. This was disclosed by Mr. N. N. Wanchoo, Secretary to the Union Steel Ministry, who returned from the Soviet Union last week after holding talks with the Soviet authorities on Russian assistance for putting up the first 1.5 million tonnes steel-making capacity at Bokaro. The Giprorez experts have proposed some significant changes in the Dasturco report on this project in the light of the latest Soviet techniques of steel production.

The Wanchoo Delegation, which included Mr. K. M. George, Managing Director of Bokaro Steel Ltd., and Mr. M. N. Dastur, of Dastur and Co., Union Government's Indian technical consultants for this fourth public sector steel plant, is stated to have impressed upon the Soviet authorities the anxiety of the Government of India to complete the first 1.5 million tonnes stage

of this steelworks on a priority basis so that it can be commissioned into production by the end of 1968. The Soviet authorities are understood to have agreed that no efforts would be spared to accomplish this goal.

Mr. Wanchoo is also believed to have urged the Soviet authorities that they should explore the possibilities of providing at the Bokaro Steelworks the continuous casting of steel production. This process, which is the latest Russian technique for steel-making, eliminates the traditional blooming and slabbing mills and thus saves nearly Rs. 20 crores in the cost of setting up a steel plant. The technique also considerably reduces the wastage of steel in the process of rolling into products.

The Soviet authorities have expressed keenness to assume full responsibility for the designing of the plant and supervising of its construction so that the project is completed without any difficulties according to the schedule of the Union Government. They have also stressed the use of 100 per cent sinter for steel manufacture at Bokaro. The fullest utilisation of the available Indian capacity to fabricate steel-making equipment has been agreed to by the Soviet Union.

To initiate preparatory work at Bokaro, orders for the purchase of over Rs. 1 crore worth of earth-moving and construction equipment from the Soviet Union are proposed to be placed shortly. This equipment is expected to be delivered in the last quarter of 1964 or in early 1965.

The Wanchoo Delegation also had discussions with the Soviet authorities on the fourth Plan expansion programme of the Bhilai Steelworks which would raise the capacity of this steel plant from 2.5 to 3.5 million tonnes ingots per annum.

The Indian delegation also visited Czechoslovakia and explored the possibilities of further Czech collaboration in the Indian heavy engineering industry, particularly in the manufacture of electric equipment for steel production.

★ ★
A reassessment of the financial resources for the fourth Plan, carried out by the Planning Commission recently, is understood to have revealed that if the additional taxation effort during the five years 1966-67 to 1970-71 is of the same order as assumed in the current Plan, an investment of Rs. 11,000 crores in the fourth Plan public sector programmes should not

be out of reach. It is thought that balances from current revenues can provide during the fourth Plan period about Rs. 1,900 crores. The surpluses from public sector undertakings may yield at least Rs. 900 crores. The railways will contribute nearly Rs. 450 crores and the provident funds Rs. 500 crores. Approximately Rs. 1,600 crores can be raised through market loans and another Rs. 1,200 crores through small savings and annuity deposits. Miscellaneous capital receipts may amount to Rs. 350 crores. Deficit financing may be around Rs. 500 crores. External aid will be required to the tune of Rs. 2,550/2,600 crores. This, however, excludes about Rs. 700 crores that may be available under PL 480 and the assistance that may be needed for financing the capital repayments of the foreign credits already contracted.

★ ★

Addressing the concluding session of the Company Law Board's Seminar on "Promotion of Research in Corporate Management and Finance", the Union Minister for Finance, Mr. T. T. Krishnamachari, expressed the view that a statutory limit was called for on the scale of operations of private limited companies with a view to ensuring healthy functioning of the corporate sector. Either the private limited companies should be obliged to keep within a ceiling of Rs. 20-25 lakhs turnover per annum or a suitable formula should be devised on the basis of their capital-at-charge, he added. Operations larger than this limit, the Finance Minister opined, should be carried on only by the public limited companies.

Mr. Krishnamachari felt that it would be desirable to frame legislation for making it obligatory for joint stock companies to furnish full details relating to their functioning along with the statement of their annual accounts. The responsibility of accuracy of such information should be that of the companies. This proposal of the Finance Minister was, however, at variance with the view taken by the Seminar earlier which had favoured resort to persuasion for obtaining adequate information from companies rather than framing of legislation for this purpose.

The Finance Minister wanted a stricter control on inventories. He also sharply commented on the lack of profit consciousness on the part of the public sector undertakings. He did not subscribe to the view that the Government enterprises should function on no-profit-no-loss basis.

Extravagant and Erring States

From Our Correspondent

CALCUTTA:

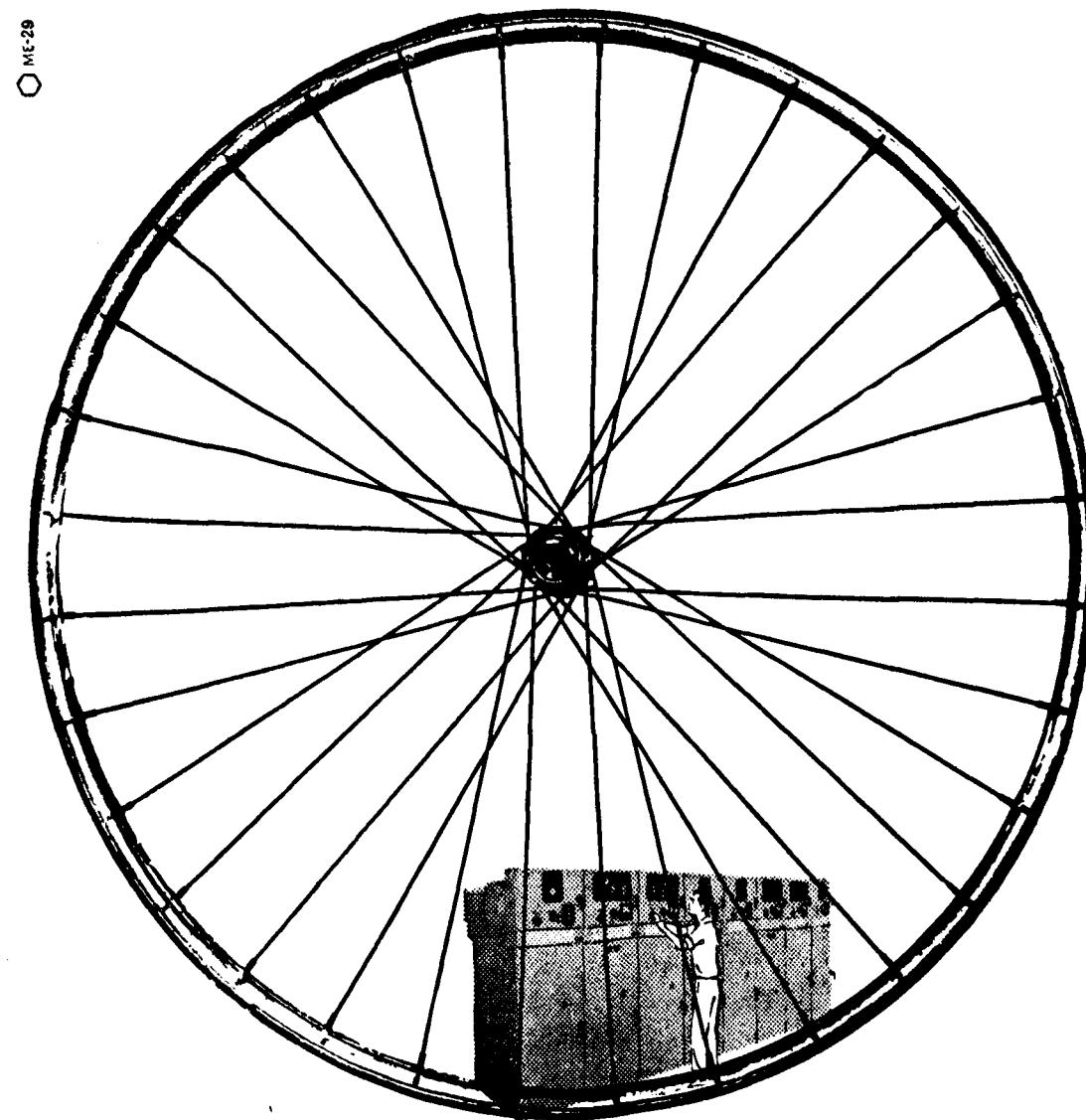
ALONG WITH nine other States, West Bengal, Bihar, Assam and Orissa will be shortly in the market to borrow Rs. 7 crores, Rs. 4 crores, Rs. 3 crores and Rs. 8 crores, respectively. All loans will mature after 12 years for redemption at par. But the issue price is Rs. 99.75 per cent in the case of West Bengal and Rs. 99.50 per cent in the case of the other three. The rate of interest is 4½ per cent in all cases, which is considered attractive by current market standards. In fact, the market had been expecting that the interest rates on State loans would be higher than offered previously because of dearer bank credit. During the past two financial years, the States did not borrow independently, but were given shares from the proceeds of the combined borrowing programme which the Centre undertook on their behalf. That programme had many advantages, but had to be given up primarily for two reasons. First, it was not possible to fix a basis which could satisfy all States as to the share each one of them was getting, and secondly, it tended to encourage the States to make more importunate demands for assistance from New Delhi.

In fact, in the name of development some of the States have been spending so recklessly that something will have

to be done fairly soon to put their financial houses in order. The total debts of Orissa have risen from Rs. 203 crores in 1962 to Rs. 228 crores in 1963 and is expected to rise further to Rs. 266.36 crores by the end of the current year. The revenue deficit of Rs. 3.92 crores in the 1964-65 Budget has been left uncovered, yet it proposes to spend over Rs. 40 crores on development, which it hopes to find from Central assistance and market borrowing. This State has so far spent 76 per cent of the total outlay budgeted for the third Plan as a whole, but leaving aside the question (which many people are now asking) whether the money has been spent wisely and well, Orissa's apparently good performance has been made possible by generous Central aid. Now that the latter is likely to look a little more closely into Orissa's application for help, it is very problematical whether the State will be able to spend as much on "development" as it has budgeted for the current financial year.

The finances of Assam are also in a bad way. It will have spent as much as 88 per cent of the total third Plan outlay if the current year's Budget provision of Rs. 34.20 crores is fully expended, but its ways and means position would appear to be even worse than Orissa's. However, there is general

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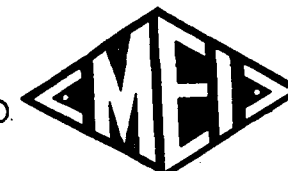


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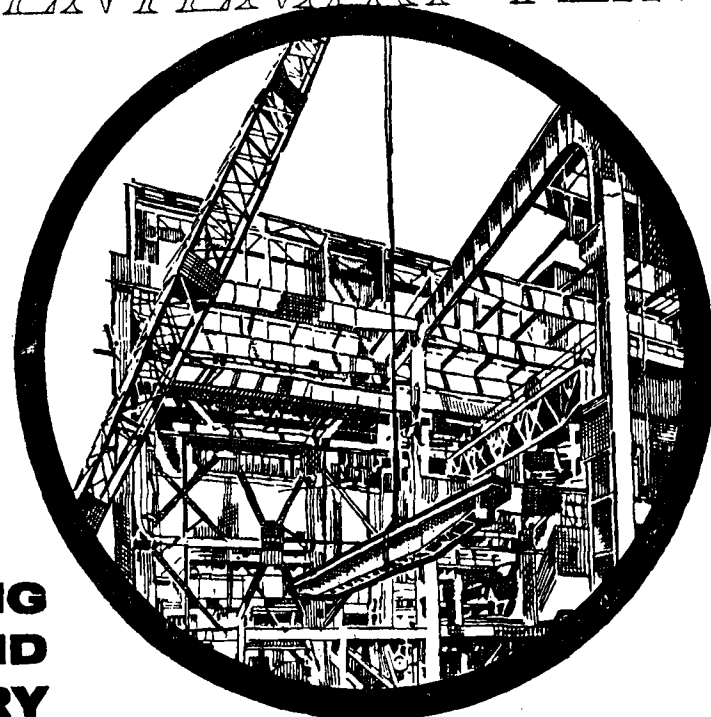


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sympathy with Assam as a harassed border State, whose commitments have increased enormously since the Chinese invasion of India's borders. This State too has made a relatively good tax effort to find additional resources for the Plan. Although still a long way short of the Rs. 16 crores which it has undertaken to find during the current five-year period, it has been trying to increase internal resources in each of the years of the third Plan. Incidentally, Assam is raising the smallest of the loans this year, although her overall Budget deficit is bigger than Orissa's. This may be due to the fact that Central assistance for Assam is likely to continue on a generous scale.

Bihar is relatively better off, but in her case, the enthusiasm for "development" is not quite so pronounced as it is with Orissa or Assam. In fact, it errs on the side of caution. Bihar has shown no mania for spectacular projects like Orissa, and would seem to favour small-scale industries as the primary means of developing its economy. But then it must be said that the major projects like a steel plant or an oil refinery or the heavy engineering complex which are being located in this State are all Centrally sponsored and financed. Of all the States in eastern India, Bihar's tax effort to raise additional resources for the Plan is the poorest so far. It has not even raised half of the Rs. 50 crores which was the amount Bihar is required to raise for the third five-year Plan. The small surplus which is shown in the State's 1964-65 Budget is actually the result of some cuts in its Plan schemes. Therefore, if Bihar is raising a loan of Rs. 4 crores, it is because of the prospect for smaller Central assistance this year.

Unenviable Position

The financial position of West Bengal is not exactly enviable, but of all the four States, it has been making the maximum effort to finance the State's development schemes out of internal resources. In fact, as the Finance Minister disclosed in his Budget speech last February, West Bengal has already found Rs 145 crores for her Plan schemes as against Rs. 90 crores which it was required to raise. The late Dr. B. C. Roy had all along insisted that the State must have a plan for Rs. 341 crores for West Bengal's balanced development, but the Planning Commission, considering the resources which the Centre could spare for this State, had pruned the original plan down to Rs. 250 crores. There was, however, an understanding that if West Bengal could raise more than Rs. 90 crores from out of its own resources, the plan outlay could be revised upwards. Now that the State has done so, it is pressing New Delhi to restore the plan to its original size but if this is to be done, the Centre must provide at least another Rs. 30 crores or so over and above Rs. 155 crores it has already agreed to give. But in view of the economy drive which the Union Finance Minister proposes to launch, it is unlikely that more funds from the Centre will be available; in fact, Press reports suggest that New Delhi has already asked West Bengal to reduce its spending on the Plan.

This, however, places the State in a dilemma. It must

comply with the Union Finance Minister's wishes in order to contribute to the general economy campaign, yet certain advance commitments and the State's own peculiar economic problems, now aggravated by the ever continuing influx of refugees from across the border, make it imperative that the State proceed with all its development schemes. The problem of power deficit and the need to develop the Durgapur-Asansol area, for example. From the way the power requirements in the State have been increasing it is clear that unless adequate provisions are now made for augmenting generation capacity, there will be a critical power shortage in the middle of the next Plan.

To develop the Durgapur-Asansol belt, adequate infrastructure facilities will have to be provided, and this must require considerable expenditure. The State obviously needs the Rs. 7 crores which it is going to borrow from the market. As for the prospect of the loan being fully subscribed, the market circles feel that apart from the usual institutions, the banks too would find it worth their while in view of the relatively attractive rate of interest. In fact, the effective rate works out to 4.78 per cent in West Bengal's case, and in the case of the three others, it is even more, 4.81 per cent. Incidentally, these loans will open on August 24 and close on August 29, and the States reserve the right to retain up to 10 per cent in excess of the notified amounts.

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At the annual meeting of the Tea Association of India, held at India Exchange last week, both Mr. A. S. Bam, Chairman of the Tea Board and Mr. S. R. Daga, President of the Association, agreed that India must produce and export more tea, but while Mr. Bam understandably emphasised the need to raise production, Mr. Daga dealt with the measures which are needed to boost output from the gardens. That was the only difference in their respective approaches to the problem. Mr. Bam pointed out that since the expansion in tea production was lagging behind the Plan target, the Planning Commission has already reduced the third Plan target from 900 million lbs. to 830 million lbs; the export target too has been cut to 530 million lbs. from 610 million lbs. Mr. Daga thought that the original targets were ambitious and the revised ones realistic; even so, the industry will require some positive incentives to reach the revised targets. Apart from repeating the well known demand that expenditure on replanting and new planting be treated as a charge on current revenue, instead of as a capital item, for tax purposes, Mr. Daga put forward a new one, urging higher rebates for tea as one of the industries qualifying for special assistance under the 1964-65 Union Budget. The rebates granted are 10 per cent on income tax and super tax and 20 per cent on surtax. But these in effect have been reached to 4 per cent and 8 per cent, respectively, as 60 per cent of tea profits are taxed by the States concerned as agricultural income. In Mr. Daga's opinion, these rates of relief should be raised to 25 per cent on income tax and super tax and 50 per cent on surtax.

Thirst for Funds

From Our Correspondent

MADRAS:

THE DETAILS regarding the borrowing programme of the State Governments were made known recently. While 13 State Governments have asked for an aggregate amount of Rs. 100 crores, the share of the four Southern States amounts to Rs. 36 crores; Madras will be raising the largest sum of Rs. 14 crores because it has a loan which was outstanding to the extent of Rs. 5.25 crores and which fell due for redemption on August 1. Andhra Pradesh, however, will be raising the largest net amount of Rs. 11 crores as it has no maturing loan. The other two States also do not have to repay any loan, Kerala thus raising only Rs. 4 crores and Mysore Rs. 7 crores.

As interest rates have tended to increase in the past two years and the Central Government also offered more advantageous terms to the lenders recently, the State Governments have been obliged to raise the interest rate on their loans to 4½ per cent and offer a redemption date in twelve years. The States are coming on the market to raise their requirements separately after 1962 as in 1963 the Central Government thought it advisable to have integrated borrowing as the conditions in the money market were not considered quite favourable and it has also thought advisable not to allow an undue increase in the interest rate. In 1962, 14 State Governments asked for Rs. 93.5 crores and there was considerable over-subscrip-

tion, total applications amounting to over Rs. 108 crores. The rate of interest offered was $4\frac{1}{2}$ per cent. The four Southern States required Rs. 32 crores.

It has, therefore, been necessary to borrow on a costlier basis. Even the Central Government had to offer a rate of $4\frac{1}{2}$ per cent to its lenders though it was for a long-dated issue. All the four Southern States are busy implementing Plan schemes and it would be helpful if larger sums could be borrowed from the open market. The Reserve Bank, however, has considered it desirable to limit borrowing to Rs. 100 crores as the State Electricity Boards and the statutory financial corporation also have to complete their borrowing programmes after the State loans are out of the way. The prospects for the latter being successfully launched should be considered encouraging as the banking system did not support liberally the loans issued by the Centre in July and there are ample funds on hand especially as there has since been a considerable improvement in conditions in the money market. It is even felt that institutional investors would provide bulk of the amount and that it may not be necessary to make a bid for collecting large sums from the rural areas.

Central Finance

While there will still be need for additional resources, in the case of Andhra Pradesh and Mysore particularly, there is great relief in these two States over the prospect of the big multi-purpose projects being financed entirely by the Central Government. It had been repeatedly represented to the Centre by the Andhra Pradesh Government that it was not possible for the latter to meet the expenditure on the desired scale for expediting construction work on the Nagarjunasagar Project without cutting the allocation for other projects. Even so, efforts are being made to provide large sums out of available resources, though, with a bigger allocation, work on the project could have been considerably accelerated and the benefits out of the huge expenditure derived much earlier. The actual decision is expected to be taken after the meeting of the National Development Council before the end of this month. There are some ticklish problems involved as it has still to be decided whether Central financing and moratorium on interest payments would meet central execution of the projects selected for this purpose. The view of the Andhra Pradesh Government would seem to be that the construction work should be carried out only under State auspices. Since there is already an arrangement for supervising construction, it may probably be eventually agreed that, subject to financial control by the Centre, the construction work would be carried out by the State. The Mysore Government is naturally interested in this decision as it has a number of multi-purpose projects which have to be implemented during the fourth Plan period.

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Following the fixation of maximum prices for coarse variety of rice by the Central Government, the State Governments of Andhra Pradesh and Madras have fixed maximum and retail selling prices for coarse and even finer varieties of rice. The prices announced are about 10 per cent below the levels that were prevailing in the market a few days back. It is generally agreed that the new maximum prices for the different categories of rice are such that they would be remunerative to the producer and workable for the trade though the consumer has been somewhat disappointed. The trade, however, has a lurking fear that imports of rice from Andhra Pradesh may not be easily coming in as the neighbouring State Government has somehow got alarmed over the movement of large stocks from its territory. It is not known whether all the stocks moved from the producing centres have found their way to Madras as it was emphasised by traders in this centre that stocks of Andhra rice were not large and that the requirements of Madras City were not large and that the requirements of Madras City could not be met without difficulty if there were no regular imports. The needs of Madras City are estimated at 4,000 tons monthly. While it

is too early to say how exactly the new arrangement will work out and the needs of the population in the next few months will be found, the problem can be satisfactorily got over only if there were no restrictions on movement within the zone and the State Governments of Madras and Andhra Pradesh worked in close co-operation. With the favourable rains in the past few days it is felt that the prospects for the new crop have considerably improved.

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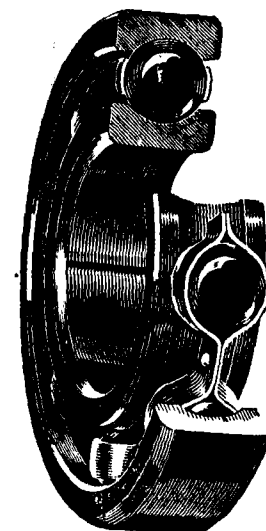
A well attended function took place on August 5 in Neyveli when the completion of the first stage of the thermal project was celebrated. Mr. N. Sanjiva Reddy, Union Minister for Steel and Mines, presided over the function while Mr. P. S. Neporozhny, Soviet Minister and Chairman of the Production Committee for Power and Electrification, who came from the USSR specially to participate in the function, unveiled the obelisk commemorating the completion of work on the first five generators. There are four more panels for the remaining units that will be erected under the first and second stage of expansion. It is now expected that the first phase of expansion will be completed before the end of 1965. The Soviet Minister was kind enough to offer the assurance that technical and financial assistance from his country would continue to be available for raising capacity to 600 mW. Indeed, he even indicated that assistance would be forthcoming for the subsequent stages of the project which would be conceived ambitiously. Mr. Sanjiva Reddy naturally emphasised the need for the installation of additional generating capacity so that power could be supplied on a regional basis and in an assured manner. Mr. K. N. Subbaraman, Chairman of the Neyveli Lignite Corporation, justifiably claimed that lignite had been put to good use and that the Neyveli scheme would prove to be a project for prosperity. The full benefits of the large expenditure that has been incurred so far would be felt by the middle of next year when the briquetting plant and the fertiliser unit would be in operation. Even in the short period, the generators have been in commission, a total quantity of about 2,000 million units has been produced while approximately 1,500 million units have been pumped into the Madras grid. During the period of the recent power crisis, the daily availability from this source for the Madras State Electricity Board was as much as 5 million units.

Expansion Plans

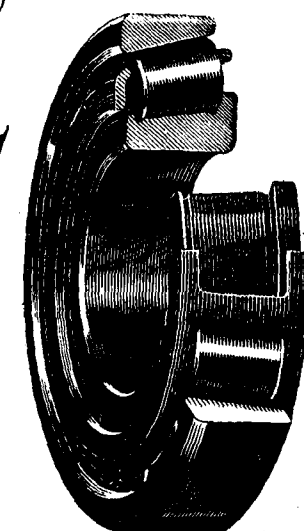
With the construction work on the briquetting and the fertiliser projects nearing completion, thoughts are now centred on the schemes that would have to be formulated for the fourth Plan. Not much difficulty is expected in drawing up plans for installing additional generating capacity as considerable experience has already been gained and it is generally accepted that Neyveli would have to be the big source of supply. The question is now being discussed whether there should be an expansion of the capacity of the fertiliser plant as there are inbuilt reserves in some departments and it would be possible to step up output significantly even with a small outlay. The expansion plans can, however, be finalised on a definite basis only after it is known how the gasification of lignite is achieved and whether it is in conformity with earlier estimates. There is confidence that the processes for manufacturing urea, based on lignite, will be successful though it is difficult to say, without commercial operation, how much quantity of lignite would be required for producing up to the rated capacity of 1.52 lakh tons. This is the largest unit in the world for a lignite-based project. As the cost of raw material is expected to be higher than that of other raw materials like naphtha, expert opinion would seem to be inclined to the view that there should not be any increase in the capacity of this unit. As, however, over-head expenses can be reduced significantly with an increase in the capacity by about 30 per cent, with an expenditure of only Rs. 3 crores, immediately after the necessary experience has been gained, the expansion should be undertaken.

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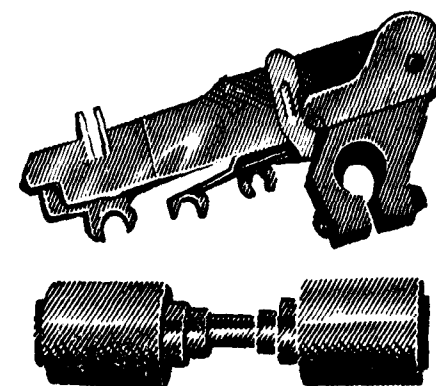
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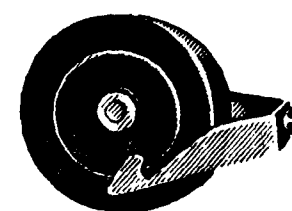
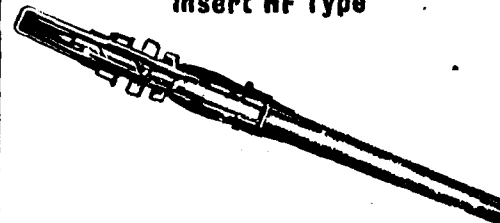
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The moving finger writes

THE PRIME Minister's meeting with the press last Saturday was not by any means the first indication that the country has had that he is back at his job with a vengeance. I have heard it suggested that Mr. Lal Bahadur probably considers it necessary to demonstrate the fullness of his recovered physical fitness not merely by recapturing the pace of work which he adopted for himself before his illness but by even improving on it. I hope this is not true and that the Prime Minister who is now not lacking in advisers, official or other, will hear and listen to some sound advice on the vital question of "burning the candle" safely and sensibly.

Here I may also add that Mr. Lal Bahadur should not be lavish with gestures of austerity. Although he has said that he does not want a lift to carry him to the ramparts of the Red Fort on Independence Day, a lift very rightly is nevertheless being installed. In other words, the expenditure of public money to which he objects is being incurred and there is clearly no point in his denying himself the use of the facility which is thus being provided.

Similarly, I am not impressed either with his decision to use a small car instead of a limousine. I am sure the limousine which he has surrendered will, nevertheless, be kept on government account and used by others. It is not inconceivable that the vehicle may be pressed into service for dropping a Secretary's wife at a matinee in a local cinema or fetch a Deputy Secretary's children from school or even be taken by a Section Officer's wife to the vegetable market. The Prime Minister is nearing sixty, has a history of heart ailments and is even otherwise not of robust constitution by any means. In the circumstances, it is merely sensible that he should take proper care of himself and I am confident that the country wants him to do this and will be legitimately aggrieved if he does not.

The Prime Minister's letter to Chief Ministers on food policy is on the whole a document of considerable wisdom. I like particularly the emphasis he has laid on the need for individual State Governments thinking in national terms where the people's food is concerned. There has been too much of a "Pull Devil, Pull Baker" mentality among State Governments and it is evident that the Minister for Food and Agriculture has been finding it too difficult to reconcile claims and counter-claims. It is to be hoped that the Prime Minister's appeal will have the desired effect on State capitals. This is particularly important because without this co-operation within the ruling party, it would be idle to expect any constructive response from Opposition parties or trade unions to Mr. Lal Bahadur's plea that the food situation should not be exploited for political or sectional ends.

There is a point, however, in the Prime Minister's statement on food policy which, I must say, fails to make sense. He anticipates — and in my view rightly — an easing of the nation's food difficulties after about two months. By then the large supplies of wheat promised by the United States would have started reaching this country in a regular and large flow, and secondly, the Kharif rice crop, which may be expected to be a good one, would have begun moving into the markets. Since these are the prospects, I fail to see why Mr. Lal Bahadur should have thought it necessary at all to advise State Governments to be prepared for organizing rationing in cities such as Calcutta, Bombay, Madras or Delhi. If the worst of the present food difficulties could be expected to be over towards the end of October, there is clearly no need for thinking in terms of the introduction of rationing in the cities or

elsewhere. Secondly, talks of rationing are apt to depress and demoralize the public rather than boost their morale. Rationing, again, is apt to weaken the inclination of producers or middlemen to sell or trade freely. The important thing now is to strengthen public confidence and reference to rationing is surely not the way to do it.

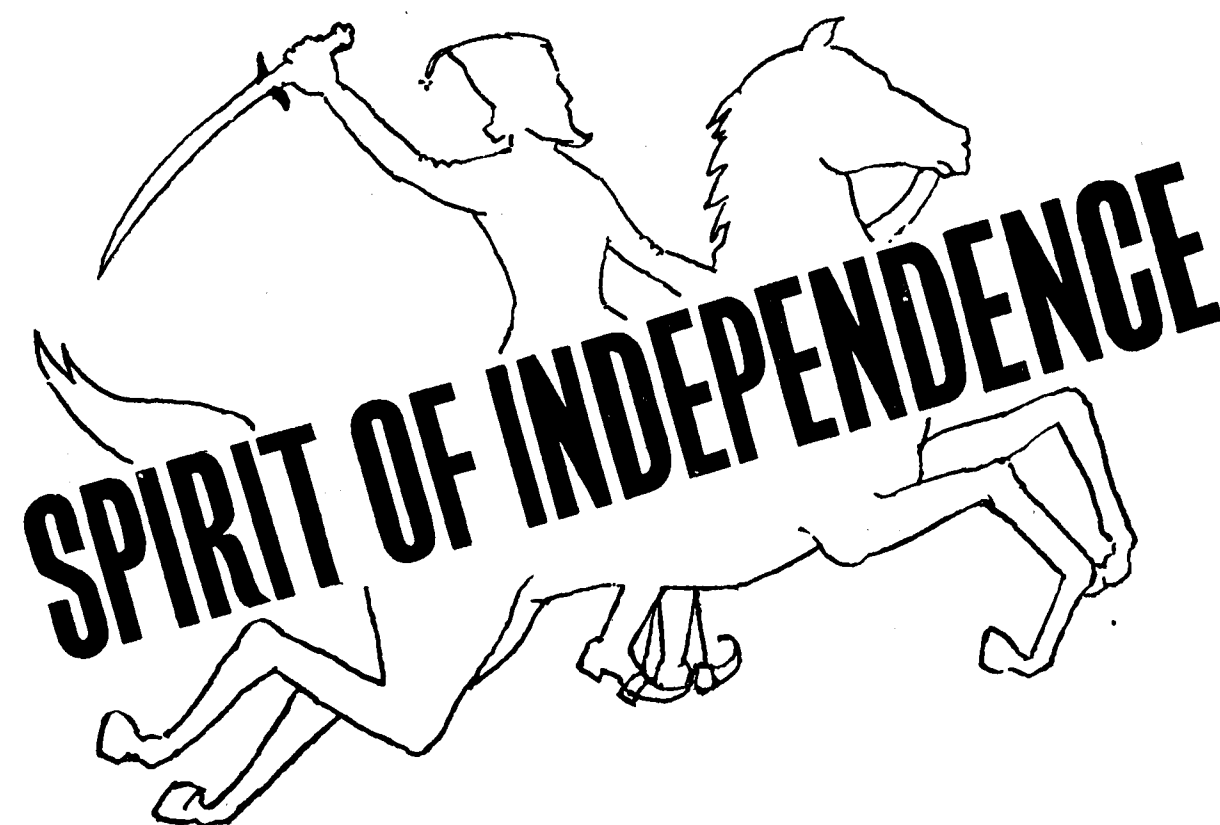
Mr. Raghunath Singh's appointment as Chairman of the National Shipping Board must inevitably recall to habitues of the Central Hall of Parliament an anecdote, no doubt apocryphal, which used to flavour the interminable cups of coffee drunk in that august chamber. Mr. Raghunath Singh — so the story went — who was speaking in Lok Sabha on the Demands of the Transport Ministry in a very critical vein, was so carried away by his indignation over that Ministry's sense of commission and omission that he raised his voice to demand why the people of Uttar Pradesh should have any confidence at all in a Ministry which was not even prepared to consider setting up one of the shipyards in that State. Now that Mr. Raghunath Singh has arrived at the National Shipping Board, he may certainly be expected to put Banaras on the navigation map of the world.

Recently ("Eastern Economist", dated July 31, page 205) I had some comments to offer on the appointment of Mr. T. N. Singh as Minister of State for Heavy Engineering. The why and wherefore of that appointment was something of a mystery to me. Since then a clue of sorts has come my way. Mr. Lal Bahadur and Mr. T. N. Singh, I learn, went to school together. I am indebted for this information to a Monday column in a local Daily. The columnist in question goes on to reveal that the two cronies used to ride "double" on a bicycle, with Mr. T. N. Singh in the saddle. It now remains to discover the person who used to swim across the Ganga with Mr. Lal Bahadur in those exciting early days carrying school books on the head. There ought to be a job awaiting him somewhere in the Government.

My congratulations to Mr. G. S. Bhargava, Special Correspondent of "The Indian Express", on his recent series of articles describing some very strange doings in certain high places in Orissa. His reporting is an excellent example of restrained, and therefore deadly, indictment. For obvious reasons, Mr. Bhargava has been cautious and considerate in marshalling his evidence and has consequently been all the more successful in establishing a very strong case for a judicial investigation of some of the political or business careers in Orissa's recent past.

"The Hindustan Times", I notice, also has Orissa on its mind. In its issue of August 6, Associate Editor Kr'shan Bhatia's "Political Notebook" pleads most persuasively with the Congress Parliamentary Board to steel itself for another Das Commission, so that the party's honour and prestige may be retrieved. I agree with him — and I hope he shares my amusement over the following sentence occurring in his piece: "On the other hand, if the Board somehow works itself into an unusual mood of ruthlessness and orders some heads in Orissa to role (sic), the people would still talk of the many who have cheated the gallows". I am all for gallows or guillotines for the wrong type of people in Orissa or elsewhere, but I would rather not mix up those two distinct types of engines of death.

V.B.



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Trade Winds

SUGAR PROBE

AN INQUIRY into the production, price and distribution of sugar as much as of sugarcane, was overdue for quite some time now. The appointment, therefore, by the Union Minister of Food and Agriculture, Mr. C. Subramaniam, of a Commission of Inquiry to go into the various problems of the Indian sugar industry should be welcome to all concerned. The determination of the price as well as the system of distribution for the sugar season commencing on November 1, 1964 will be the immediate concern of the Commission and will be covered in its interim report to be submitted to Government by the end of August, 1964. As a matter of fact, the Union Ministry of Food and Agriculture fixes sugar prices according to a formula which takes into account the price of sugarcane and the manufacturing cost. The industry has lately been complaining that the existing prices are unremunerative and provide little incentive for greater production. The profitability in the industry is said to be among the lowest in the industrial sector. In fact, the present price schedule for sugar is based on the Tariff Commission's recommendations submitted as early as 1959. The six-member Commission of Inquiry, headed by Dr. S. R. Sen, Adviser (Programme Administration), Planning Commission, is expected to go over the ground afresh and make detailed examination of all aspects of the cost structure. The industry has been demanding a higher price for sugarcane to enable it to compete with the gur and khandsari industries which have lately become its serious rivals. It also wants the Government to adopt a policy of selective controls under which factories may be allowed to sell in the free market their excess production over and above the basic quotas. The effective regulation of gur and khandsari manufacture within the areas covered by the factories has also been demanded. The industry is in favour of fixation of sugar prices in different regions and sub-regions as well as the demarcation of cane zones for individual sugar factories in all the States with a view to ensuring adequate cane supplies to the factories.

As the industry is to meet not only the internal requirements but also to produce for export, the Commission will examine the policy regarding licensing of new sugar factories and the expansion of the existing ones. Licences for expansion as well as new units are granted by the Government to both the joint stock companies and the co-operative sugar factories. Preference is given to the co-operatives. In the co-operative sector, of the 57 factories licensed, 46 are working and account for about 22 per cent of the total production in the country. By the end of the third Plan, with 72 co-operatives licensed, this sector will account for nearly one-third of the total production. The share of the co-operatives in the additional capacity to be licensed during the fourth Plan is expected to be of the order of 7,00,000 tons and 30 new units may have to be established. It is envisaged that by the end of the fourth Plan there will be 100 co-operative factories accounting for about 42 per cent of the total installed capacity. The Commission will, however, go into the entire question of licensing and make appropriate recommendations with a view to ensuring quick increase in production.

Besides its Chairman, the members of the Commission include Mr. S. C. Choudhuri, Economic and Statistical Adviser to the Ministry of Food and Agriculture; Mr. N. Krishnan, Chief Cost Accounts Officer, Ministry of Finance; Mr. S. C. Gupta, Director, National Sugar Institute, Kanpur; Dr. Dharam Narain, Institute of Economic Growth, Delhi University; and Dr. P. K. Mukherjee, Deputy Economic and Statistical Adviser,

Ministry of Food and Agriculture, who will also be the Secretary of the Commission.

U.A.R. TRADE TEAM

A trade delegation from the United Arab Republic will visit India some time in September this year. The delegation will explore possibilities of increasing trade between the two countries. At present, the UAR is buying tea and jute from India. According to the UAR Ambassador, Dr. M. H. El-Zayyat, his country will be interested in importing from India coffee, timber, wood and spices besides considering import of cotton mill stores and jute mill stores.

FOREIGN GOODS CORNERS

An increasing number of imported articles, ranging from bananas to jewels, is being displayed in the show-windows of Japanese department stores and specialty shops. Some of the major department stores have established "Foreign Goods Corners" where all sorts of imported clothing, shoes, watches, fountain pens, foodstuffs and liquor are on sale. Japanese affiliates of foreign firms are also stepping up their publicity programmes. Increasing number of advertisements publicising foreign goods are appearing in Japanese newspapers and magazines and on television and radio. As a matter of fact, it was only in 1960 that Japan started liberalizing her imports in right earnest. About 42 per cent of the categories of her imports were liberalized that year. This rate of import liberalization has now gone up to 93 per cent. Parallel to this liberalization, the income level of the Japanese people has risen and their consumption of goods has increased. People are buying more expensive goods than before and their eating habits and tastes have become more international in nature. As a result, imports of consumer goods have been increasing tremendously in recent years. The Finance Ministry of Japan recently made a survey of 45 principal consumer goods imported into the country. The value of the 45 principal import items in 1960, including foodstuffs, machinery, precious stones, beverages and sundries, was estimated at \$59 million, whereas last year these imports totalled \$220 million. In 1960, the import of consumer goods accounted for only 1.31 per cent of Japan's total imports, and in 1962 these goods accounted for 3.27 per cent of the total imports.

The articles which Japan has imported in greater volume in recent years may be divided into four types. One classification is that of products which are not produced in Japan, the most representative example of which is banana. In 1962 Japan imported 83,000 tons of bananas, valued at \$12.5 million. In 1963, following the liberalization of imports of bananas, their imports increased to 2,60,000 tons, valued at \$37 million. The same thing may be said of instant coffee imports. In 1960, the quantity of instant coffee imported totalled only 29 tons, but since July 1961, when import restrictions on this product were relaxed, its import has increased rapidly from 1,515 tons in 1961 to 2,753 tons in 1962 and 2,848 tons in 1963. Increase in the import of canned pineapple, coffee and cocoa beans, none of which is produced in Japan, has also become evident. The second type of consumer goods which are being imported in greater quantity are those which are produced in Japan but cannot be marketed at prices lower than those of the imported ones. Shrimps, crabs and mutton are included in this category. The value of shrimp and crabs imported in 1960 totalled only \$1.2 million, whereas in 1963, \$24.5 million worth of those articles were imported. The third category includes those imported high quality goods whose demand is far in excess of their indigenous availability. This category covers such items as safety razor blades, fountain pens, soap and golf clubs. Japan imported only \$120,000 worth of safety

razor blades in 1960, but following their import liberalization in November, 1962, the value of their imports rose to \$1,980,000 in 1963. The fourth group includes watches, diamonds and other luxury items. Only 14 kilograms of diamonds were imported by Japan in 1960, but after the liberalization of import restriction on this item in August 1960, its annual imports increased to 1,150 kilograms in 1963. The import of high-quality watches and motor boats has also increased tremendously.

GERMAN CREDIT FOR I.C.I.C.I.

The Industrial Credit and Investment Corporation of India Ltd., has obtained a further line of credit of DM 10 million from the Kreditanstalt für Wiederaufbau (KfW) of the Federal Republic of Germany. The new credit is in addition to the two loans aggregating DM 25 million which ICICI has already obtained from this organisation. This credit forms part of the consortium aid from the Federal Republic of Germany to India for the year 1963-64. With the completion of negotiations for this loan the total amount obtained by ICICI from the Federal Republic of Germany is DM 35 million (about US \$9 million). In addition, the ICICI has obtained five lines of credit aggregating US \$90 million from the IBRD, and a line of credit of \$5 million from the USAID. Thus, the total foreign currency resources available with ICICI amount to US \$104 million. The ICICI is a major institution providing foreign currency loans to Indian industry and has so far committed about 80 to 90 per cent of its foreign currency resources.

FOREIGN EXCHANGE FOR BUSINESS TOURS

As an export promotion measure, the Ministry of Finance has liberalised the allocation of foreign exchange to Indian businessmen visiting foreign countries. Travelling salesmen visiting countries like the USA and Canada will now get Rs. 125 per day instead of Rs. 100 per day granted to them earlier. Similarly, salesmen visiting countries other than the United States, Canada, South-East Asia and other neighbouring countries, will now get Rs. 100 per day instead of Rs. 70 per day. The top-ranking businessmen will now get Rs. 200 per day instead of Rs. 150 per day as hitherto. But, this increase in daily allowance (for top-ranking businessmen) will be granted only in the case of visits to countries other than the United States, Canada and the neighbouring countries. If these businessmen visit the USA or Canada, they will get a reduced daily allowance. Instead of Rs. 225 per day hitherto they will now get only Rs. 214 per day. In the case of technical advisers, the daily allowance has been reduced for their visits to the USA, Canada or any other country, excepting South-East Asia. In the case of the USA and Canada, the daily allowance of technical advisers has been reduced from Rs. 225 to Rs. 167 (\$35) and in the case of their visits to other countries the allowance will now be only Rs. 133 per day instead of Rs. 150 per day previously. Technical advisers will include businessmen, directors or any other people who cannot be called "top-ranking businessmen". For countries of South-East Asia and the neighbouring countries such as Pakistan, Ceylon, Afghanistan, Aden, Iraq, Iran and Saudi Arabia, foreign exchange will be released at the rate of Rs. 100 per day as at present except that foreign exchange will be released at the rate of Rs. 150 per day for Kuwait and the Persian Gulf countries. The daily allowance will be reduced by 25 per cent for the period a salesman stays at a particular place for more than three weeks.

NEWSPRINT ADVISORY COMMITTEE

The Government of India has set up a 17-member committee to advise on questions of policy regarding the import and allocation of newsprint and printing machinery for newspapers and on other cognate matters. The Deputy Minister for Information and Broadcasting will be the Chairman of the Committee which will consist of six officials, three nominees of the Indian and Eastern Newspapers Society, two represent-

atives of the Indian Languages Newspapers' Association and 5 other non-officials nominated by the Government. The Chairman will have the power to co-opt additional members. The term of membership of non-official members will be two years, the retiring members being eligible for reappointment. The Committee will ordinarily meet twice a year. The members of the Committee are: Mr. Uma Shankar Dikshit, MP; Mr. A. D. Mani, MP; Mr. R. K. Khadukar, Mr.; Mr. G. N. Sahi, "The Hindustan Times", New Delhi; Mr. D. M. Harris, "The Statesman", Calcutta; Mr. C. G. K. Reddy, "The Hindu", Madras. Mr. Ratilal Sheth, "Jannabhoomi", Bombay; Mr. D. S. Kaldare, "The Vasant", Bombay; Mr. K. R. Pattabram, "The Deccan Chronicle" Secunderabad; Mr. M. Yunus, Dehli, "The Shama", New Delhi; a representative each of the Ministry of Commerce, Ministry of Industry and Supply, Department of Economic Affairs, (Ministry of Finance), State Trading Corporation, Registrar of Newspapers, and the Deputy Secretary, Ministry of Information and Broadcasting, in-charge of press matters, who will also be the Secretary of the Committee.

EXPORTS TO AFRICA

The first meeting of the reconstituted Board of Trade, scheduled to be held on August 7, has been postponed to August 19, 1964. At this meeting the board is expected to finalize its views on the fourth Plan export target. The meeting will also discuss measures to step up our exports, particularly to African countries. Exports to Africa have, in fact, grown without any conscious effort from our side. During the last year, the exports were worth Rs. 50 crores. Although exports of tea have improved, there is no ground to feel complacent especially in view of the growing competition from Ceylon and China. Besides, African countries are fast coming up as major suppliers of tea. On the basis of the present per capita consumption, Africa's cloth requirements by 1970 are estimated at 6,338 million yards as against the present indigenous production of 1,739 million yards. Possibilities are there of India's capturing a sizable share of this market.

INDUSTRIAL FINANCE CORPORATION

All the shares of the Industrial Finance Corporation of India (IFC) held by the Central Government and the Reserve Bank were transferred to the Industrial Development Bank of India with effect from August 1. The IFC has also issued 2,692 additional shares in favour of the Industrial Development Bank. The Bank, thus, holds 50 per cent of the Rs. 835 crores reconstituted capital of the Industrial Finance Corporation.

The Industrial Development Bank was established on July 1, 1964, as a wholly-owned subsidiary of the Reserve Bank of India. It has an authorised capital of Rs. 50 crores, which, if necessary, can be increased to Rs. 100 crores. Among other things, the Bank will co-ordinate the activities of all the bodies like the IFC and the State Finance Corporations which are providing financial assistance for industrial development in the country.

AID TO COAL INDUSTRY

The Union Ministry of Steel and Mines has decided to invite fresh applications from the coal industry for financial assistance out of the World Bank funds made available two years ago for the development of coal mines. This assistance would be provided for new projects, expansion of existing mines and replacement of equipment.

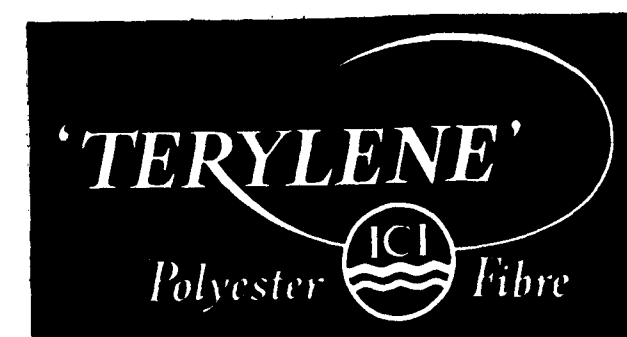
The fresh applications will be entertained upto August 31. Applications for new projects will be considered on merits, having regard to the needs for development of such projects and the most suitable agency for undertaking the development. These new projects will also require clearance of the World Bank. The request for such clearance will be made to the World Bank once the projects have been approved by the Government.

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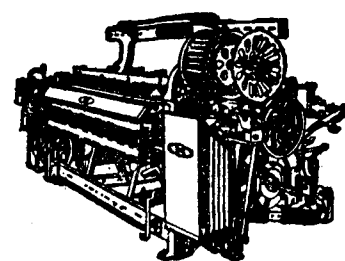
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Company Affairs

TATA IRON PROPOSES EXPANSION

MR. J. R. D. TATA, Chairman of the Tata Iron & Steel Company Limited, expressed grave concern over the continuous increase in the cost of production of almost every single product in India. In a statement appended to the annual report of the company he indicated that steel provided a striking example of the marked deterioration in the country's cost-price structure. Whereas until 1955 Indian steel was amongst the cheapest in the world, it has become one of the costliest, although the basic elements which made up the total manufacturing cost had not materially changed in relation to those of other countries. The full incidence of excise duties and other taxes alone on the final price of steel has been exorbitant with the result that the final price was beyond the company's control. On the other hand, most of the times an increase in prices was sanctioned by the Government much after the increase in costs, so that every time the company incurred substantial loss of revenue.

The damage caused by rising costs, Mr. Tata stated, has rendered most of the exportable Indian products uncompetitive in world markets. Rising prices have also inflated expenditure under the development plans which in turn necessitated increases in the already crushing burden of taxation and deficit financing. The grave burden of additional defence expenditure further complicated the problem and deterioration in the price structure was largely due to our forcing the pace of economic development beyond the country's capacity in physical and financial resources. It was indeed a sad situation and there seemed to be no recognition of the need for a reappraisal of resources and priorities in our planning.

The Chairman indicated that the passing of the amendment to the Companies Act, empowering the Government unilaterally to convert into shares loans advanced by them to joint stock companies, had been viewed with deep concern. He informed the shareholders about the discussions which the Tatas and the Indian Iron had had with the Government in regard to the repayment of their special advances. He revealed the fact that from the end of the war until the middle fifties the retention prices allowed by the Government to the steel producers were fixed at levels far below the import prices. A gross return of 8 per cent on block, from which had to be provided profit sharing bonus, managing agent's commission and taxes, leaving only about 3½ per cent for dividend and reserves was quite unrealistic. In the long run this price scheme had disastrous consequences as it left virtually nothing in the hands of the industry for rehabilitation and modernisation. The chairman reminded the Government that the company had approached for a rise in prices by Rs. 100 per ton the returns from which were to be spent exclusively towards the modernisation and expansion of the plant. Even with this increase the average retention price at that time was to be about half the price of the imported steel. And even this proposal was turned down by the Government, who instead, increased the selling price without raising the retention price. The funds generated by this increased return from the consumer, which would normally have accrued to the producers, were taken to equalisation fund from which the special advances were made to two steel companies. In a way the Government lent the two steel companies from the money which rightfully belonged to these producers. These special advances of Rs. 10 crores made to each of the two main producers towards the cost of their modernisation and expansion programmes were to be repaid with special interest only when a special element was added specifically for that purpose to the normal retention price. Mr. Tata informed the shareholders that discussions were still in progress about the

repayment of these special loans and it was hoped that the Government would keep in mind the background of those advances.

Mr. J. R. D. Tata told the shareholders that the company might be called upon to undertake a further large scale expansion of capacity at Jamshedpur during the fourth five-year Plan. In fact necessary arrangements were expected to be made shortly to appoint a firm of consulting engineers for the preparation of a detailed project report about the expansion of capacity to three million tons from the present two million tons. Preliminary estimates indicated that the cost of this expansion would be of the order of Rs. 170 crores of which probably a little more than half would be in foreign exchange. The most difficult problem remained to be of finance, particularly in the light of the fact that this project would be super-imposed on a programme already in hand for expanding and modernising ore mines, building a battery of coke ovens, adding some equipment to SMS-3 and a few other things which would cost nearly Rs. 25 to Rs. 30 crores. He assured the shareholders that there was no need for any alarm at the prospect of such large commitments because every increase in capacity would strengthen the company.

INDIAN IRON: GROWTH WITH CARE

Sir Biren Mookerjee, Chairman of the Indian Iron and Steel Company Ltd., referred to the proposed expansion of the company in a statement dealing with its performance during the year ended March 31, 1964. He indicated that the expansion programme involved considerable investment which increased the loan liabilities of the company. Nevertheless it held promise of substantial expansion in production capacity. The steel making annual capacity of the Burnpur Works, upon completion of the first phase, will be higher by nearly 300,000 tonnes of crude steel. The second phase of expansion, for which preliminary steps have already been taken, will raise the annual capacity further by 700,000 tonnes. In two phases therefore, the company will have achieved an additional capacity of nearly one million tonnes. Sir Biren made a pointed reference to the fact that the company was trying to achieve an expansion of such magnitude without imposing too great an immediate financial burden on the company which would have impaired the dividend position to the detriment of the interest of the shareholders. The expansion has to be gradual and each stage has to be followed by a period of consolidation. This precisely seemed to be the strength of the private sector, where expansion was achieved without causing major financial dislocation. The Chairman added that the company would have desired to compensate the shareholders for comparatively restricted dividends by capitalising a portion of the reserves by the issue of bonus shares, but it has become impracticable under the present rules of taxation.

To achieve a steady improvement in the efficiency of the plant sufficient attention has been paid to research. It was all the more necessary in the face of a steady deterioration during the last decade in the quality of the primary raw materials, particularly coking coal and limestone. The Chairman indicated that through continuous research the company was able to process these raw materials to achieve good quality products. The company has been carrying out extensive research with its own iron ore in an effort to find the best way of utilising the under-size ore with considerable success. Investigations have been carried out for the control of humidity and the increased use of oxygen in the steel making process. Similarly considerable attention has been paid towards the utilisation of waste products. Moreover, import restrictions on engineering spares forced the company to develop manufacturing techniques for various items for which it was not even properly equipped. For instance, it carried out experiments at

its foundries with the help of British Rollmakers Corporation to manufacture rolls with considerable success. The result has been that the company was able to produce engineering spares for various consumers which otherwise would have been imported.

Sir Biren Mookerjee outlined the salient features of the Government's decision about the partial decontrol of steel which was accompanied by an increase in the excise duty, mainly to compensate the loss of surcharge with the abolition of the equalisation fund. The average rise in the excise duty calculated on the company's 1963-64 output of steel was nearly Rs. 18 per tonne while the average increase in the case of the decontrol category of steel, nearly 60 per cent of the total output, was of the order of Rs. 30 per tonne on the basis of the product mix and the portion of 'tested' and 'untested' steel in 1963-64. In the case of the uncontrolled categories the effective increase has been of the order of Rs. four per tonne only on account of reduction in the net price of billets and the assumption by Government of an incorrectly high percentage of 'tested' galvanised sheets in working out the prices, despite the fact that on protest the prices of untested billets were revised upward by Rs. 15 per tonne from May 30, 1964. The Chairman pointed out that the over-all average increase in respect of the total output of controlled and decontrolled categories of steel on the basis of production for 1963-64 was approximately Rs. 20 per tonne, effective in successive stages of rupees ten, rupees eight and rupees two per tonne from March 1, April 30 and June 1, 1964, respectively. It is too early to assess the adequacy of the revised planning arrangements under the Joint Plant Committee but the Chairman was of the opinion that the retention of control by Government over certain categories of steel, particularly in the case of sheets, had done little to curb the activities of the black market in the items in short supply.

PREMIER CABLE ISSUE

The Premier Cable Co. Ltd., will enter the capital market on August 18 to raise Rs. 50 lakhs by the public issue of 300,000 equity shares of Rs. 10 each and 20,000 redeemable cumulative preference shares (9.3 per cent) of Rs. 100 each. The subscription list will close on August 28 or earlier at the discretion of the directors but not before August 20. It has an authorised capital of Rs. one crore and issued capital of Rs. 70 lakhs. Out of the present issue the directors, promoters, their friends and relatives have subscribed for 180,000 equity shares. The entire public issue has been underwritten — Kerala State Industrial Development Corporation Ltd. (equity shares Rs. 10 lakhs, preference shares Rs. 15 lakhs), Life Insurance Corporation of India (equity shares Rs. 2.50 lakhs, preference shares Rs. 5 lakhs), Industrial Financial Corporation of India, (equity shares of Rs. three lakhs, preference shares Rs. two lakhs), the Industrial Credit and Investment Corporation of India (equity shares Rs. six lakhs), the United Commercial Bank Ltd., (equity shares Rs. five lakhs), New India Assurance Co. (equity shares Rs. 2.5 lakhs) and Raja Ram Bhasin & Co., (equity shares Rs. one lakh). The company has been promoted by M/s. P. C. Periwal, H. M. Periwal and S.L. Mohta. It entered into an agreement for technical collaboration with a reputed cable manufacturer in German Democratic Republic M/s. VEB Kabelwerk Oberspree Berlin. The company has also secured the services of Mr. Charles G. Gorton as technical adviser who has substantial experience in the manufacture of all types of electric cables both in U.K. and India. The plant is to be located in Kerala State at Karukutty near Ernakulam. It has been granted a licence for the manufacture of P.V.C. and V.I.R. cables with a capacity of 18 million core yards every year on two shift basis, and plastic insulated power cables with a capacity of 270 miles per annum. The Kerala State Electricity Board has assured the company the required power and the main raw materials required will also be available in South India. In view of the high priority given to

generation of electric power the demand for transmission and distribution which requires power cables, will also be substantial. The company has already purchased land and has placed orders for machinery and expects to commence production by the end of 1965. The capital outlay on the project is likely to be around Rs. 1.20 crores which will be raised through share capital to the extent of Rs. 70 lakhs and the remaining Rs. 50 lakhs will be raised through loans from the Industrial Financial Corporation of India.

IMPERIAL TOBACCO

The working of the Imperial Tobacco Company of India Limited has resulted in a substantial fall in net earnings for the year ended March 31, 1964. According to a preliminary report, the net profit, after deducting all charges, expenses and taxation, amounts to only Rs. 99.25 lakhs against Rs. 180.24 lakhs in the previous year. The provision for taxation is shown at only Rs. 187.46 lakhs against Rs. 262.37 lakhs. In this connection, the directors state that the company's business has been adversely affected by taxation measures in each of the last two budgets. The directors have proposed a final dividend of 2.5 per cent, making a total of 6.4 per cent, less tax, for the year against 8 per cent taxable, paid previously. They have also announced an interim dividend of 2.5 per cent for the current year.

NATIONAL RUBBER

National Rubber Manufacturers Limited has been successful in raising Rs. 50 lakhs through a rights issue of 500,000 ordinary shares of Rs. 10 each at par, in the ratio of one new share for every existing ordinary share. Not only the bulk of the existing rights were exercised, but also there were applications for additional shares, making the issue over-subscribed. The allotment of additional shares has been made on a graduated scale according to the basis determined in consultation with the Calcutta Stock Exchange.

REMINGTON RAND ISSUE

Remington Rand of India Limited has announced that it would be converted into a public limited company with Indian participation in its equity shares. Discussions are now being held with the Central Government and it is expected that a prospectus will be issued in six months. The factory has an installed capacity for manufacturing 30,000 typewriters a year and the present rate of production is 27,000 a year. According to a spokesman of the company, the factory has attained an indigenous content of 95.89 per cent, while its ultimate target is 99.50 per cent. The company produces nine Indian language keyboards. New testing and production equipment has been imported. This will enable the company to increase the production of typewriters with improved quality standards.

LUFTHANSA'S PROGRESS

It is revealed that during the year 1963 Lufthansa German Airlines recorded a profit of US \$20,000. The company laid stress on safety and introduced jet aircraft so that passenger fatalities per hundred million passenger-kilometres decreased from 0.78 in 1960 to 0.47 this year. In 1963 Lufthansa carried 2.1 million passengers as against 1.8 million in 1962 and cargo carried also increased considerably. It was indicated that Lufthansa proposes to purchase jet equipment for short routes in replacement of the present propeller equipment. It also proposes to expand its fleet of long range jets and add supersonic airlines at the appropriate moment.

MADRAS TUBE TO ENTER MARKET

Madras Tube Co. Ltd., a company incorporated in 1961 for establishing a welded steel tube pipe plant for the manufacture of both galvanised and black steel pipes and tubes in the size range of 1" to 4" diameters for gas, water, steam and other high quality tubes, proposes to enter the market soon to offer for public subscription 5.50 lakh equity shares of Rs. 10 each and 40,000 9.3 per cent, cumulative redeemable

another order for CELCON[®] came the other day



[®] Celcon is the new engineering material which has excited interest of buyers from the automobile industry, the electrical industry, the building materials industry, the hardware industry, the packaging industry, the office equipment industry and the weapons-making industry. Celcon was developed after many years of research by the Celanese Corporation of America, one of the world's major producers of formaldehyde and trioxane.

Celcon is fast displacing iron, steel, brass, zinc, aluminium, magnesium, thermosets, laminates and wood in the manufacture of many articles. As contrasted with many die-cast metals, Celcon components require little or no finishing when they

emerge from the mould and may almost immediately be put to use. Considerable amounts of money are thus saved when Celcon is used. Celcon maintains its high mechanical strength, stiffness, toughness and resistance to impact force over a long period and through broad ranges of temperature and environment.

Celcon is available in natural translucent white and 18 standard colours; it is easy to fabricate; has excellent frictional characteristics; it can be readily sawed, drilled, turned, milled, filed and threaded. It can be fabricated by injection moulding, extrusion, blow moulding and other high volume thermoplastic processing techniques. Processing ease and economy are its greatest advantages.

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How to measure Growth

All things grow in age—but only *some* grow in size and stature. A young sapling shoots up—sprouts new leaves and branches. But how does one measure the growth of a bank? Take the Bank of Baroda, for instance.

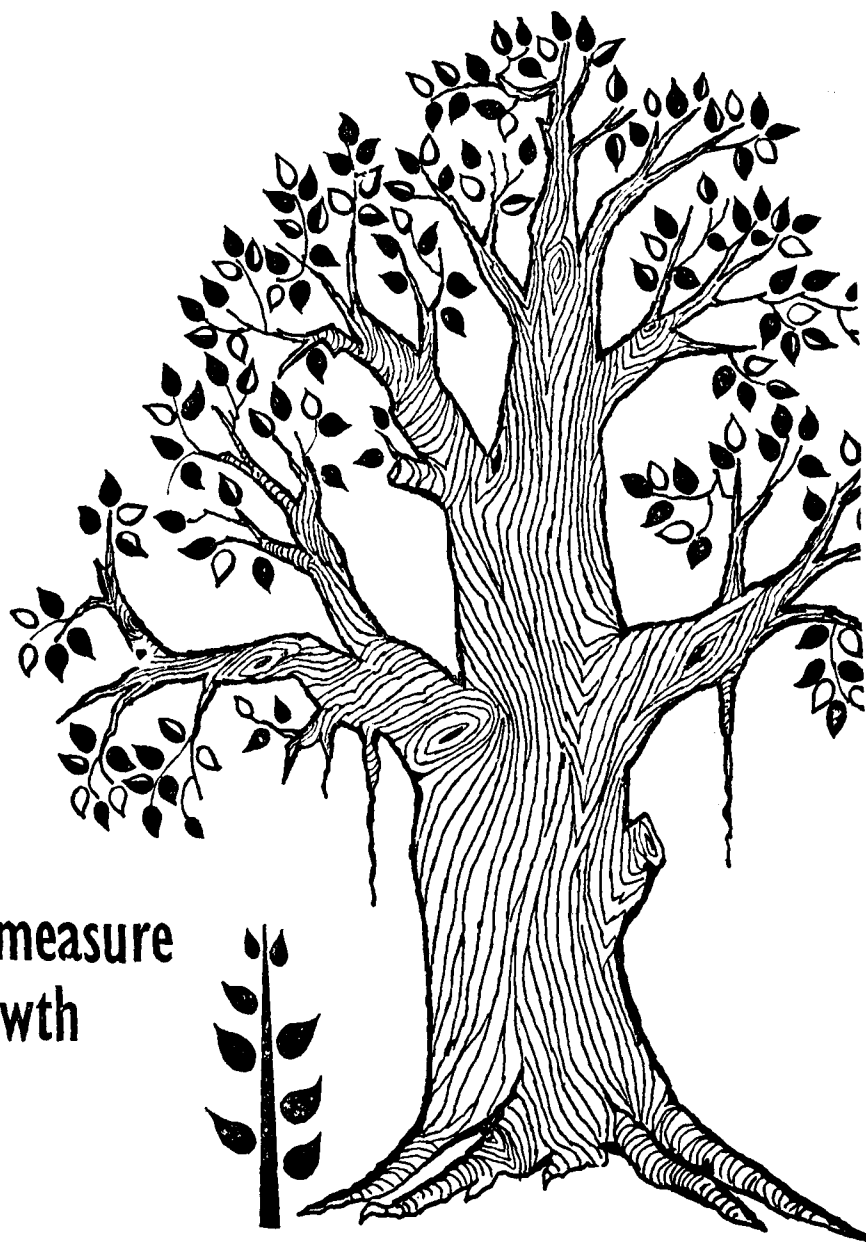
One way would be to compare figures. The Bank of Baroda began in 1908 with a single office in Baroda. Now it has as many as 210 branches in India and abroad. And deposits exceed Rs. 140 crores.

A strong and progressive institution with 55 years of experience, the Bank of Baroda has had a successful programme of branch expansion. It has also aimed at an ever-widening pattern of service. Indeed the Bank's chief goal has been to widen the range and scope of its banking services for the convenience of its customers.

THE BANK OF BARODA LTD.

(Estd. 1908) Head Office: Baroda

now has over 210 branches all over India and abroad with deposits totalling over Rs. 140 crores
Write in for our free booklet entitled 'May We Help You?' which gives details of all our services.



preference shares of Rs. 100 each. The issue consists of 9,99,300 equity shares of Rs. 10 each and 40,000 preference shares of Rs. 100 each. The promoters, directors and their associates have agreed to take up 2,99,300 equity shares and foreign collaborators 1,50,000 equity shares.

The factory will be situated at Pattabhiran, about 17 miles from Madras. The company has entered into an exclusive technical and financial collaboration agreement with M/s. Societe Vallourec, No. 6, Rue Daru, Paris, France, for the manufacture of steel tubes and pipes.

CAPITAL ISSUES

Ninety companies with an authorised capital of Rs. 9.61 crores were registered in Northern Region from April 1 to June 30, 1964. The Region comprises Delhi, Uttar Pradesh, Rajasthan, Punjab and Himachal Pradesh. The new issues included 13 public companies, 76 private companies and one association not for profit. Of companies with an authorised capital of over Rs. 50 lakhs, four were registered in Delhi and one each in Uttar Pradesh and Rajasthan. Five public companies and 51 private companies with an authorised capital of Rs. 2.76 crores and Rs. 2.1 crores respectively were registered in Delhi. Two public companies and 13 private companies with an authorised capital of Rs. 3.25 crores and Rs. 15.50 lakhs respectively were registered in Uttar Pradesh. Punjab and Himachal Pradesh had 11 private limited companies with an authorised capital of Rs. 32 lakhs and one association not for profit. Six public companies and one private limited company with an authorised capital of Rs. 1.01 crores and Rs. 1 lakh respectively were registered in Rajasthan.

During the period under review, 27 companies with a paid-up capital of Rs. 13.71 lakhs went into liquidation and names of 22 companies with a paid-up capital of Rs. 7.94 lakhs were struck off the Register of Companies under Section 560 of the Companies Act, 1956. The total number of companies at work on June 30, 1964 was 4,725. They included 818 public companies, 3,716 private limited companies and 191 associations not for profit. The authorised capital of these companies was Rs. 321.15 crores and Rs. 493.87 crores while the paid-up capital amounted to Rs. 76.65 crores and Rs. 147.69 crores respectively.

LICENCES ISSUED

The following licences were issued under the Industries (Development and Regulation) Act, 1951, during the week ended 25th July, 1964. The list contains the names and addresses of the licensees, the annual installed capacity and the items of production.

IRON AND STEEL CASTINGS

Shree Hanuman Cotton Mills Ltd., 46, Strand Road, Calcutta-7 (West Bengal) — Cast Iron Castings — 24,500 tons.

MACHINE TOOLS

Kirloskar Brothers Ltd., P.O. Kirlokarwadi, Distt. Sangli, Maharashtra (Kirloskarwadi, Maharashtra) — (i) Shaping Machines — 300 Nos., (ii) Planing Machines — 28 Nos.; Shri U. P. Pandit, Green Cottage, Off. Race Course Road, Rajkot (Gujarat) (Rajkot, Gujarat) — (1) Radial Drilling Machines — 240 Nos., (2) Pillar Drilling Machines — 240 Nos.

EARTH-MOVING MACHINERY

Agrind Fabrications Ltd., 6, Ganesh Chandra Avenue, Calcutta-13 (Calcutta, West Bengal) — 8-10 ton Diesel Road Rollers, and 10-12 ton Diesel Road Rollers — 40 Nos.; The Britannia Engineering Company Limited, Titaghur, 24 Paraganas, West Bengal (Titaghur, West Bengal) — Diesel Road Rollers 8-10 ton capacity — 100 Nos.

COTTON TEXTILES

Smt. Nivedita Madhukar Sabnis, 1-Southlands, Colaba, Bombay-5 (Hingoli, Distt. Parabhani, Maharashtra State) —

25,000 spindles for manufacture of cotton yarn.

JUTE

Kinn'son Jute Mills Co. Ltd., Chartered Bank Buildings, Calcutta-1 (West Bengal) — Fine fabrics made of admixture of jute and union cotton yarns — 45 looms having a productive capacity of 54 tons per month.

SYNTHETIC TEXTILE PRODUCTS

Essorpe Mills Private Ltd., "Ram Prakash", Periaswamy Road, R. S. Puram, Coimbatore-2 (Madras State) — Staple Fibre Yarn — 13,000 spindles; Bharat Commerce and Industries Ltd., (Kiran Spinning Mills), Industry House, 159, Churchgate Reclamation, Bombay-1 (Maharashtra) — Staple Fibre Yarn — 9,000 spindles; Sri Gopal Krishna Mills (P) Ltd., Ganapathy Post, Coimbatore-6 (Madras State) — Staple Fibre Yarn — 12,680 spindles.

PAPER FOR PACKAGING

Paper Products Ltd., 13-14, Ajmeri Gate Extension, New Delhi-1 (Thana, Maharashtra) — Printing and conversion Cellulose and Plastic films, waxed papers and laminates thereof — 6,600 tonnes.

FLOUR

The Hyderabad Roller Flour Mills Co. Ltd., Maseraet Manzil, Abid Road, Hyderabad, Under the name and Style of M/s. Hyderabad Roller Flour Mills Co. Ltd. (Hyderabad, Andhra Pradesh) — Maida, Suji and Bran — 2000 M. Tonnes per month; Gurdaspur Roller Flour Mills, Railway Road, Gurdaspur (Gurdaspur, Punjab) — Atta, Maida, Rawa and Bran — 1750 M. Tonnes per month; Patel and Company, Outside Raipur Gate, Ahmedabad-17 (Ahmedabad, Gujarat) — Atta, Maida, Suji and Bran — 800 M. Tonnes per month.

MISCELLANEOUS WARE

Electric Lamp Manufacturers (India) Pvt. Ltd., 1, Tara Tolla Road, Garden Reach, Calcutta-24 (Calcutta, West Bengal) — Glass Shells (Machine Blown) 16.92 million pieces per annum.

CHANGE IN NAMES (Owners or Undertakings)

During the week ended 25th July, 1964.

(Information pertains to particular licences.)

From M/s. Sankey Electrical Stampings Limited, Bombay — M/s. Guest, Keen, Williams, Limited, Calcutta; From M/s. Arvind Engineering Company, Bombay to M/s. Arvind Mechanical and Electrical Engineers Private Limited, Bombay.

LICENCES REVOKED OR SURRENDERED

During the week ended 25th July, 1964.

(Information pertains to particular licences.)

M/s. Galvawire Industries Ltd., Bombay — Galvanised Steel-Wire, Hard Drawn bright Annealed Wire, Coppered Wire, and Stranded Wire; M/s. East Asiatic Company (India) Private Ltd., Bombay — Power Tillers.

LETTERS OF INTENT

During the week ended 25th July, 1964 to parties who have applied for licences under the Industries (Development and Regulation) Act, 1951.

M/s. Chamanlal & Bros., Nagindas Chambers, 167, Frere Road, Fort, Bombay (Hosdurga, Mysore) — Portland Cement — 200,000 tonnes per annum; M/s. Indian Dyestuff Industries Ltd., Mafatlal House, Backbay Reclamation, Bombay-1 (Maharashtra) — (1) Caustic Soda, (2) Caustic Potash — 34,500, (3) Chlorine — 30,000, (4) Potassium Carbonate — 1,500, (5) Hydrochloric Acid — 10,500, (6) Chlorosulphonic Acid — 1,200, (7) Sodium Chlorate — 3,000, (8) Aluminium Chloride — 4,000, (9) Sodium Metal — 300 Annual Capacity (Tonnes); M/s. Indofil Chemicals Ltd., 11, Sprott Road, Ballard Estate, Bombay-1 (Kolshet, Distt. Thana, Maharashtra) — Acrylic Emulsion Resin — 1000 tonnes per annum.

COMPANY MEETINGS

INDIAN IRON & STEEL COMPANY LTD.

The following statement by Sir Biren Mookerjee, Chairman of the Indian Iron & Steel Co. Ltd., dealing with Company's working for the year ended 31st March 1964, has been issued to shareholders. The Annual General Meeting of the Company will be held on Tuesday, the 8th September, 1964, at 3 p.m. at the Registered Office of the Company, 12, Mission Row, Calcutta-1.

Before dealing with the affairs of the Company, I would refer to the national tragedy we have experienced in the death of our late Prime Minister, Pandit Jawaharlal Nehru, on the 27th May, 1964 and would give public expression on behalf of the Board of Directors and all members of the Company to our feeling of profound sorrow at the passing of one who played a leading part in the attainment of freedom by our Country and who since the achievement of independence, guided in so able a manner on the home and international fronts the destinies of India through the momentous events of the past seventeen years. His memory will remain with us always.

OPERATIONS:

From the figures given in your Directors' Report it will be seen that production of steel during the year under review has again approximated to the rated capacity of the Plant. This position barring untoward events it is hoped to maintain, but having reached the plant capacity as it stands under present working conditions no improvement in production of any magnitude can be looked for except to such extent as the introduction of new techniques may render possible. To this end intensive research continues to be carried out by your Company's technical staff into the beneficiation of raw materials, improvement of blast furnace operational conditions and added use of oxygen in the Melting Shop. I will refer to this matter of research in greater detail at a later stage in this Statement.

ACCOUNTS:

Those shareholders who are unfamiliar with the provisions of the Income-tax Act and the Companies Act may find difficulty in fully understanding the reasons which have necessitated the raising of the provision for depreciation from Rs. 3,40,18,269 for the previous year to Rs. 4,40,25,006 for the year under review and I should, therefore, perhaps supplement the brief technical explanation given in the Report by your Directors.

Section 205 of the Companies Act provides that no dividend shall be paid by a Company for any year except out of the profits for that year arrived at after providing for depreciation. Certain alternative bases are then laid down for computation of the provision for depreciation, that chosen by your Company being stated in Section 205(2)(b) as provision "in respect of each item of depreciable asset, for such an amount as is arrived at by dividing 95 per cent of the original cost thereof to the Company by the specified period in respect of such asset". The term "specified period" is then defined in the following words — "specified period in respect of any depreciable asset shall mean the number of years at the end of which at least 95 per cent of the original cost of that asset to the Company will have been provided for by way of depreciation if depreciation were to be calculated in accordance with the provisions of Section 350". Section 350 then provides that depreciation shall be taken at the rate specified for the assets by the Income-tax Act and the rules made thereunder for the time being in force as normal depreciation "including therein extra and multiple shifts allowance".

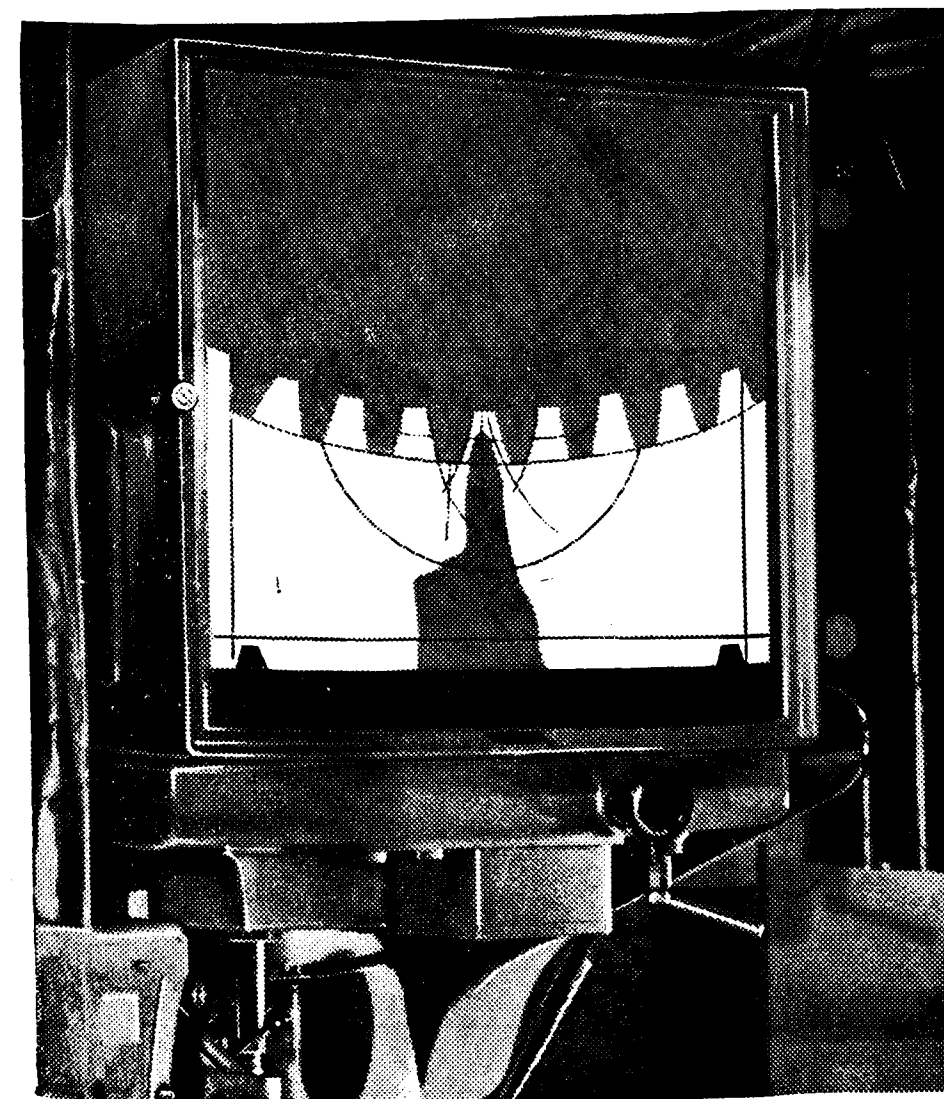
Referring back to Section 205(2)(b), it will now be appreciated that 95 per cent of the original cost of assets is a definite unvariable amount but that the factor by which this amount is to be divided in order to arrive at the amount of depreciation to be provided, namely the "specified period", is by reason of Section 350 dependent upon the Income-tax rates of depreciation applicable from time to time. If these rates are increased then the more quickly will 95 per cent of the original cost of the assets be covered, the shorter will be the "specified period" by which the 95 per cent of the original cost of the assets has to be divided and the greater in consequence the amount of depreciation that has to be provided against profits. This is the position for the year under review where it has been announced that the income-tax depreciation rates that will be applicable in respect of that year are to be increased by the re-introduction of triple shift allowance with consequent increase in the depreciation provision made in the Profit and Loss Account.

DIVIDEND:

In view of the magnitude of the amount, some comment will no doubt be expected from me regarding the sum of Rs. 5.43 crores set aside to General Reserve from the profits of the year in relation to the amount proposed to be distributed as dividend. It is perhaps appropriate that I should therefore list the very heavy loan liabilities outstanding at the 31st March, 1964 in respect of the completed Expansion Schemes together with the finance that has to be found for the further Schemes to which reference has been made in your Directors' Report. These are:

World Bank Loans:		
1953 Extensions	Rs.	7.18 crores.
1955 Extensions	"	5.31 "
Government of India Loan	"	4.81 "
Collieries Development Project	"	23.19 "
Balancing of Plant Project	"	16.21 "
TOTAL	Rs.	56.50 crores.

Following upon completion of the Balancing of Plant Project which, as you are aware, will increase the steel-making capacity of the Burnpur Works by some 300,000 tonnes of crude steel per annum, our plans are that implementation of the second phase of further expansion shall be put in hand and preliminary steps towards this end have already been taken with Government and the World Bank. This second phase of expansion would give added capacity of approximately a further 700,000 tonnes per annum, the two Projects together therefore covering the raising of our present capacity by some 1,000,000 tonnes of crude steel per annum. The phasing of this further 1,000,000-tonne expansion into two parts follows our policy that no individual expansion project should be of such magnitude as to impose too great an immediate financial burden on the Company or impair the dividend position to the detriment of the interests of the shareholders but rather that expansion should be gradual, each stage being followed by a period of consolidation before the undertaking of the next.



It's the OPTICAL PROFILE GRINDER, housed in a special airconditioned chamber. Tools, dies and precision parts are machined on it, and automatically checked against magnified drawing office specifications — clamped on to a screen. The Grinder projects an image of the same part magnified to the same proportion—upto 50 times. I can see where the part falls short of specifications, and I machine it till its absolutely perfect."

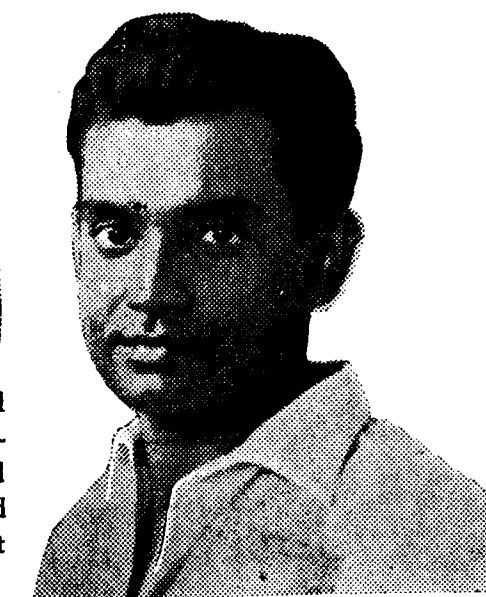
Modern precision equipment like the Optical Profile Grinder and Ujjal Kumar Chatterjee who operates it, are just one team of the multitude of men and machines at the Remington Rand typewriter plant. They are all engaged in a constant endeavour to improve the quality of each tool, die and part that goes into the making of your Remington typewriter.

Over the years people in India have come to expect the standards set by REMINGTON—the highly responsive touch, light positive shift, smooth carriage action, superior styling and finish—which make them so essential to distinctive correspondence.

REMINGTON TYPEWRITERS ARE NOW BETTER THAN EVER—ORDER YOURS TODAY

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"This machine ensures accuracy of Typewriter parts up to 1/10,000th of an inch





BINNY fabrics do not wear a mask. You buy what you see and feel.

NO STARCH By tradition Binny fabrics are not starched or given any other form of temporary finish. Every cloth is left literally to speak for itself.

NO OVER-BLEACH Binny fabrics are not over-bleached. Bleaching weakens the fabric and reduces its life. The avoidance of extreme whiteness by over-bleaching is one reason why Binny fabrics have a world-wide reputation for durability.

FAST DYES The use of only the world's fastest dyes and a large experienced staff of highly qualified research chemists—this is the unfailing formula that guarantees the colour fastness of every Binny fabric.



BINNY—a great name in textiles.

THE BUCKINGHAM & CARNATIC CO., LTD. THE BANGALORE WOOLLEN, COTTON & SILK MILLS CO. LTD. Subsidiaries of BINNY & CO. LIMITED, MADRAS.

No firm estimate of the cost of the second phase of the further expansion can be made until decision is taken as to what form the end products will take, this being dependent upon the future requirement of the country, but the cost will naturally be of very great magnitude and constitutes therefore a major factor in an appreciation of the financial requirements of the Company.

Additionally, finance has to be found for expenditure on capital account in connection with the modification and improvement of the existing plants, the provision of additional housing and amenities for staff and workers together with the large general capital expenditure that must constantly be incurred in every efficient and expanding organisation. Viewed in this light, the necessity for the ploughing back of profits not only for the year under review but also for the future will, I trust, be clearly apparent.

In compensation in some measure for the restriction of dividend so caused it would normally have been the desire of your Directors to capitalise from time to time by the issue of bonus shares a portion of the reserves of the Company which are already out of all proportion to the share capital. It is a matter of regret to them that such a course is however impracticable under present taxation principles involving, as it would, heavy liability for tax both on the Company and on the shareholders and is, in fact, impossible under the current policy of Government which it is understood is to permit bonus issues solely out of any share premium account.

As possibly of some assistance to the shareholders in the spread of their income, I would however say that I am considering recommending to my Board that for the current and future years an on-account distribution of profits should be made by way of declaration of an interim dividend during the course of the year, the balance of dividend only then being left for declaration in the normal course at the Annual General Meeting.

RESEARCH AND DEVELOPMENT:

The steady deterioration during the last ten years in the quality of the primary raw materials, particularly coking coal and limestone for pig iron production, has presented a serious challenge to the Company's technical staff but thanks to the operational research carried out by them capacity production from our Blast Furnaces has been achieved and is being maintained. As examples of some of the problems with which we are faced, the ash content of our coking coal currently averages about 19 per cent compared with 16 per cent ten years ago, but what is worse is the wide range between the maximum and minimum ash content at 24 per cent and 14 per cent respectively. Similarly, the effective lime content of the present-day limestone varies between 30 per cent and 45 per cent. The quality of our iron ore too has been adversely affected by increasing demand and mechanisation of the Iron Ore Mines. Nevertheless, these are the raw materials with which our country is endowed and we have to learn, and learn quickly, how to use them to better advantage to enable

us to produce iron and steel efficiently, both from a productive and economic point of view.

A large part of the solution lies in raw material preparation which, if we are to avoid merely blindly copying what others have done or are doing, calls for more and more expenditure on operational research. To take a specific case—raw material preparation includes crushing to an optimum maximum size and restricting the minimum size to give an aggregate best acceptable to the process. From this procedure in the case of iron ore, a large quantity of undersize material will accrue to become an expensive discard unless steps are taken to convert it into a useful material.

The most well known, long-standing and orthodox way of doing this is by sintering, a process which has resulted in improved blast furnace practice. We, ourselves, however have never accepted that this expensive process is necessarily the best solution to the problem in relation to Indian iron ore and have consequently refrained from any hasty decision that would commit us to the very heavy capital expenditure involved. That this has been the prudent course is borne out by modern research which has suggested that other forms of agglomeration could be capable of producing better results with Indian iron ore than the sintering process.

Over the past few years your Company has accordingly been carrying out extensive research with its own iron ore in an effort to find the best way of utilising the undersize ore which as a result of crushing and screening is accruing at our Ore Mines. I am happy to say that this research has shown much promise so much so that our own findings involving a combination of direct reduction, magnetic separation and agglomeration have been confirmed on reference by us for test by an independent overseas research organisation. The product obtained in our Pilot Plant is of high purity and is likely to have in the future a great influence on the operation and efficiency of Indian blast furnaces. Sufficient information has now been obtained to enable the engineers to design the appropriate plant.

We have also investigated the questions of humidity control and fuel injection in relation to the operation of the Blast Furnaces, the increased use of oxygen in the steelmaking processes and the possibility of future production of such a standard grade of iron as would enable us eventually to eliminate the rather costly and wasteful intermediate Bessemerising process that under present conditions is necessary for purification of the hot metal before charge to the Melting Shop Furnaces. Suitable inclusion towards this ultimate latter end has in consequence been made in the Collieries Development and Balancing of Plant Schemes.

The utilisation of waste products has also been engaging our attention. For instance, we have been producing for a number of years building bricks and mortar manufactured from waste blast furnace slag.

Import restrictions on engineering spares has forced us



Agents:

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into developing manufacturing techniques for which we more often than not are ill-equipped. The recurring expense of importing rolls for our Rolling Mills, for instance, is a serious drain on the country's foreign exchange resources. Here, although not having been granted a licence to manufacture rolls for the purpose of selling, we have as a result of experiments carried out at our Kulti Foundries and with the help of the British Rollmakers Corporation, been able successfully to manufacture rolls for our 18" Mill which have proved to be equal to, if not better than those imported. For this size of roll we can now support ourselves, saving approximately Rs. 13 lakhs per annum in foreign exchange. The factor limiting our ability to produce rolls in greater numbers and in larger sizes is the capacity of our existing Foundry and Machine Shop at Kulti which we hope to enlarge in course of time so that we may be able to cover also the roll requirements of the Merchant Mill and Sheet Bar and Billet Mill.

Miscellaneous engineering spares previously imported are now regularly being produced by our associated Companies within the Martin Burn Organisation for consumption at Burnpur resulting in a considerable and recurring foreign exchange saving. We have also been able within this Organisation to secure the manufacture to our specifications of items of capital plant for which we had previously to look to foreign suppliers. As examples, these cover such diverse items as Hot Metal Ladles, Ingot Casting Cars, Ladle Cranes, Bessemer Converter Shells, Hot Metal Transfer Cars and Bogies, Ground Charges, Slag Ladle Carriages, Special Type Discharge Wagons, Coke Quenching Cars, Acid Tanks and Acid Vats, the total value over the past nine years approximating to some Rs. 50 lakhs.

KULTI FOUNDRIES

Modernisation and expansion has been carried out of the Non-Ferrous Foundry and the Steel Foundry at your Kulti Works and an additional Annealing Furnace for the latter installed. New Machine Shops have been attached to these two foundries and the pressure on the main Machine Shops relieved to this extent.

The order position continues to be satisfactory but output for the current year remains dependent upon adequacy of the supplies of foundry grade pig iron.

During the year loss was suffered by the death of Mr. S. N. Gupta, the Works Deputy General Manager (Commercial) who had charge of Kulti. Mr. R. G. da Costa, a Mechanical Engineer of wide experience, has since been appointed and has assumed charge as Deputy General Manager (Kulti).

DECONTROL

In my Statement last year I indicated that Government were considering decontrol of the distribution and prices of steel and that it had been arranged that the producers should submit joint concrete proposals for the setting up and operating of a Joint Organisation following upon decontrol and for the prices that should become effective at the date of decontrol. Representatives of the producers met on several occasions at various levels to discuss and work out joint proposals but unanimity was not able to be achieved and ultimately the producers in the private sector were asked to put up their views independently of the public sector. Accordingly, your Company jointly with the Tata Company submitted a memorandum on the 7th November, 1963 suggesting the formation of an Iron & Steel Board. The memorandum contained details as to the functions of the proposed Iron & Steel Board together with recommendation regarding the prices to be effective on decontrol. These suggested prices were based on

a block of Rs. 1,500 per tonne of saleable steel as being more truly representative of present-day conditions than the figure of Rs. 1,176 per tonne adopted by Government in the last fixation of retention prices. The proposed prices on this basis were about Rs. 35 per tonne higher than the retention prices excluding the assessed increased incidence in respect of freight equalisation.

Matters rested at this stage until unilateral decision was taken by Government regarding the planning of production and control and the pricing and distribution of Iron & Steel, the principles of which were conveyed to the representatives of your Company and those of the Tata Company who were called to meet the Minister for Steel in Delhi on the 26th February 1964. The salient features of Government's decision were as follows:

(1) Statutory control over the price and distribution of all categories of steel except pig iron, ingot moulds and bottom plates, billets and tin bars, plates, sheets, wide strips, skelp, tin plates, hoops and their respective defectives would be abolished with effect from 1st March, 1964.

(2) Indents for categories of iron and steel which continued to be controlled would require to be supported by quota certificates as hitherto.

(3) A Joint Plant Committee would be constituted with an accredited representative from each of the Steel Plants and with the Iron & Steel Controller as its Chairman. A representative of the Railway Board would also be a member of the Joint Plant Committee. This Committee would be entrusted with the task of (a) the planning of production both of controlled and decontrolled categories; (b) the announcement and listing of prices of the decontrolled categories of steel and (c) the administration of the freight equalisation fund for both the controlled and decontrolled categories.

(4) Government would set up a high level steel priority committee which would determine priority ranking in relation to bulk allocations of steel.

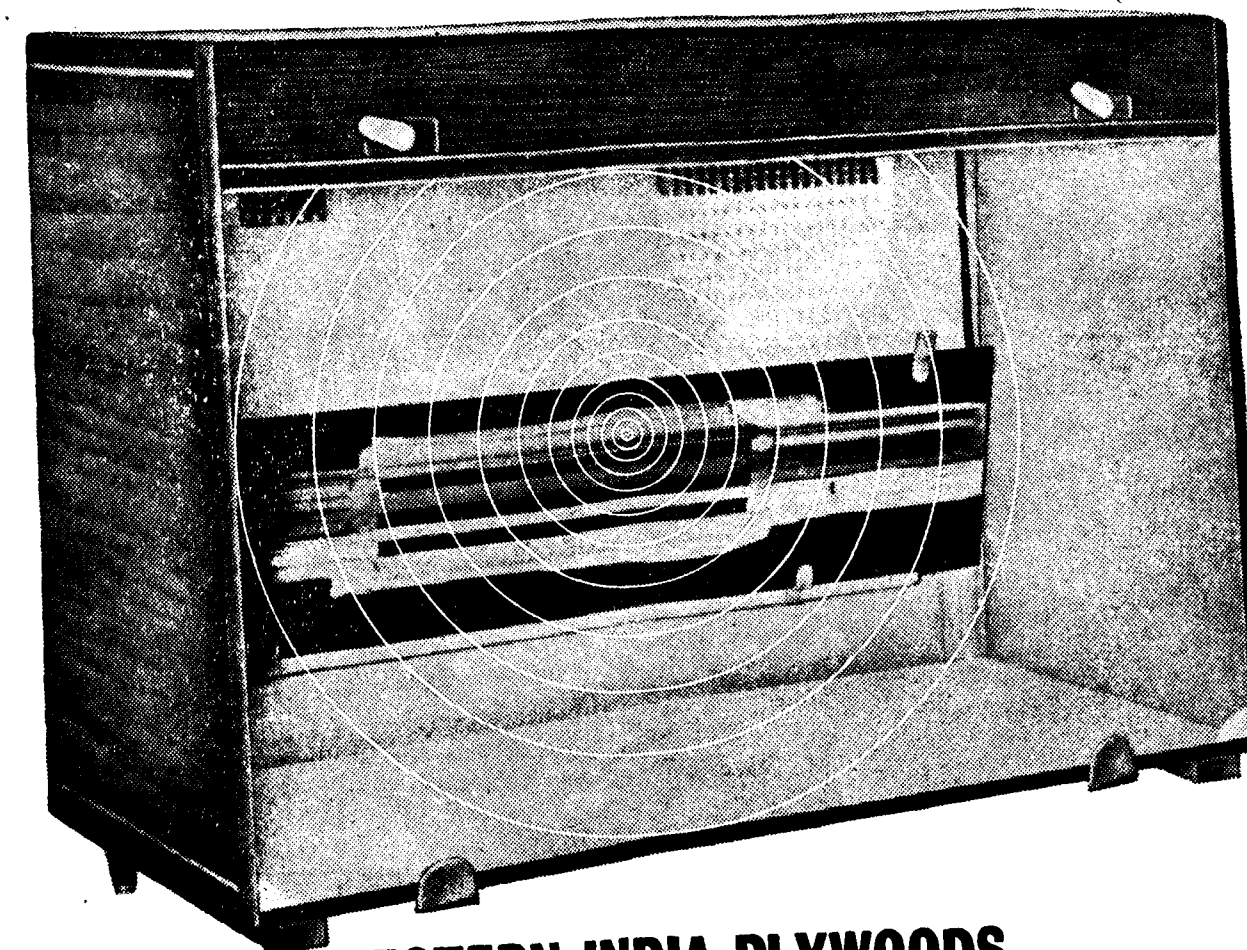
(5) Re-rollers would be virtually made free from all control, as also would stockists and retailers in the case of all decontrolled items.

The decision of Government followed the general recommendation of the committee appointed by Government in September 1962 on decontrol of steel and popularly known as the Raj Committee.

Simultaneously with the decision of partial decontrol of steel, Government announced increases in the Excise Duty mainly to compensate the loss of surcharge with the abolition of the equalisation fund with effect from the 1st March, 1964. The average rise in the Excise Duty calculated on your Company's 1963-64 output of steel is about Rs. 18 per tonne. The selling prices for the decontrolled categories announced by the Joint Plant Committee, and the prices directly notified by Government for the controlled categories, include an element of Rs. 62 per tonne on account of freight equalisation to cover the distribution of steel to consumers at all rail head stations throughout India at a uniform price. The system of retention prices has been abolished and the new prices to producers have a differential of Rs. 45 per tonne between the 'tested' and the 'untested' categories, which under the new arrangements is now retained in full by the producers as against Rs. 10 per tonne only under the old system of retention prices.

Owing to force of circumstances the prices announced

IN RADIOS the sound is the thing

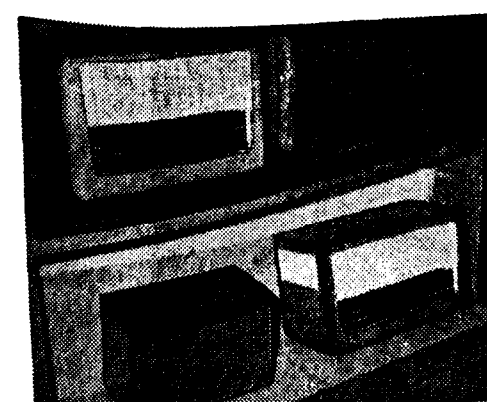


WESTERN INDIA PLYWOODS make the specialised plywoods to express it best

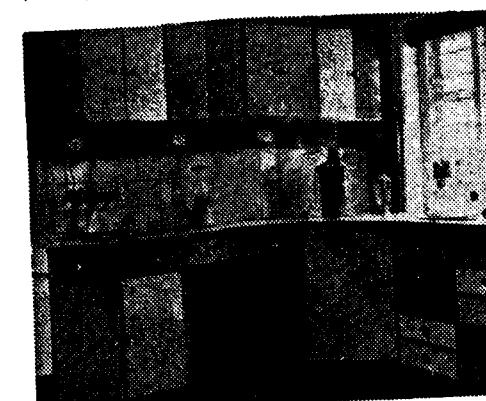
Different industries need different types of specialised plywoods. Makers of well-known radios, for instance, are highly selective of the plywoods they use for their cabinets. They have to be, and they choose 'WESTINDPLY' plywoods. Seasoned wood specially processed for

resonance and low temperature and a wide choice of attractive veneers to suit modern interior decor combine to make 'WESTINDPLY' ideal for radio cabinet designs. Western India Plywoods, the largest manufacturers of processed woods in

India, make numerous varieties of specialised 'WESTINDPLY' plywoods to meet the industrial, architectural and defence needs of our country. They also manufacture 'WESTON' Hardboards, 'WIPEX' Paper laminates, Flushdoors and Block Boards.



Western India Plywoods supply a large part of the plywoods and hardboards required by India's leading radio manufacturers.



Chairs, table tops, panels, shelves, cupboards, flooring—infinite is the scope of 'Westindply' 'Weston' and 'Wipex'.



'Westindply' plywoods are made available in a wide variety of veneers to add prestige and modernity to showrooms.

THE WESTERN INDIA PLYWOODS LIMITED
P. O. Ballapatam, Cannanore District, Kerala State.

by the Joint Plant Committee had of necessity to be based on the previous retention prices adjusted for excise duty and additional freight, the effective increase to the producers arising therefore almost wholly from the additional realisation in respect of tested materials. The prices of the decontrolled categories were later revised from the 13th April, 1964 in partial compensation of increases in production costs not reflected in the previous retention prices.

The average increase in the case of your Company on the decontrolled categories of steel forming nearly 60 per cent of the total output is of the order of Rs. 30 per tonne on the basis of the product mix and the proportion of 'tested' to 'untested' steel achieved in the year 1963-64. In the case of the controlled categories, the effective increase has been of the order of Rs. 4 per tonne only on account of reduction in the net price of billets and the assumption by Government of an incorrectly high percentage of 'tested' galvanised sheets in working out the prices despite the fact that on protest the price of untested billets was revised upward by Rs. 15 per tonne from 30th May, 1964. On the basis of our production for 1963-64 the over-all average increase in respect of our total output of controlled and decontrolled categories of steel is approximately Rs. 20 per tonne, effective in successive stages of Rs. 10, Rs. 8 and Rs. 2 per tonne from the 1st March, 1964, the 13th April, 1964 and the 1st June, 1964 respectively.

It is too early yet to assess the adequacy of the revised planning arrangements under the Joint Plant Committee and I would only say at this juncture that the retention of control by Government over certain categories of steel, particularly

in the case of sheets, has done little to curb the activities of the black market in the items in short supply.

On the financial side, we have grounds for dissatisfaction inasmuch that the cut imposed by Government on the retention prices recommended by the Tariff Commission for the two years ended the 31st March, 1962 and continuing up to the date of revision of prices under the above arrangements together with certain interim increases in production costs have remained uncompensated and that funds to this extent have been denied to the Company which would otherwise have been available against the heavy capital expenditure on staff housing, modernisation and expansion with which we are faced. We are also unaware of the reasons for non-acceptance of the prices put forward to Government under the joint proposals of the Tata Company and ourselves and by reason of the somewhat ad-hoc nature of determination of the prices now current are also unaware of any approved basis for future adjustment of these prices in relation to productive capacity, capital block and working costs.

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, his executive heads and the entire staff and workers of the Company whose efforts have contributed so largely to the results that have been achieved.

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



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



Keys call the tune

for Dorothy Almeida...



She wouldn't put it quite like that herself. She'd say she enjoys playing the piano in the evenings. She'd tell you about the composers she likes, her favourite numbers, her preference for jazz. At work, it's the typewriter keys that call the tune. Here a different touch is needed: brisk, sure, efficient. Whatever the content or the mood—an official letter or a Gershwin blues number—Dorothy Almeida has it at her fingertips!

EFFICIENCY COUPLED WITH PRUDENCE...

...is the keynote to success in her career. Efficiency and prudence meet behind Dorothy Almeida's laughing eyes and gay, infectious smile. Secretary to the Personnel Manager of Burmah-Shell, Bombay, her work is concerned with people. She knows them. Not as functions. As people and individuals. She keeps records about their

work and themselves, with care. And there is routine work—correspondence, appointments for the Manager. Her filing is neat, systematic, ready for reference. The Personnel Manager finds his Secretary prompt with intelligent assistance.

TODAY, AS EVER, PEOPLE LIKE DOROTHY ALMEIDA ARE WORKING FOR YOU

For all her clockwork efficiency, there is nothing mechanical about Dorothy Almeida. Her tall, supple figure moves with grace at table tennis, while swimming, and on the dance floor. It's a full life.

Dorothy Almeida and people like her, 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

NO BETTER MATCH



SATIN, TAFFETA,
CREPE,
PLAIN & PRINTED

GIRSILK LTD.

SIRPUR, KAGHAZNAGAR,

ANDHRA PRADESH



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.

THE SUBSCRIPTION LISTS WILL OPEN AT THE COMMENCEMENT OF THE BANKING HOURS ON 18TH AUGUST, 1964, AND WILL CLOSE AT THE END OF BANKING HOURS ON 28TH AUGUST, 1964, OR EARLIER AT THE DISCRETION OF THE DIRECTORS

THE PREMIER CABLE COMPANY LIMITED

(Incorporated on 10th of April, 1962, under the Companies Act, 1956)

Registered Office: 14/15, Block F, Connaught Place,

NEW DELHI - 1.

SHARE CAPITAL

Authorised:

7,50,000 Equity Shares of Rs. 10/- each	Rs. 75,00,000
25,000 Redeemable cumulative preference shares of Rs. 100/- each	Rs. 25,00,000
	Rs. 1,00,00,000

Present Issue:

4,80,000 Equity shares of Rs. 10/- each	Rs. 48,00,000
22,000 Redeemable cumulative preference shares of Rs. 100/- each carrying dividend @ 9.3 % free of Company's tax, but subject to deduction of tax at source at prescribed rates	Rs. 22,00,000
	Rs. 70,00,000

Out of the present issue the Directors Promoters and their friends and relatives have subscribed for 1,80,000 Equity shares of Rs. 10/- each on which payment has been received as follows:

(a) Fully paid shares: 7 Equity shares of Rs. 10 each	70
(b) Partly paid shares: 1,79,993 Equity shares of Rs. 10 each on which Rs. 5 per share has been paid	Rs. 8,99,965
	Rs. 9,00,035

Now offered at par for public subscription for cash:

3,00,000 Equity shares of Rs. 10 each	Rs. 30,00,000
22,000 Redeemable cumulative preference shares of Rs. 100 each carrying dividend @ 9.3 per cent free of Company's income tax, but subject to deduction of tax at source at the prescribed rates	Rs. 22,00,000
	Rs. 52,00,000

UNDERWRITERS:

The entire public issue of 3,00,000 Equity shares of the face value of Rs. 30,00,000/- and 22,000 Preference shares of the face value of Rs. 22,00,000/- has been underwritten by Kerala State Industrial Development Corp., Life Insurance Corporation, Industrial Credit & Investment Corp. of India,

United Commercial Bank Ltd., New India Assurance Co. Ltd., and M/s. Raja Ram Bhasin & Co.

DIRECTORS:

SHRI PRAYAG CHAND PERIWAL, Forbesganj, (Purnea), Bihar, Industrialist, Managing Director: Periwai Co. (P) Ltd., Director: Shri Mahabir Industries (P) Ltd., E. Sefron & Co. (P) Ltd. and other companies.

SHRI MUTHIA ANNAMALAI CHIDAMBARAM, Adyar House, Madras, Industrialist, Chairman: South India Steel & Sugars Ltd., Southern Industrial Corp. Ltd., Automobile Products of India Ltd., Director: Indian Aluminium Co. Ltd., Machinery Manufacturers' Corp. Ltd., Ratnakar Shipping Co. Ltd., Southern Tubes Ltd., Asiatic Oxygen Ltd., Fibreglass Pilkington Ltd., and other companies.

SHRI BENU GOPAL BANGUR, 14, Netaji Subhas Road, Calcutta, Industrialist, Director: The Bengal Paper Mills Co. Ltd., Shri Madhusudan Mills Ltd., Assam Hardboards Ltd., Shalimar Rope Works Ltd., Hindustan Wire Products Ltd., and other companies.

SHRI BASUDEV SOMANI, Shreeniwas House, Waudby Road, Fort, Bombay, Industrialist, Director: The Shreeniwas Cotton Mills Ltd., The Advance Insurance Co. Ltd., Citric India Ltd., Assam Hardboards Ltd., The East India Cotton Association Ltd., and other companies.

SHRI CHARLES G. GORTON, 82, St. Saviour's Road, Croydon, Surrey (UK), Industrial Consultant.

ALTERNATE DIRECTOR (to Mr. Charles G. Gorton) SMT. DURGA DEVI PERIWAL, Sriganaganagar, (Rajasthan), Industrialist, Director: P. H. Periwai Bros. (P) Ltd., Bayunandan Rice & Oil Mill (P) Ltd.

SHRI SOHANLAL MOTHA, 55, Jamnalal Bajaj St. Calcutta, Businessman; Managing Director: Rajtilak Industries (P) Ltd., Director: West Bengal Stores Ltd., and other companies.

SHRI HANUMAN MALL PERIWAL, Managing Director, Forbesganj (Purnea), Bihar, Industrialist, Managing Director: Shree Mahabir Industries (P) Ltd., Director: Mirzapur Electric Supply Co. Ltd., Rajtilak Industries (P) Ltd., and other companies.

MANAGING DIRECTOR:

Shri H. M. Periwai has been appointed as Managing Director of the Company for a period of five years

AUDITORS:

SINGHI & COMPANY, Chartered Accountants, Calcutta and New Delhi.

SOLICITORS TO THE ISSUE:

MESSRS. ORR, DIGNAM & CO., National Insurance Bldg., Parliament Street, New Delhi.

BANKERS TO THE ISSUE:

THE UNITED COMMERCIAL BANK LTD., 2, India Exchange Place, Calcutta.

THE CENTRAL BANK OF INDIA LTD., Mahatma Gandhi Road, Bombay-1.

THE BANK OF INDIA LTD., 70/80, Mahatma Gandhi Road, Bombay.

BROKERS TO THE ISSUE:**BOMBAY:**

1. M/s. Harkisondass Lukhmidass, Stock Exchange Bldg., 5th Floor, Apollo Street, Fort, Bombay-1.
2. M/s. Lewis & Jones, Bank of Baroda Building, Apollo St., Fort, Bombay-1.
3. M/s. S. Ramdas, Agakhan Bldg., Dalal Street, Fort, Bombay-1.
4. M/s. Chimanlal J. Dalal, 107, Stock Exchange New Bldg., Dalal Street, Fort, Bombay-1.
5. M/s. P. R. Subramanyam & Sons, 70-A, Stock Exchange Building, Apollo Street, Fort, Bombay-1.

DELHI:

1. M/s. Raja Ram Bhasin & Co., A-320, Defence Colony, New Delhi-3.
2. M/s. Harbans Singh Mehta & Co., 33, Regal Building, Parliament Street, New Delhi-1.
3. M/s. M. R. Dhawan & Co., 4/8, Asaf Ali Road, New Delhi-1.
4. M/s. Raj Paul Chadha & Co., Delite Cinema Building, Asaf Ali Road, New Delhi-1.

CALCUTTA:

1. M/s. Place, Siddons & Gough (P) Ltd., 6, Lyons Range, Calcutta-1.
2. M/s. G. M. Pyne, Allahabad Bank Building, 14, India Exchange Place, Calcutta-1.
3. M/s. Sadasukh Kabra & Co., 2, India Exchange Place, Calcutta-1.
4. M/s. Sohanlal Pachisia, & Co., 9, India Exchange Place, Calcutta-1.

MADRAS:

1. M/s. Maconochie & Co., Post Box No. 291, Mercantile Bank Bldg., Madras-1.
2. M/s. Paterson & Company, Post Box No. 48, 32/33, Linghi Chetty St., Madras-1.
3. M/s. Kothari & Sons, Post Box No. 267, 'Oriental Building', Armenian Street, Madras-1.

BANGALORE:

1. M/s. Lokkur & Company, Post Box No. 631, Kempegowda Road, Bangalore-9.

2. M/s. P. R. Subramanyam & Sons, Shree Siva, 24, Fourth Street, Benson Cross Street, Bangalore-6.

AHMEDABAD:

1. M/s. Chinubhai Chimanlal Dalal, Fatehbhai's Haveli, Ratanpole, Ahmedabad.

EXISTING AND PROPOSED ACTIVITIES OF THE COMPANY

The Company plans to manufacture immediately 18 million core yards of P.V.C. cables and 270 miles of Plastic Insulated Power Cables per annum.

P.V.C. Insulated Power Cables are fast replacing the conventional paper insulated cables throughout the world and in India also.

At present there is a sizable shortage of power cables, demand of which is expected to increase still further because of the various projects under execution. In the Kerala State itself where the factory will be located several power projects like Panniar, Pampa, Idukki are under execution.

TECHNICAL COLLABORATION

The Company has entered into a technical collaboration agreement with M/s. VEB Kabelwerk Oberpree of German Democratic Republic (formerly controlled by AEG), who were established 65 years ago and are reputed to be one of the leading cable manufacturers in Europe.

The agreement shall be in force for 10 years. The collaborators shall train 10 Indian personnel in their factories and the Company shall also be entitled to use their Trade Mark and benefit of the improvements made in production techniques by the collaborators. They shall be paid a total sum of Rs. 10,50,000/- No royalty is payable.

LOCATION

The factory shall be located at Karukutty in the State of Kerala.

IMPORT OF MACHINERY

The Company has been granted two import licences for import of plant and machinery, worth Rs. 11 lakhs from West Germany and Rs. 31.18 lakhs from German Democratic Republic. Orders for these have already been placed.

CAPITAL LAYOUT:

The capital cost of the project is estimated to be about Rs. 1.20 crores, which shall be met out as below:-

Share Capital	Rs. 70 lakhs
Loan from Industrial Finance Corporation	Rs. 50 lakhs
	<u>Rs. 1.20 crores</u>

MINIMUM SUBSCRIPTION:

The minimum subscription on which the Directors will proceed to allotment is shares of the value of Rs. 52 lakhs, being the whole of the present issue.

PROSPECTUS AND APPLICATION FORMS

Application forms along with copies of the prospectus can be had from the Registered Office of the Company and from the Bankers, Underwriters and Brokers, whose names are mentioned above.

Application for shares must be for minimum 25 Equity Shares or multiples thereof and for a minimum of 5 Preference Shares or multiples thereof.

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 the Company's working for the year ended March 31, 1964, has been issued to the shareholders. The Annual General Meeting of the Company will be held on Thursday, September 3, 1964 at 4-30 p.m. at the Birla Matushri Sabhagar, 19, Marine Lines, Bombay-1.

To the Members,

As this review comes to you only a bare two months after the death of Jawaharlal Nehru, it is fitting that it should begin with a tribute to his memory and an expression of our grief at his passing. In every age, a few men are born destined to shape the course of history and it was fortunate for our country that at one of the most critical turning points of its history, one of his heroic stature was there to lead it.

2. After Gandhiji led us to freedom, Jawaharlal undertook the prodigious task of changing the outlook, beliefs and way of life of hundreds of millions of people steeped in ignorance, poverty and despair; giving them faith in themselves and showing them that with education, hard work, modern ideas and methods and the application of science and industry, they could build a new and better life for themselves and their children. Many years must still pass before Jawaharlal Nehru's dream of a modern industrialised India comes true, but he lived to see the success of the greatest and boldest experiment in parliamentary democracy the world has ever known. If through all the emergencies and crises, which it had to face and surmount over these seventeen years, India has clung so tenaciously to the democratic way of life and remains today a nation of free people, we owe it mainly to him.

3. The Steel Works and the city of Jamshedpur held a special place in the thoughts of Jawaharlal Nehru for, long before other steel plants were built in the country, they were to him the symbol and the promise of a new India. In 1958, on the occasion of our Golden Jubilee, while dedicating the Jubilee Park, which the Company presented to the citizens of Jamshedpur, he said "I have come here because this great Steel Works and the city of Jamshedpur have become symbolic of the growth of Indian industry... but the biggest reason of all is to pay homage to the memory of Jamsetji Tata." It is appropriate to recall these words today since this year marks the 125th anniversary of the birth of Jamsetji Tata and the 60th anniversary of his death. Referring to Jamsetji's courage and vision, he said "It is right that we should honour his memory and remember him as one of the big founders of modern India." The great heart that paid this gracious tribute is now stilled, but, as his biographer has said, "India will remember Jawaharlal as the man who saw the vision big and tried, with all his faith and will, to make it great."

4. As we mourn the passing of Jawaharlal, our thoughts, sympathy and good wishes turn to the dedicated man who has taken on the heavy burden of leading the country. The unanimous choice of Lal Bahadur Shastri as Prime Minister and the smooth transition to the new regime have given proof of the maturity and soundness of our parliamentary democracy. I am sure that shareholders will join me in assuring Prime Minister Shastri of the full support and co-operation of the Company in whatever way it may be called upon to help in the further development of India's steel industry.

THE YEAR'S RESULTS

5. The Company made satisfactory progress during the year under review and reached the production target of 1.5 million tons of finished steel while the output of steel ingots fell short of the 2 million ton target by only 5 per cent.

6. On the financial side, however, the results of the year's operations were somewhat disappointing. Although the profit before taxes was nearly Rs. 2 crores higher than in the previous year, much of the excess was due to fortuitous addition to revenues of Rs. 85 lakhs written back from excess provisions made in previous years. Discounting this item, the profit was only marginally higher than in the previous year in spite of the substantial increase in sales and the ratio of profit before taxes to sales was 14.2 per cent as against 15.4 per cent in the previous year. The slight deterioration in profit per ton was due, as stated in the Directors' Report, to a rise in costs uncompensated by a corresponding increase in retention prices. Increases in prices were sanctioned by Government only from March 1964, although the increases in costs beyond the Company's control which such escalation in prices is intended to cover had taken place much earlier. The delay caused the Company the loss of a substantial amount of revenue and therefore of profit during the year. Furthermore, as stated in the Directors' Report, the price increases from March 1964 in categories of steel over which price control has been retained after partial decontrol, were substantially less than expected on the basis of an announcement made by the Minister of Steel in that month.

7. Shareholders will have noticed the six-fold increase in taxes this year. Whereas in the previous year the bulk of the profit was absorbed, for tax purposes, by arrears of development rebate, there was no similar set-off this year as all such arrears have been fully made up. The provision for taxes would, in fact, have been Rs. 2.70 crores larger but for the higher depreciation allowed under the reducing balance method of calculation adopted by the tax authorities than under the straight line method followed by us. I am sure, you will approve of the Directors' decision to set aside this saving in tax to a deferred taxation reserve for the reasons explained in the Directors' Report.

8. As against the increase of Rs. 6.65 crores in the provisions for taxes, including deferred taxation, as compared to last year, the allocation to the development rebate reserve is as much as Rs. 7.70 crores less than in the previous year. Taking into account all the variations between the two years' allocations and provisions and last year's transfers of Rs. 3.84 crores from reserves, the final balance available for disposal was larger this year by Rs. 3.12 crores.

9. As you are aware, our general reserves were heavily depleted by transfers to profit during the last few years to compensate for the exceptionally large amounts set aside for special reasons towards additional depreciation and arrears of development rebate. In the interests of the shareholders, it is necessary that we should build up these general reserves again whenever possible after paying reasonable dividends. Your Directors have, therefore, set aside Rs. 2.75 crores to General Reserve No. 1 this year and at the same time were able to recommend an increase of Re. 1 in the dividend on Ordinary shares.

IMPACT OF INFLATION

10. A matter of much concern to us as to all engaged in industry has been the continuous increase in costs year after year, not only in steel but in almost every single product made

or grown in India. Although the accelerating rise in the cost of living index during the last year has been principally due to soaring food prices, themselves due to insufficient production combined with a greatly increased purchasing power, the cost of all industrial products, including those which, like steel, do not depend on agricultural raw materials, has continued to rise relentlessly with no sign of abatement in sight.

11. Steel provides a striking example of the marked deterioration in the country's cost/price structure. Whereas until 1955 Indian steel was amongst the cheapest in the world, it has become one of the costliest although the basic elements which make up the total manufacturing costs have not materially changed in relation to those of other countries. At the end of 1963, the average price of the common categories of steel in India was more than two and a quarter times the 1948 price, one of the largest single elements of increase being in respect of excise duty which increased no less than fifteen times from Rs. 5 to Rs. 75 per ton. Actually the full incidence of excise duties and other taxes on the final price of steel is much greater than that as practically every item which goes into the making of steel, including fuel, power, raw materials and stores, is itself subject at one or more stages of production to its own excise duties and other taxes. In addition to the growing burden of direct taxes of one sort or another, freight rates charged by the Indian Railways are today four to five times what they were fifteen years ago.

12. The damage caused by rising costs to the economy and to the country's long-term plans of development cannot be exaggerated. Not only does the resulting decline in the purchasing power of the rupee cause severe hardship to every family in the country, but increases in costs have a number of other dire consequences. For instance, they have already rendered uncompetitive in world markets almost every exportable Indian product other than tea and jute, thus severely restricting our earnings in foreign exchange; they have inflated expenditure under the country's development plans and this, in turn, has necessitated, apart from further additions to our already crushing burden of taxation, a further rise in deficit financing, aggravating inflationary pressures and leading to still higher costs and prices, a vicious circle indeed.

13. While appreciating the magnitude and complexity of the problems involved and the grievous burden of additional Defence expenditure since last year, I venture to suggest that the deterioration in our price structure is largely due to our forcing the pace of economic development beyond the country's capacity in physical and financial resources. The inflationary effect of spending too much too quickly has been aggravated in our case by the fact that so much of the total expenditure has been incurred on unproductive civil administration and on costly long-term projects which can add to the national income only after long gestation periods and which, even when completed, produce little for the consumer.

14. Unfortunately, there seems to be no recognition as yet of the need for a reappraisal of resources and priorities in our planning. From the tentative figures recently announced for the fourth Plan period it would seem that the remedies for our present ills are thought to lie in still larger plans involving still heavier doses of taxation, deficit financing and foreign borrowings.

SPECIAL ADVANCE

15. You will, no doubt, expect me to make some reference in this Statement to the recent amendment to the Companies Act empowering Government unilaterally to convert into shares loans advanced by them to joint stock companies, and to the discussions which we and the Indian Iron & Steel Company have been having with Government in regard to the repayment of our respective special advances.

16. We have viewed the passing of the above amendment

with deep concern, not only because of its potentially grave impact on the Company and its shareholders, but also because of the arbitrary and unfair nature of the measure and of its disregard of past undertakings in so far as the two Steel Companies are concerned. The scheme for the special advances of Rs. 10 crores made by Government to each of the two main producers towards the cost of their modernization and expansion programmes was formulated in consultation with a World Bank Mission in 1952 and, as memories on the subject seem to be short, I feel it necessary to review once again the genesis and history of these advances.

17. From the end of the war until the mid-fifties the retention prices allowed by Government to the steel producers were fixed at levels far below import prices, on the unrealistic basis of a gross return of 8 per cent on block, from which had to be provided profit sharing bonus, Managing Agents' commission and taxes, leaving only about 3½ per cent for dividends and reserves. This price scheme had disastrous consequences for it left virtually nothing in the hands of the industry for rehabilitation and modernisation, leave alone expansion, and made it impossible to attract any fresh capital. As a result, the country had to spend immense amounts in foreign exchange every year on imported steel, which could have been saved if Government had followed a more realistic price policy.

18. When Government finally accepted the need for modernising and expanding the country's steel industry, we urged that our prices should be raised by Rs. 100 per ton, which we undertook to apply exclusively, after taxes, to the modernisation and expansion of the plant. Even with this increase, our average retention price would at that time have been about half the price of imported steel. This modest and perfectly sound proposal was turned down by Government who, instead, decided to increase selling prices without raising retention prices. The funds generated by this increase to the consumer, which would normally and legitimately have accrued to the producers, was taken to an equalisation fund, from which the special advances were made to the two Companies. As I pointed out at that time, this amounted to lending us our own money. This was, in fact, recognised, at least by implication, in the terms of the special advances which made it clear that they were no loans in the ordinary sense, for the advances were to have no fixed maturity date and were to be repaid with interest only if and when a special element was added to the normal retention prices specifically for that purpose. In their 1962 inquiry into the steel industry, the Tariff Commission were specifically asked by Government to recommend a special element in the retention prices towards the future repayment of the advances and interest thereon from July 1958. The Commission recommended Rs. 8 per ton. Government for reasons of their own, which I have not been able to understand to this day, changed their mind and announced in Parliament and elsewhere that they were considering other means of recovering these advances, including their conversion into shares, it was presumably in pursuit of this objective that the extraordinary amendment to the Companies Act mentioned earlier was passed in December 1963. Whether the real purpose was actually to convert the advances into shares or merely to induce the Companies, under the threat of such conversion, to repay them in abrogation of the terms of the agreements between the Government and the Companies, has never been made clear to us. We naturally made strong representations to Government with whom, I am glad to say, discussions have been held and are still continuing towards what I hope will be an equitable and mutually satisfactory solution.

19. While not relevant to this particular issue, I may mention that we have protested with equal earnestness against another amendment of the Companies Act recently introduced by Government, which is in breach of the spirit if not the letter of the Constitution. Under this amendment, the voting

rights attached to shares of joint stock companies held in trust are to pass to a Public Trustee, who incidentally, has still to be appointed by Government. This measure, which has at one stroke disenfranchised every trustee shareholder in the country, except in the case of trusts of less than Rs. 5 lakhs, is an extraordinary piece of legislation which illustrates the present tendency to disregard the rights of individual citizens and a growing readiness to rely on compulsion in enforcing Government's will on the people. Although it is now part of the law of the land, it has not yet been put into actual operation as the appointment of the Public Trustee has still to be notified. I hope, even at this late stage, that some convention or "modus vivendi" will be established whereby, in practice, the voting rights of trustee shareholders will be left undisturbed except when they are abused or where the Public Trustee has grounds to apprehend the misuse of such rights by the trustees.

FURTHER EXPANSION

20. In my Statement last year, I mentioned the possibility that our Company might be called upon to undertake a further large-scale expansion of capacity at Jamshedpur during the fourth five year Plan. Government have, indeed, requested us to undertake such expansion and further progress has been made in the examination of the project. The scheme, as it has now emerged from such a study and from discussions with Government, contemplates the installation of the necessary facilities for making, in the first instance, an additional million tons of ingot steel to be rolled into sheets and strip in a continuous or semi-continuous strip mill.

21. We expect to appoint a firm of consulting engineers shortly to prepare a detailed project report which should be received in about eight months after their appointment. While only preliminary estimates have been made, the indications are that the cost of this further expansion would be of the order of Rs. 170 crores of which probably a little more than half would be in foreign exchange.

22. As I hinted last year, the most difficult problem will be that of finance, particularly as this project will be superimposed on a programme already in hand for expanding and modernising our ore mines, building a battery of coke ovens, adding some equipment to SMS 3 and doing a few other things, at a cost of about Rs. 25 crores and on the project for increasing the output of our Jharia Collieries by a million tons of washed coal at an estimated cost of about Rs. 30 crores.

23. There is no need for alarm at the prospect of such large commitments. The recently completed Two Million Ton Programme and the results before you in the form of increased dividends and reserves are an indication of the benefits and added strength which accrue to the Company and its shareholders from expansion resulting in lower costs, better utilisation of total assets and increased productivity. At this early stage, I can only repeat that your Directors will sanction a further expansion only if they are thoroughly satisfied that the project is technically and economically sound and that it can be undertaken on terms wholly fair to the shareholders.

COMMUNAL DISTURBANCES

24. The Directors' Report contains a brief factual reference to the tragic events which overtook Jamshedpur in March this year and which, in addition to the loss of valuable life, brought great misery and hardship to thousands of innocent men, women and children. This explosion of communal violence was all the more shocking for having occurred at Jamshedpur which, for over a half century, had established an exemplary record of peace and harmony, maintained unswerving even in the darkest days of 1947.

25. It is poor consolation to know that the troubles were least pronounced in the Steel Plant and in the areas inhabited

by the Steel Company's employees. This was to be expected as a large proportion of our present employees consists of second and third generation citizens of all communities who were born in Jamshedpur, went to school together and form a mature and stable cosmopolitan community. These elements conducive to happy relations between communities are lacking among the newer industries of Jamshedpur, most of whose employees have come from outside the city and, being younger, are more easily swayed by troublemakers.

26. The lesson to be learnt from this tragic episode is the need for continuous vigilance and sustained action in the promotion and maintenance of good relations amongst the various communities as well as for a strong civil administration endowed with the necessary authority and the will to take firm and instant action in emergencies. Although the local Government authorities, including the Police, no doubt did their best to bring the situation under control, they were at first overwhelmed by the suddenness and magnitude of the events which offered evidence of having been deliberately planned.

27. One of the possible causes for the situation having gone out of hand for a while is the fact that Jamshedpur, although the second largest city in the State of Bihar and perhaps the most vital industrial centre in the whole country, is still administratively treated as a sub division of a district, the headquarters of which are in a small neighbouring town. As a result, the law enforcement machinery is inadequate for dealing with serious emergencies. We have, therefore, urged that early consideration be given to the possibility of upgrading Jamshedpur to an administrative status commensurate with its importance to the State and to the country and with the magnitude of the problems and the task of administering it.

28. As stated in the Directors' Report, the Company, along with sister concerns at Jamshedpur, took quick and effective steps to provide relief and rehabilitation to the families of the affected communities. Although not relevant to this review, I think, shareholders may be interested to know that, recognising the similar misery and hardship suffered by thousands of refugee families from across the country's borders, the Steel Company, along with Telco and the Tata Trusts, are planning to undertake a programme of relief at one or more refugee camps in Bihar.

SIR JEHANGIR GHANDY

29. It is customary for me to end my annual statement to the shareholders with an expression of thanks to the officers, supervisory staff and workers at Jamshedpur and elsewhere for their contribution during the year to the further progress made by the Company. Now that I am no longer inhibited by his membership of the Managing Agents' Firm, I should like to pay a special tribute to my old friend and colleague, Sir Jehangir Gandhi, who retired as Director-in-Charge of the Steel Company at the end of the year under review. "Joe" Ghandy, as he has always been known to those who have worked with him, joined the Steel Company as a trainee in 1917, nearly 47 years ago, and left for the U.S.A. eighteen months later for advanced post-graduate studies. He returned to Jamshedpur in 1921, and has been there ever since. From the start, he showed such exceptional ability and drive that it took him only nine years to be put in charge of the whole plant as General Superintendent and another eight years to become the first, as well as the youngest Indian General Manager. Since 1946, he was in charge of the Company's affairs at Jamshedpur, first as Resident Director of the Managing Agents, and then as Director-in-Charge. To him goes a major share of the credit for the progress and growth of the Company over the last thirty years.

30. Sir Jehangir Ghandy achieved prominence and countrywide recognition in various fields of national endeavour

and was closely associated with many of the country's leading technical institutions; but it is as an outstanding Engineer Administrator and for his unparalleled services to this Company and to the Indian steel industry as a whole that he will be remembered, and for which we all owe him a deep debt of gratitude.

31. Although no longer concerned with the day-to-day conduct of the Company's affairs, Sir Jehangir happily continues his connection with the Company as a member of its Board, as a Director of Tata Sons and as Chairman of three important enterprises associated with the Steel Company at Jamshedpur, I am sure shareholders will wish to join me in thanking him for all he has done for the Company over these four decades and more, and in wishing him many years of good health and happiness.

32. The work and responsibilities of Sir Jehangir at Jam-

shedpur are now shared by two Resident Directors of the Managing Agents, Mr. S. K. Naravati, in charge of Operations, and Mr. R. S. Pande, in charge of Administration. Mr. Naravati retired as General Manager of the Company in September last year on his joining the Board of the Managing Agents' Firm after a brilliant career with the Steel Company covering a period of over 29 years, and was succeeded as General Manager by Mr. G. Kumar.

33. Mr. Pande had a distinguished record of service with Government prior to joining the Steel Company in 1958 as Director of Personnel. He was appointed Agent in April 1959 and retired from the Company's service on 1st April this year when he joined the Board of Tata Industries.

34. The Company's operations are safe in the hands of this strong and experienced team backed by a group of able and devoted officers.

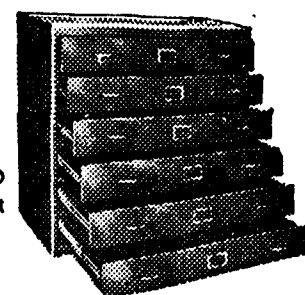


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RECORDS AND STATISTICS

Working Results of TISCO & IISCO 1960-63

THE WORKING results of Tata Iron & Steel Company and the Indian Iron and Steel Company for the years 1960 to 1963 are set out in the two tables below. The first obvious conclusion which emerges from a scrutiny of these figures is that both the companies made substantial progress during the period under review in sales, gross profits and net profits. It is

known that this encouraging trend was made possible because of the increases in capacity in both the plants. According to the statement of Mr. J. R. D. Tata issued to the shareholders, dealing with the Company's working for the year ended March 31, 1964, the proposal to extend the capacity of TISCO from two million to three million tons

WORKING OF PRIVATE SECTOR STEEL COMPANIES Tata Steel

(In lakhs of rupees)

	For the year ended 31st March,					
	1963	1962	1961	1960		
Sales, less rebate and excise	88,40.74	79,66.84	72,55.87	67,26.88		
Other income	3,79.21	3,24.96	3,26.18	2,81.24		
Adjustments in retention prices	12.20	2,94.14	4,71.44	..		
Excise duty paid	11,12.15	6,58.65	6,54.77	6,19.66		
Raw materials consumed	21,02.68	19,28.48	16,13.63	14,13.99		
Staff Expenses	18,99.01	18,24.20	17,97.54	16,91.11		
Other expenses	29,71.65	22,58.91	26,82.79	25,05.63		
Gross profit	22,58.91	19,49.60	19,59.55	13,97.38		
Managing Agents Commission	37.48	25.30	..	..		
Depreciation	11,65.75	13,15.43	13,92.39	8,46.72		
Taxation	80.00	..	..	..		
Net profit	9,75.68	6,08.87	5,67.16	5,50.66		
Recovery of Income-tax on preference shares	..	..	..	17.81		
Transfer from reserves	3,84.30	5,34.18	5,92.04	3,76.47		
Transfer to reserves	8,70.00	6,78.00	6,44.00	5,68.32		
Loss on devaluation of D. Mark etc.	..	..	58.29	..		
Dividends						
Preference	84.39*	84.39*	84.39*	63.47*		
Ordinary (old)	4,04.17)	3,80.66)	3,80.66)	2,98.37		
Rate per share of Rs. 75	(D Rs. 11)*	(D Rs. 10.36)*	(D Rs. 9.72 + B 64 nP.)*	(D Rs. 9.72)*		
Ordinary (new) rate per share	..	..	..	14.62† (D Rs. 2.43)*		
Carry forward	0.32	0.34	0.34	8.47		
Ratio of net profit to net sales	11.03%	7.64%	7.01%	8.44%		
Ratio of net profit to capital employed	7.14%	4.36%	4.12%	3.97%		
Production of —						
Pig iron	1,764,000	1,645,000	1,586,000	1,591,000		
Steel Ingots	1,799,000	1,643,000	1,622,000	1,555,000		
Salable steel	1,413,000	1,318,000	1,263,000	1,237,000		
Equity Shares' Market Value (In rupees)						
	1964 (Jan.-July)	1963	1962	1961	1960	1959
High	158.50	146.75	153.25	167.90	164.50	202.50
Low	141.00	116.50	120.00	135.50	138.75	152.75 C.R. X.R.

* Subject to deduction of tax.

† Proportionate dividend for the three months on the new ordinary shares from 1st January, 1960.

was under the active consideration of the Board of Directors. The study undertaken by TISCO and the discussions held by the company with the Government have indicated that the company would have to install "necessary facilities for making, in the first instance, an additional million tons of ingot steel to be rolled into sheets and strips in a continuous or semi-continuous strip mill." Currently, the capacity of the indigenous plants to meet the ever-increasing demand for sheets and strips is insufficient and the erection of a unit designed to produce this vitally needed type of steel will fill a major gap in the steel picture of the country. Mr. J. R. D. Tata also

stated that according to preliminary estimates, the cost of further expansion might be of the order of Rs. 170 crores out of which more than half would be in foreign exchange. The earlier expansion of TISCO from one million to two million tons had been more than justified by the increase in reserves and dividends; Mr. Tata held out the assurance that the company would sanction a further expansion in capacity only if it was satisfied that "the project is technically and economically sound and that it can be undertaken on terms wholly fair to the shareholders."

(In lakhs of rupees)

Indian Iron		for the year ended 31st March					
		1963	1962	1961	1960		
Sales and self consumption less excise surcharges and rebates		68,46.21	60,41.08	57,95.38	51,52.32		
Stock of finished goods and work-in-progress		602.93	581.44	451.81	344.08		
Retrospective increase in retention prices		..	228.52	..	86.72		
Other income		34.88	23.61	21.15	73.55		
Excise duty paid		373.00	388.88	382.03	328.81		
Materials, stores and spares consumed		24,83.53	23,16.46	21,26.81	19,52.95		
Staff expenses		12,06.58	10,76.63	10,09.78	9,43.06		
Other expenses		19,28.84	17,45.74	17,60.39	15,17.93		
Gross profit		12,83.63	12,84.03	10,27.23	8,98.66		
Managing Agents' commission		31.56	30.00	30.85	37.22		
Depreciation		3,40.18	3,35.25	2,96.47	3,00.00		
Taxation		3,56.00	3,95.50	1,66.00	64.28		
Net profit		5,55.89	5,23.28	5,33.81	4,97.16		
Transfer from reserves		22.38	23.19	81.54	1,58.99		
To reserves		3,64.25	3,00.00	3,26.15	1,92.86		
To development rebate reserves		22.14	21.57	1,66.57	2,59.26		
Dividends — 5 per cent preference		17.54	17.54	18.71	16.39		
Ordinary		1,99.05	1,99.05	1,99.05	1,86.61		
Carry forward		(16%)	(16%)	(16%)	(15%)		
Production and despatches* (in tonnes) —							
Pig iron		1,291,825	1,187,397	1,160,676	1,070,470		
		(1,041,819)	(954,161)	(928,313)	(889,729)		
Steel ingots		1,002,039	934,498	914,159	840,305		
Salable steel		795,120	736,970	722,034	672,707		
		(797,960)	(724,499)	(704,967)	(678,330)		
Equity shares market value							
(in rupees)		1964 (Jan.-July)	1963	1962	1961	1960	1959
High		26.05	23.72	27.35	28.70	26.55	28.20
Low		23.60	19.20	22.80	23.00	21.84	22.16

*Figures in brackets.

Note: All dividends are taxable.



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Lal Bahadur at Large

IT IS EVIDENT that the brief period of enforced rest following his recent illness had given the Prime Minister opportunities for some quiet introspection which he had availed himself of to the full. Mr. Lal Bahadur, as his activities in recent weeks show, has returned to his job with fairly clear ideas of how to do it. It is apparent also that he has cast himself in the role of the principal policy-maker and whole-time leader in government and administration.

The way Mr. Lal Bahadur presumably desires to function as Prime Minister will be generally welcomed in the nation. The people need coherent and clear-headed leadership and the responsibility for providing that leadership must naturally belong to the Prime Minister. The country must dispense with the luxury of unco-ordinated thinking or action among the Central Ministries or Ministers or as between the Central and State Governments. This it could be forced to do only by the Prime Minister effectively assuming the higher direction of government in all important areas. It takes both courage and clear vision for the Prime Minister to recognize that the nation should have a whole-time Prime Minister who would govern it in detail and not merely guide it in principle. Mr. Lal Bahadur, therefore, deserves well of his countrymen, especially as his indifferent health underlines all the more emphatically the heroism of his resolve.

Almost the first action the Prime Minister has taken to enable him to provide positive and adequate leadership to the government is the organization of a strong secretariat for himself. The size and the scope of the new establishment, which is apparently still in the process of being built up, are not yet known to the public. It is possible that what the Prime Minister is after is not a mere secretariat, but a brains trust of hand-picked official advisers. There is no reason at all why the Prime Minister should not permit himself this institutional facility. At the same time, a word of caution must be sounded. The essence of a Prime Minister's job is to work through other Ministers and Ministries. His own secretariat should, therefore, be severely limited in size and highly selective in scope. This would be desirable even on mere grounds of administrative economy to which Mr. Lal Bahadur is presently, and rightly, attaching considerable importance. But an even more weighty consideration would be that the Prime Minister, as we had suggested earlier, should seek to run the government rather than set up a parallel government or even a government within a government. It is important that the initiative and sense of responsibility of the various Ministers or Secretaries of Ministries should not in any way be weakened or discouraged. It has been said of the Planning Commission that it has been functioning as a fifth wheel in the coach. It would be a mistake to suppose that the addition of a sixth wheel in the form of an equally elaborate Prime Minister's secretariat would improve matters by restoring symmetry.

Another important point which needs to be made about the Prime Minister's secretariat is that even its possible utility as a sound brains trust of official advisers would be no compensation for the loosening of the bonds of discussion and consultation between the Prime Minister and his colleagues in the Council of Ministers. The Prime Minister is certainly entitled to full information, advice and even education from official sources on all matters relating to the functioning of the government. The right to take all the final decisions, again, is certainly his. But, it would be a mistake to lose sight of the fact that the parliamentary system of government, based on collective responsibility of the cabinet, clearly demands that, in the transaction of all important business of government, there should be the fullest and freest consultation between

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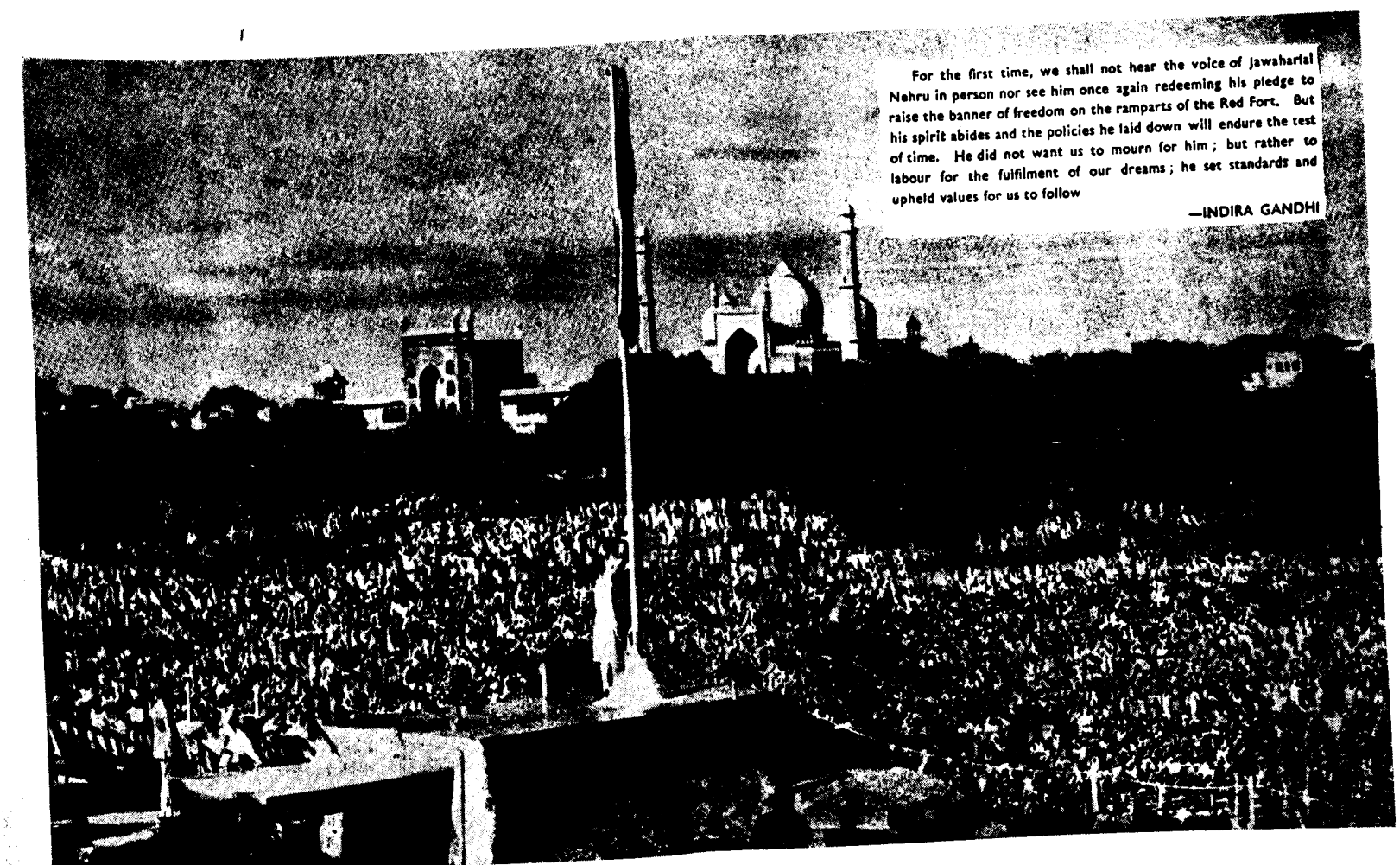
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the Prime Minister and other Ministers. We may even go further and say that in such a system of government, the colleagues of the Prime Minister are entitled to the knowledge of and the exchange of views on his intentions or decisions, particularly in matters relating to their respective portfolios and more generally in respect of all government business of significance. By temperament and training the present Prime Minister tends to act in consultation rather than in isolation and we may therefore expect that, within a reasonable period of time, the conduct of government business under his aegis will get organized in such a way that the Prime Minister's colleagues will have a sense of full participation in the formulation and administration of policies.

Circumstances have forced Mr. Lal Bahadur to take policy initiatives in the economic field sooner than he might otherwise have done. In this sense, the rising prices and the strong public reaction to them may even be regarded as a blessing. The rising prices, of course, are a symptom of a disease. The disease itself is the lack of sufficient growth in the economy — sufficient that is to provide for the increasing population, improve the standard of living of the people, or create enough resources for more rapid economic expansion. For at least three years now the economy has not been growing as fast as it needed to. On the contrary, there has even been some stagnation, particularly in agriculture but also in industry, especially in the consumer goods sector. Simultaneously, there has been a forced growth of government spending, much of it on defence and development but a good part of it also on administration and on activities which do not contribute to the growth of the economy. To put it briefly, the nation has been living beyond its means. It goes to the credit of the Prime Minister that he has been quick to see this and draw the moral. The Finance Minister had said on an earlier occasion that the Government had decided to effect a saving of about Rs. 70 crores in its expenditure in the current Budget year. The Prime Minister has now endorsed this undertaking and has directed Central Ministries to co-operate in achieving this measure of economy. He has also appealed to the State Governments to avoid or postpone expenditures wherever possible.

It must be pointed out, however, that while saving in public expenditure on the scale projected at present may provide some relief to the economy, it is unlikely to contribute significantly to a reversal of inflationary trends. The total of public expenditure, including Central and States spending, on capital as well as revenue account, both Plan and non-Plan, had increased from Rs. 3184.1 crores in 1961-62 to Rs. 4885.0 crores in 1963-64. This spending is budgeted to increase further to Rs. 5472.8 crores in the current financial year (see table alongside).

An increase of this order in the draft made by the Government on the country's resources could have

been supported by the nation only if there had been a correspondingly large expansion of the economy. Since there has been no such expansion, there has naturally been an acute disequilibrium in the economy between the incomes generated by government spending and the goods and services made available by the growth of the economy. To the extent that a good deal of government spending is not only unproductive but is also deliberately wasteful, this imbalance has been further aggravated. It is obvious that here is a situation which cannot be significantly altered by a cut of Rs. 70 crores or even Rs. 100 crores in a budget of government spending aggregating to some Rs. 6,500 crores.

The Prime Minister, therefore, did not really have an alternative to suggesting, as he had done, that a good deal more would have to be done in the remaining years of the third Plan to bring government spending back to levels which the economy could tolerate. The fact that he has not hesitated to say that even the size and details of the defence budget should be vigorously scrutinized amply demonstrates the importance he rightly attaches to the restraining of inflationary spending by the Government and it must therefore serve to persuade Central Ministries and State Governments of the need to consider seriously his connected suggestion that, even with regard to Plan targets, it might be desirable not to start work on schemes in the field of heavy industry which called for a great deal of capital investment but were relatively slow in reaching the stage of production. It is true, of course, that what the Prime Minister now advocates amounts to some whittling down of the size of the third Plan, but since the inflationary situation, resulting not only in high prices and, therefore, costs, but also in the shortages of essential construction or other materials has, in any case, made it impossible for the physical targets of the third Plan to be fulfilled, it should really be not difficult for the country to accept the Prime Minister's argument which has the virtue of realism. Mr. Lal Bahadur has taken pains to explain that it is not by any means his view that in the long-term context of development or

TOTAL EXPENDITURE OF CENTRE AND STATES

(On Revenue and Capital Accounts)

(Rs. crores)

Year	Total Dis- bursements of Central Govt.	Resources transferred from Central Govt. to States	Total Ex- penditure of Central Govt. (3 : 1-2)	Total Ex- penditure of State Govts.	Total Ex- penditure of States and Cent (5 : 3+4)
	(1)	(2)	(3)	(4)	(5)
1961-62 (Accounts)	2241.7	847.4	1394.3	1789.8	3184.1
1963-64 (Revised)	3675.4	1142.8	2532.6	2352.4	4885.0
1964-65 (Budget)	4102.7	1173.6	2929.1	2543.7	5472.8

Source: Explanatory Memorandum and R.B.I. Bulletins.

even in the framing of the fourth Plan, the building up of heavy industries should not be given its due importance. This clarification ought to help in meeting the point made by Mr. Asoka Mehta that growth could not be sacrificed to a pursuit of stability. It is, of course, wholly clear that this country cannot industrialize itself without going in for consistent, continuous and very considerable development of heavy and basic industries. The only issue, therefore, is how to generate the resources needed for heavy industrialization of this order. It is here that the question of assigning adequately high priorities for the resource-creating sectors, such as agriculture and consumer goods industries, becomes relevant. It is primarily from agricultural and consumer goods production that the surplus of resources for building heavy industries must come. In this sense stability and growth become mutually conditioning and therefore interdependent factors.

The nation will, therefore, be well advised to place its trust in the principles which the Prime Minister

Atoms for Abundance

NO TRIBUTE is too much to the people who had the vision to foresee the need for thermal power stations in India over two decades ago. To be exact, it was on March 12, 1944 that Dr. H. J. Bhabha wrote to the Sir Dorab Tata Trust to consider establishing an institute of fundamental research for training experts who could be placed in charge of such stations when set up. "When nuclear energy has been successfully applied for power production, in say a couple of decades from now," Dr. Bhabha stated in his letter then, almost prophetically, "India will not have to look abroad for its experts, but will find them ready at hand". That Dr. Bhabha was no idle visionary, as many people must have thought at that time, has been abundantly established, as witness the work of the Department of Atomic Energy over the past ten years. Exactly ten years ago, the Trombay Establishment of the Atomic Energy Commission was set up, although the Atomic Energy Act itself dates back to April 15, 1948. The years between 1948 and 1954, however, were what may be described as the preparatory period, when steps were taken to draw suitable syllabi for teaching higher mathematics, physics and chemistry in Indian universities, the Atomic Minerals Division and the Chemicals and Metallurgy Division were established, the Rare Earths plant was started at Alwaye, and the work on the Thorium Plant was started at Trombay. Needless to say, Dr. Bhabha was guiding all these with single-minded devotion all his own.

It is significant that, along with these steps to produce atomic energy, India also clearly spelt out her stand on the peaceful uses of atomic energy. Both at the New Delhi Conference in November, 1954 and at the first U.N. International Conference in Geneva in August, 1955, India succeeded in persuading a number of other nations to accept her stand on the peaceful uses

seems to be patiently evolving to meet the challenges not only of current stability but also of future development. That the mere size or scale of government expenditure is hardly relevant to solid development few will dispute. The urgent need for the avoidance of waste on unproductive spending should therefore be common ground for the thoughtful sections of the community. Once this is conceded it ought not to be difficult to appreciate the next stage of the argument which is that more attention should immediately be paid to development projects and programmes which could add to the substance of the economy in the short period. The Prime Minister is merely stating the truth when he says that the first claim on the Government must be the needs of the people for food, clothing, housing and employment. These needs could be served only by the growth of production all round, but particularly in the area of consumer goods, both agricultural and industrial. To production then the nation must turn for stability and growth alike.

of atomic energy. What is equally important is that India has translated this concept into action and all the achievements to the credit of the Department of Atomic Energy (D.A.E.) today bear witness to this.

Right from the time when the decision was taken to build Apsara in 1955 upto the completion of the Plutonium Plant, one refreshingly notable feature has been the constant endeavour of Dr. Bhabha to train Indians to do all the work, first, by working jointly with the experts of foreign collaborators, then by working according to foreign designs and advice, and, finally, by doing all on their own, including design and construction. Always keeping this goal in mind, Dr. Bhabha has been able to create a corps of atomic scientists who can hold their own against any of their counterparts even in countries which have taken great strides in the field such as the USA, Canada, the USSR and the UK. This has also been accepted by experts in the field, namely Leonard Beaton and John Maddox, authors of the *Spread of Nuclear Weapons*, when they say: "in technical terms India and Canada are undoubtedly the two countries which are most ready to become nuclear powers". They further add: "they are also the two countries which have been most unqualified in their rejection of nuclear weapons."

The contribution that India has made to the advancement of atomic science and development of the peaceful uses of atomic energy needs to be emphasised. The wide variety of radio isotopes — "the most versatile tools of atomic energy" — produced at Trombay, some of which have found, besides considerable application at home, also a ready export market in developing countries such as Ceylon, Pakistan, South Korea and Thailand, as well as in developed countries such as France and the USA, the fabrication of a few of the most sophisticated machines and fuel elements for reactors and

the commissioning of the Plutonium Plant are certainly among the most outstanding achievements. Although Dr. Bhabha and his band of atomic scientists may not be able to press into service atomic science (radiation) for purposes of population control due to the health hazards involved, they have established, by means of the experiments they have conducted already, that nuclear science can play an important role in the sphere of food preservation and storage. Nuclear science can also be of help in increasing food production, thanks to the excellent work done on irradiating seeds so as to increase the yield. Similarly, this country can afford to do with more work that our atomic scientists are capable of on measures that prolong the life of fresh fruits and fish and control insect-pests, because these will save crores of rupees worth of edible stuff from deterioration and destruction every year.

That the country has need for atomic power is no longer disputed. The belief that the rivers of India contain in them untold millions of potential kilowatts and that, for all additional needs, the country could do with a number of thermal stations dotted all over the country is being seriously reconsidered in the light of the rising needs for energy of our growing industries. It has been indisputably established that a shortage of electric power can prove to be a major bottleneck, the more so now when the country has to meet the extra power needs imposed by the emergency created by the Chinese aggression. However, there is a school of opinion that feels that we have still not fully exhausted the potentialities of thermal power and that we can well afford to postpone indulging in the luxury of atomic power. But even this school is not wholly opposed to our making a beginning in the exploitation of atomic power — if only to keep pace with the other advanced countries and be ready to take advantage of the latest developments in the field. The difference in the approach of this school and that of Dr. Bhabha would appear to be that, whereas the latter would like actively to participate in the latest advances by steady expansion in the country itself — as by the setting up of two more nuclear power plants, one in Rajasthan and one in Madras — the former would like to take advantage of the advances in the field made by the other countries. The latter may no doubt save substantial funds, but it will, at the same time, mean continued dependence on foreign expert guidance and services when India decides to expand her nuclear power potential.

It is necessary to draw attention to the existence of these different schools of opinion in the context of the conflicting claims about comparative power costs. However well-reasoned Dr. Bhabha's claim that the Tarapore Nuclear Power Plant can produce power at a cost of 3.22 paise per unit as against 3.76 paise per unit which a thermal power plant would have cost if it had been located at the same place may be, there are those who argue that the computation of comparative power costs is a very tricky affair and that, by manipulating the life of the plant or making allowances for a variety

of services or uses, it is possible to arrive at any convenient estimate to make a debating point. To these people even experience abroad does not seem to mean much, as they hold that it is too facile to assume that experience in India would be identical with that in other countries and they cite the instance of periodical revisions which have had to be made in respect of dams and hydro-electric installations.

Notwithstanding these controversies, many would perhaps like to let the D.A.E. proceed with its three nuclear power stations programme, if only because each one of them is expected to serve a distinct end, while, at the same time, enabling India to march in step with the latest advances in the field, such as the modified second stage reactor, on which both India and Sweden have been experimenting, and the very fast reactor under trial in some countries.

One may not sound a discordant note on an occasion such as this, but one must also not fail to allude to the concern expressed in certain circles that the country is running the grave risk of her great scientists getting bogged down in the administrative mire. To be sure, this is by no means an idle or irrelevant concern. The experience of our scientists after they have taken on administrative work has not been exactly happy. We are in no position to let the splendid work that has so far been done by our scientists in any field remain stagnant or stay put, but this is unfortunately the fate that many apprehend will overtake the Indian field of atomic science if Dr. Bhabha continues to saddle himself, or allows himself to be saddled, with more and more administrative work, as seems to be the case. It is all very well to say that some people have enormous energy to do almost everything, as was being said about our late Prime Minister, Jawaharlal Nehru. But the inevitable and relentless sapping of energy that even simple routine work entails is something that cannot be dismissed as inconsequential.

Eastern Economist 20 Years Ago AUGUST 18, 1944

The war, if it has played havoc with human lives directly and indirectly, has also shaken us out of our narrow grooves and compelled us to think afresh. Thanks to the Bengal famine and wide-spread scarcity, the whole question of food supply in relation to sufficiency and nutrition is engaging the public attention in a very forceful manner. No longer is food to be subjected to uncontrolled forces of supply and demand. Rationing rendered indispensable on account of scarcity is regarded now as a useful weapon even in post-war to ensure minimum standards of food and health for all. Through it the community can conserve and increase their strength and welfare by so planning production and consumption that good and nutritive foods may become both relatively more abundant and more widely consumed. By education and propaganda it is possible to revolutionize habits of consumption, so that at far less real costs than before, a community can, by planned production, distribution and consumption, live more healthily and grow stronger.

Highlights of the Week

SMALL-SCALE INDUSTRIES

AT A two-day session of the Small-Scale Industries Board in New Delhi, Mr. H. C. Dasappa, the Union Minister for Industry, outlined a four-point programme for "reorientation of future growth of small-scale industrial sector in the country". The four elements in the new programme are: (a) devising ways and means for utilising the production capacity already created in different lines; (b) examination of the capacities available for different industry groups to see if it was possible to divert them to the production of end-products of a higher national priority; (c) exploration of the possibilities of producing defence requirements and (d) participation in the export drive. This programme is no more than a re-statement of the problems which the industry has faced in recent years, especially after the declaration of the emergency. The most important problem which has plagued the industry is the non-availability of requisite scarce raw materials with the result that in many cases the unutilized capacity is equivalent to three-fourths of the total capacity. To that extent it means under-utilisation of available capacity in plant and machinery involving sizable national wastage. The paucity in foreign exchange has imposed certain limitations in such a way that with all its sincere efforts the Government cannot satisfy the demands of all the small-scale industries for the raw materials needed by them. A natural and practical way of meeting such a situation is to divert the production capacity of some of these units to those lines which can be of greater use to the economy. This is, however, a long-term process and will take some time. At present, the problem of scarce raw materials is urgent.

Mr. Dasappa announced, at the conclusion of the two-day session, the appointment of a seven-member Committee to go into the question of equitable distribution of available raw materials between the small and the large-scale sectors in industries. The Minister also promised that an effort would be made to raise the allocation next year for the import of the scarce raw materials for small-scale industries above the present level of Rs. 14 crores. The new Committee is headed by Dr. P. S. Lokanathan, Director-General of the National Council of Applied Economic Research. The other members of the Committee are Mr. A. R. Bhat, President of the Federation of Small-Scale Industries Associations, Mr. G. L. Bansal, Secretary-General of the Federation of Indian Chambers of Commerce and Industry, Mr. S. S. Kumar, Secretary-General of Technical Development, Dr. D. K. Malhotra from the Planning Commission, Dr. S. T. Merani, Development Commissioner for Small Industries and Mr. S. V. S. Sharma, who will be the Secretary of the Committee.

Mr. Dasappa also stated that it will be necessary for the Government to set up Screening Committees at the State or Central levels in order to scrutinise applications for setting up units dependent on scarce raw materials. Once such schemes were approved by the Screening Committee, the Government would assure supply of raw materials for a single shift working. In view of the vast unutilised capacity of the small-scale units, the establishment of these Screening Committees will virtually result in a curb on further increase in the number of the small-scale units. This is, however, in the larger national interest because it will not only make possible judicious use of the available capital but will also relieve pressure on imports of scarce raw materials. The number of small-scale units has, during the last decade, recorded a phenomenal increase. It is time that some consolidation took place. There are more than 57,000 small-scale units registered with the various State Directorates of Industries. The number of non-registered small-scale factories which have from time to

time availed of the facilities offered by the Central Small-Scale Industries Organisation is estimated at between 200,000 and 250,000. The total output of the small-scale sector is estimated at Rs. 1400 crores or nearly one-third of the total production in the industrial sector. It shows that the small-scale sector does occupy an important place in the industrial picture of the country and all efforts need to be made for its continued growth. The Government's stores purchase programme has assisted the small-scale industry in quite a big way. No less than 30,000 small-scale factories have been registered with the DGS & D whose purchases from these units have almost been doubling every year during the last four years.

While all these facts point to the encouraging growth of the small-scale factories throughout the country, disconcerting reports have been received from some of the States. The Punjab Government recently conducted an enquiry into the state of affairs of the small-scale units functioning in three of its districts, namely, Sangrur, Ferozepur and Rohtak. It was revealed that nearly half of the loans granted to small-scale industries were used for the purposes for which they were not intended. In Ferozepur district, it was found that nearly 65 per cent of the loans provided by the Government were diverted for other uses. There are reports of some of the scarce raw materials allocated to some of the Punjab factories having been exported to other States. The industrial estates also have not been in very good shape whether they were set up under the co-operative sector or under the State auspices. It is necessary that the Government should take corrective action in time before valuable resources provided for the growth of the small-scale industries are frittered away.

ENOSIS

THE RUMBLINGS of a war tremor were once again heard all over the world on August 8, but the epicentre this time had shifted — as it has often done for the past so many years — to Cyprus from North Vietnam, where, after the US military operations in the Gulf of Tonkin early this month, the atmosphere is relatively calm. It started with the attacks by the Turkish planes against Greek Cypriot positions round the besieged Turkish Cypriot fishing village of Kokkina in North-West Cyprus. Describing its action as a "limited police operation" carried out for purposes of legitimate defence, the Turkish Government claimed that it was fulfilling the obligation which it had assumed under the Zurich Treaty of Guarantee. Distress signals were sent out by Archbishop Makarios, President of Cyprus, to all friendly countries, including the Soviet Union. Greece, being one of the signatories of the Zurich Treaty, could not be blamed for its willingness to come to the succour of its compatriots in Cyprus if Turkey intensified its hostilities against the Greek Cypriots. This limited encounter had portents of plunging the world into a major war. Fortunately both Cyprus and Turkey have agreed to a cease-fire in response to the Security Council resolution, though a solution to the problem remains to be found.

The basic problem of Cyprus is one of mutual mistrust between its Greek and Turkish nationals. In this Mediterranean island of 3,572 square miles inhabited by nearly 600,000 people, the Greek Cypriots are in a predominant majority (79 per cent), the remainder being Turkish Cypriots (18 per cent), and other minorities. Cyprus is a republic and gained its independence from British rule in 1960, after the signing of the Zurich agreement of 1959, with the UK, Greece and Turkey as guarantors, which were entitled to take "action" if the island's 'status quo' was threatened. To protect the interests of the Turkish Cypriots, who were afraid of victimization by the Greeks, a number of built-in safeguards were provided in

the constitution which gave the Turkish Cypriots a veto power in foreign affairs, defence and taxation, in addition to a 30 per cent of all security and civil service posts in Government. Also, a Turkish Cypriot was appointed Vice-President.

The constitution proved unworkable almost from the start, the reason being lack of trust between the two communities. The Turkish Cypriots charged that they were being deprived of their legitimate share of jobs, while the Greek Cypriots claimed that the former were sabotaging the Government by holding up tax laws. It was the declaration in November last by President Makarios of his intention to amend the constitution, to curtail the veto power of the Turkish Cypriots, which resulted in the unparalleled bloody Christmas riots. The violent hatred for each other which has existed between the two communities for decades and was held in check in the past by the British had burst out. Since then, Cyprus has been divided into two armed camps. Reinforcements of men and military equipment have poured into the island in increasing numbers and quantities, stealthily as well as openly, from Greece and Turkey. The EOKA (the Greek terrorist organization) which, during the pre-independence days had directed its activities towards the British troops, has now sprung into action against Turkish Cypriots. Nor is the TMT (Turkish Defence Organisation), well supplied with smuggled arms, less active. A third organisation, the EKEL (Communist), has lately come to wield considerable influence with President Makarios. While EOKA demands 'enosis' (integration with Greece), the TMT stands for partition of the island, and EKEL claims its independent status, which view, as a matter of fact, goes well with President Makarios. Apparently, therefore, the Greek Cypriots are divided between those who want 'enosis' and those who prefer independence. General Grivas, a popular leader and a staunch believer in 'enosis', is now back and has taken over command of the Cyprus National Guard.

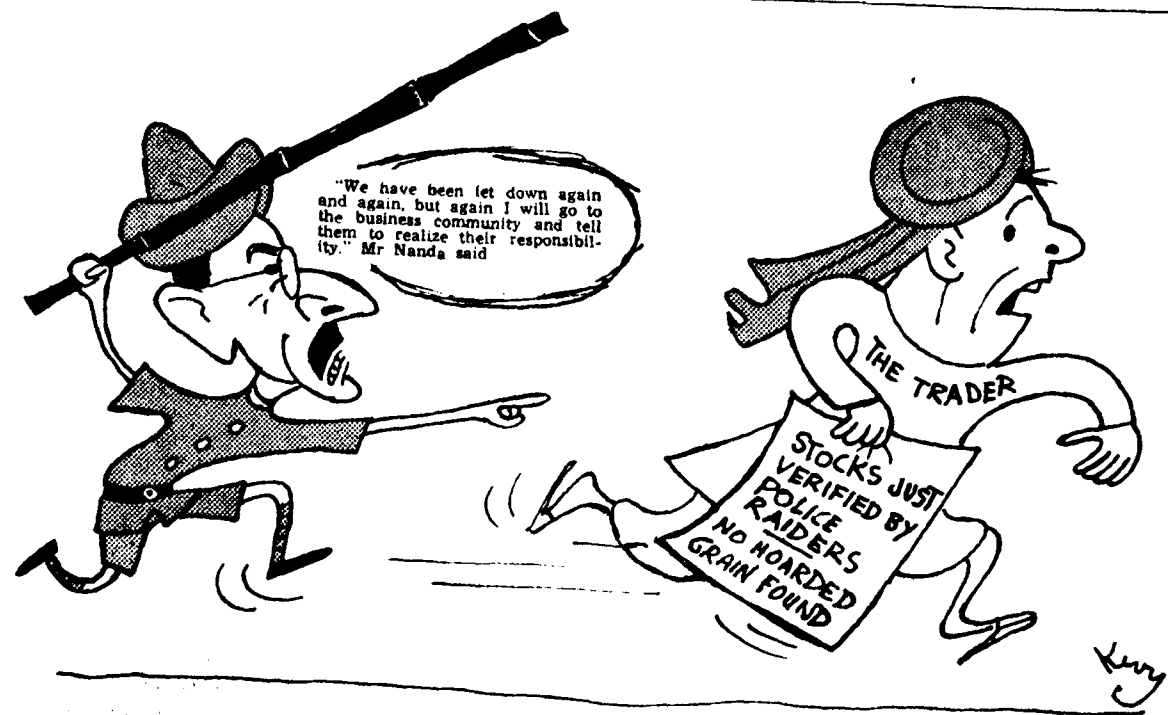
The negotiations for a permanent settlement had a temporary setback because of the sudden illness of the UN mediator in Cyprus, Mr. Sakari Tuomioja. Latest report from Geneva indicate that Dr. Galo Plaza Lasso of Ecuador, U Thant's personal representative in Cyprus, might take over the task of conducting the negotiations. At the same time, Mr. Dean Acheson, former United States Secretary of State, is working

feverishly behind the scenes for the 'enosis', so that Cyprus may become a part of NATO and all possibilities of its being converted into another Cuba may be eliminated once for all. The reported offer of the Soviet Union to come to the succour of President Makarios in case the Turkish pressure did not relent has added to the complication. A readymade solution in the present tense situation may be hard to find. Perhaps the best way out will be to satisfy the wishes of the vast majority of the Greek Cypriots with adequate safeguards for the Turkish Cypriots. Any division of the island is likely to become a permanent sore.

KENYA: A REPUBLIC

THE PRIME MINISTER of Kenya, Mr. Jomo Kenyatta, announced last week at Nairobi that Kenya will become a Republic on December 12, the first anniversary of its Independence. It will, however, remain a member of the Commonwealth. Mr. Kenyatta will be the first President of the Republic. He told the House of Representatives that the present Constitution of the country was expensive to operate and generally too rigid to be workable. The Constitution would be amended and the new version would be put before Parliament in the third week of October. If necessary, a referendum would be held throughout Kenya in the third week of November. According to him, the new Constitution would be extremely suitable for the country. It will guarantee the paramount power of Parliament and will bring in the new concept of collective ministerial responsibility.

Mr. Kenyatta will choose his own Cabinet which will be responsible to Parliament. The President will be usually the leader of the majority party and will pick his Cabinet from among the members of Parliament. It is anticipated that some drastic changes will be made in the powers of the regional assemblies. There is no doubt that the regional assemblies will be allowed to exist, but they will have no exclusive executive or legislative authority on matters planned and directed on a national scale. An outstanding change likely to be introduced in the new Constitution is that the land which is now vested in Government or private ownership would be re-vested in Government without compensation. This is, however, a rather alarming trend and it is feared that it will have unfavourable repercussions on the non-Africans in Kenya.



"Are you suggesting sir that we start hoarding?"

Are Small Companies Surviving?

ANALYST

IT HAS been alleged that the economic and financial policies of the Government are favouring the growth of big companies and that the small company finds it extremely difficult to survive. Further, it is said that the practices followed by the big business man also hamper the growth of the small industrialist. It is the object of this article to examine from the available basic statistical data the growth of the small companies during 1956 to 1961 and see in particular how far this allegation is true.

Data regarding the number of companies that are being registered in the country are being published by the Ministry of Finance. Table I shows the number of new companies registered from 1956-57 to 1963-64 under different size groups according to their authorised capital.

TABLE I
NEW COMPANY REGISTRATIONS 1956-57 TO 1963-64

Year	Below Rs. 1 lakh	Below Rs. 5 lakhs	Below Rs. 10 lakhs	Below Rs. 50 lakhs	Over Rs. 50 lakhs	Total Companies
1956-57	171	478	708	804	44	848
1957-58	231	605	834	924	37	961
1958-59	252	694	962	1055	40	1095
1959-60	346	895	1229	1387	65	1452
1960-61	370	936	1317	1541	142	1683
1961-62	402	966	1241	1483	131	1614
1962-63	348	823	1115	1350	147	1497
1963-64	241	655	894	1124	103	1227

It will be seen from Table I that the number of companies with an authorised capital of less than Rs. 1 lakh and Rs. 5 lakhs has shown a continuous increase from 1956-57 to 1961-62; in 1962-63 and 1963-64, there was a fall, but this fall was not only in the small companies but there was a general decline in the total number of newly registered companies.

Capital Formation

Statistical data regarding the rate of capital formation and the rate of profit earned by small and large public limited companies are published by the Reserve Bank of India. Table II shows the rate of gross fixed asset formation, net fixed asset formation and net capital formation in small and large companies from 1957 to 1961.

A small company is defined as one having a paid-up capital of less than Rs. 5 lakhs and all those with a paid-up

TABLE II
CAPITAL FORMATION (Percentage)

Year	Gross Fixed Asset Formation		Net Fixed Asset Formation		Net Capital Formation	
	Small Cos.	Medium & large Cos.	Small Cos.	Medium & large Cos.	Small Cos.	Medium & large Cos.
1957	9.0	16.4	7.7	20.5	1.5	11.8
1958	6.8	11.7	3.8	12.6	5.0	6.2
1959	6.0	7.5	4.3	5.7	4.6	4.5
1960	7.5	8.0	6.9	4.7	8.0	9.6
1961	9.5	9.9	7.5	7.9	8.3	9.1

capital of Rs. 5 lakhs or more are included in the medium and large companies.

It can be observed from Table II that the rate of growth of gross fixed assets in the case of small companies has been lower than that of medium and large companies during all the years 1957 to 1961. As regards the growth in net fixed assets, although the small companies had a lower rate of growth at least in one year, viz., 1960, the rate of growth was higher in the case of small companies. In the year 1957, the net capital formation in the small company sector was very low; in the other years, it was very near to the rate of medium and large companies.

Since the net capital formation is an important indicator of the rate of growth of companies, it would be useful to compare this ratio with reference to those industries in which both small and large companies exist side by side.

TABLE III
NET CAPITAL FORMATION IN CERTAIN INDUSTRIES (Percentage)

Year	Tea		Engineering		Chemicals		Trading	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
1957	1.2	1.1	17.8	13.3	7.8	17.3	8.1	7.8
1958	4.0	4.3	9.8	5.7	6.6	17.0	7.7	15.1
1959	1.1	3.0	6.5	9.5	-0.8	16.5	11.8	-1.4
1960	1.8	6.0	35.5	17.5	13.1	13.2	3.7	19.0
1961	3.5	2.9	16.6	15.7	15.1	25.4	1.5	6.8

(a) Small companies. (b) Medium and large companies.

It is clear from Table III that in the case of Tea Plantations in two out of five years the net capital formation was higher in the case of small companies; in Engineering, the small companies had a higher rate in four out of five years; in Chemicals the medium and large companies had a higher rate throughout and in trading the rate of capital formation was higher in the case of small companies in two out of five years of the study.

Since an important indicator of the ability to survive is the capacity to make profits, it would be useful to see the rate of profit earned by small and large companies during 1956 to 1961. Table IV shows the rate of profit earned by the small and large companies between 1956 and 1961.

It will be seen from Table IV that the small companies

TABLE IV
RATE OF PROFIT (Percentage)

Year	Gross Profit* on Total Capital Employed		Gross Profit* on Sales		Profit after Tax on Net Worth	
	(a)	(b)	(a)	(b)	(a)	(b)
1956	6.5	9.6	5.1	10.0	4.7	8.8
1957	5.2	7.5	4.4	8.0	1.9	6.5
1958	6.8	8.0	6.1	8.6	5.1	7.1
1959	7.5	9.8	6.3	10.0	6.8	10.5
1960	7.7	10.1	6.5	10.2	7.5	10.9
1961	7.4	10.0	6.1	10.0	6.5	10.0

(a) Small companies. (b) Medium and large companies.

* Including managing agents' remuneration, interest charges and provision for tax but excluding depreciation.

have earned lower rates of profit than medium and large ones during all the six years. But it is worth noting that the small companies have earned an average rate of profit exceeding 6 per cent on the total capital employed.

Tables V to VIII show the rate of profit earned by small and medium and large companies in tea plantations, engineering, chemicals and trading, by all the three important measures of profitability, viz., the rate of gross profits on total capital employed, and sales and the rate of profit after tax on net worth. In the case of tea, in all the years and by all the three

TABLE V
RATE OF PROFIT IN TEA PLANTATIONS
(Per cent)

Year	Gross profit on total capital employed		Gross profit on sales		Profit after tax on net worth	
	(a)	(b)	(a)	(b)	(a)	(b)
1956	7.9	14.5	19.2	23.6	5.9	11.2
1957	2.7	7.3	5.6	12.0	— 1.7	3.8
1958	6.7	9.3	11.7	15.2	3.7	6.0
1959	10.6	13.3	17.1	20.6	8.7	10.5
1960	9.0	12.0	15.4	20.4	7.4	8.8
1961	6.3	9.3	10.3	15.6	3.7	6.1

(a) Small companies. (b) Medium and large companies.

standards, the small tea companies made lower profits than the larger ones; but it is worth noting that in all the years when the profit was lower in the case of small companies, the same trend is noticed in the case of the large ones, showing that both the categories of companies were affected by factors beyond their control. In the case of engineering industry, although the small companies in general made a lower rate

TABLE VI
RATE OF PROFIT IN ENGINEERING INDUSTRY
(Per cent)

Year	Gross profit on total capital employed		Gross profit on sales		Profit after tax on net worth	
	(a)	(b)	(a)	(b)	(a)	(b)
1956	5.3	9.6	4.6	9.3	— 0.3	9.7
1957	12.7	8.9	7.6	8.4	12.4	9.5
1958	17.4	9.3	10.4	9.2	18.5	9.3
1959	9.9	10.3	7.0	10.4	14.6	11.7
1960	7.3	10.9	7.3	10.9	6.3	12.4
1961	7.7	10.5	8.1	10.9	7.8	11.3

(a) Small companies. (b) Medium and large companies.

of profit, there were certain years in which the small companies were more profitable than the large ones. In the case of the chemical industry, although the same trend is seen, the profitability of small chemical concerns was very near to that of the large ones. In trading, the large companies were much more profitable than the small ones.

Although the number of small companies that are being

registered in the country has shown an almost continuous rise during the last eight years, in terms of both the rate of capital formation and the rate of profit earned, the small companies do not compare very favourably with those of their larger

TABLE VII
RATE OF PROFIT IN CHEMICAL INDUSTRY
(Per cent)

Year	Gross profit on total capital employed		Gross profit on sales		Profit after tax on net worth	
	(a)	(b)	(a)	(b)	(a)	(b)
1956	4.2	7.0	3.5	8.0	— 0.9	6.3
1957	7.1	7.7	7.2	8.8	9.3	5.3
1958	5.2	7.6	5.2	9.7	4.5	6.6
1959	9.5	10.8	7.4	14.0	12.7	11.4
1960	9.2	13.8	8.0	16.7	10.5	14.6
1961	9.9	12.6	8.9	16.0	12.9	13.4

(a) Small companies. (b) Medium and large companies.

counterparts. But the main point worth noting is that in absolute terms the rate of capital formation and the rate of profit earned by the small companies is not low. The small companies had an annual average rate of net capital formation of 5.4 per cent and an average rate of gross profit on total capital employed of 6.9 per cent. If the small companies are not in a position to meet the competition from their larger counterparts, they might have incurred losses, resulting in negative capital formation. The main reasons why the rate of growth in the case of small companies is lower is because they make a lower rate of profit and this in turn is due to the fact that they do not enjoy the advantages of large-scale production to the same extent as their larger counterparts. But since these small companies are all the same growing, they will gradually enjoy the economies of scale to a greater extent. The available statistical data therefore do not support the contention that the small man is being driven out of business by the competitive advantage or other practices followed by the big industrialist.

TABLE VIII
RATE OF PROFIT IN TRADING
(Per cent)

Year	Gross profit on total capital employed		Gross profit on sales		Profit after tax on net worth	
	(a)	(b)	(a)	(b)	(a)	(b)
1956	3.6	5.8	0.8	2.7	1.7	6.8
1957	5.5	6.4	1.6	3.0	3.5	5.1
1958	4.9	7.4	1.8	3.8	2.8	7.4
1959	5.6	8.2	1.3	4.6	5.3	10.6
1960	7.8	8.2	2.0	5.0	7.5	9.5
1961	7.6	9.1	2.7	5.5	7.4	10.2

(a) Small companies. (b) Medium and large companies.

WINDOW ON THE WORLD

Hard Days for BOAC

ASHOK V. DESAI

OXFORD:

LIKE ALL airlines, the BOAC is highly public-relations-minded and likes to present a bright, young image to the public. Even when it made a loss last year, it congratulated itself in its advertisements for earning valuable foreign exchange. Hence there was an unusual air of scandal about the recent revelations of a dispute between it and the Minister of Aviation about the purchase of the Vickers VC 10.

This is not the first time that the affairs of the BOAC have jumped into news. There was a stir when Sir Matthew Slattery and Sir Basil Smallpiece, the Chairman and Deputy Chairman of the BOAC, resigned last November. The public impression of relations between Ministers and heads of nationalised industries is generally one of cordiality and even complicity, so the rupture suggested that there had been serious differences which the Minister resolved by dismissing the chiefs of the Corporation. Since the Minister appointed Sir Giles Guthrie as Slattery's successor, it was expected that the disaccord between the Minister and the Corporation was at an end.

Expensive Tailpiece

If, however, the Minister of Aviation was looking for an amiable yes-man, he had made a mistake in appointing Guthrie. Guthrie took six months to look at the Corporation's finances, found that it needed far fewer planes in the next few years than had been ordered, and decided to cancel the order for 30 Vickers Super VC 10s and buy six Boeing 707s instead. This would, naturally, be a heavy blow to Vickers and to the British aircraft industry, since the VC 10 was being built as a rival of Boeing. As Sir Basil told the Select Committee on National Industries, the Super VC 10 had had its engines put at the tail to make it different from Boeing, and "that has led to the building into the VC 10 of considerable additional weight which is not present in the Boeing and which takes off from the economic performance of the VC 10". Apparently, the BOAC would incur additional costs of £7 million a year to run VC 10s instead of Boeings and need to achieve a six per cent higher load factor than its rivals — no mean task in the highly competitive business.

The Corporation's attempt to get out of buying VC 10s could not have affected their reputation much although Lord Watkinson, the former Minister of Aviation who forced them upon the BOAC, has recently extolled their virtues in a letter to "The Times". In fact, the VC 10 lost the battle against Boeing long ago, not only owing to its costliness but because of its late date of delivery — the Standard VC 10s have recently been put into operation by the BOAC, and the Supers are not due till 1967, which will leave them three or four years before they are superseded by the Supersonic planes of the 1970's. Airlines would much rather buy Boeings now and amortize them over six years than Super VC 10s over three years. So the VC 10 has been a dead duck for a long time. The BOAC had itself realised this by 1960, and wished to reduce its order, first placed in 1957. It was, however, forced by the Minister of Aviation to stick to VC 10s and refused permission to buy Boeings.

Events have repeated themselves. Amery, the present Minister, has forced the BOAC to buy 17 Super VC 10s and ordered three for the Royal Air Force. The decision was

somewhat more awkward this time because when he appointed Guthrie, Amery gave him a public directive to operate the corporation as a fully commercial undertaking. Since Guthrie had himself insisted on this directive, it is surprising that he accepted Amery's decision; he relies probably on the Minister's promise to do something about wiping off BOAC's past losses in the next Parliament.

Staying in the Air

While the Ministers have foisted an uneconomic aircraft upon the Corporation, it must not be forgotten that the BOAC itself ordered it, and that the VC 10 would never have been produced but for its order. It has proved a costly error for two reasons. First, the routes for which the VC 10s were ordered — the African and Asian ones — have become unremunerative as newly independent countries have started their own airlines, and favoured them in one way or another. Second, since the British lost their lead in subsonic jets with the failure of the Comet I in 1954, the market for British planes has been narrowing progressively. The advent of missiles has knocked the bottom out of the military aircraft, and Boeing has swept the board in the market for large airliners; the turbo-props replaced by Boeing can be had for a song, so that there is no demand for new ones. This means that the demand for British planes is mainly British and State-sponsored — as Vicky pointed out in a cartoon in the "New Statesman". John Bloom's Rolis Razor Corporation which went bankrupt recently would not have been allowed to do so had it produced planes. And the narrower the market, the fewer the models the industry can produce and the greater the risk in production. Slowly the industry is reaching the stage when it can try out only one aircraft of each sort, and in the supersonic age it will produce only half of an airliner, the other half of the Concord being produced by the French in partnership.

The American producers, on the other hand, have a much larger home market and do not have to gamble so heavily on particular models. They have also been more far-seeing — once the end of military aircraft was in sight they went into the production of missiles and are doing well in it. Further, they have been much quicker in delivery of planes. Since technology is changing very rapidly in aircraft production, delivery dates have much influence on the period over which the amortization of planes can be spread: late planes are worse than no planes. The lateness of British planes is partly due to bad luck; but it might also point to bad organisation of aircraft development. The way in which the State has financed development has also played a part. Government allocations to research are made annually from the Budget, and have been sensitive to current fiscal policy. This has been detrimental to research which requires steady and abundant finance.

Ministers and Tycoons

The point of Amery's decision to make the BOAC buy VC 10s is to keep the teams that are working on them occupied and keep them together for future use, and perhaps to salvage some of the resources invested in the last five years. The cost of the decision to the BOAC will, however, be heavy: it is unlikely to earn its way in the 1960's. And since loss-making

airlines do not feel very enterprising, its business might also suffer. The best it can hope is the supersonic Concord which it will have to buy in the seventies.

The ultimate reason for this state of affairs is miscalculation in the fifties — the aircraft industry failed to deliver good enough long-range planes that it promised then. But that miscalculation continues to dog the steps of the BOAC today is entirely due to ministerial decisions.

That the Ministers should try to protect the interests of the British aircraft industry is but natural; after all, the industry is of military value. What raises eyebrows is that they have used a public corporation to help the industry. There are curious similarities between this case and another one which came up before a court recently, where an Indian businessman started two companies, bought coffee with one and sold it to the other at enormous loss, put the first company into liquidation and tried to cash in on the second company's profits. The cases are, however, different: there is a spark of daring ingenuity in the tycoon's fiddle that the Ministers lacked.

Important Issues

The BOAC affair raises two issues of public importance. First, there must be some permanent mechanism to handle State help and subsidies to industry. There can, of course, be numerous grounds for industrial subsidies, and it does not matter financially which organ of the State pays them, since the entire Government is one enterprise. But indirect or hidden subsidies have the disadvantages that it cannot always be discerned on what criteria or for which purposes they are given, and the relative merits of different contenders are not judged together.

The second and more important issue is that of suitability of the public corporation as a form of State enterprise. The corporation is a celebrated British innovation and has been copied throughout the Commonwealth. Its great merit is supposed to be that it combines independence and continuity

of management with parliamentary responsibility. It has turned out, however, that the management under the present arrangements is only as continuous as the Ministers would allow. The appointments on the corporation boards are made every four or five years by Ministers, and the powers of decision of Ministers are such that they can make lives pretty uncomfortable for unco-operative boards. In Britain, Ministers cannot be too cavalier with some board chairmen because they are often highly prized by private industry and would not be sorry to leave. In other countries, however, mercenary chairmen may not be so uncommon.

Ministerial responsibility does not remedy the situation; for the checks to the power of Ministers in a government of the British type reside less in Parliament than in the majority party, and political parties are not the best judges of how industries should be run. The Parliamentary Select Committee on Nationalised Industries does an excellent task of fact-finding, and nearly all we know about the BOAC affair is due to its efforts. But it has no powers.

Remedial action can proceed in two directions. First, the Ministerial powers may be circumscribed. Ministerial action in certain fields might be inhibited or made subject to approval by tribunals. This is, however, a negative approach to the problem. What matters is not that Ministers should not run industries, but that criteria of economic policy should govern the conduct of corporations, and the basic need is for a permanent institution to supervise their affairs and check their performance. It must have the personnel, technical, accounting and economic, that could judge the running of corporations under its aegis. It may be subject to parliamentary control, but only in respect of its economic functions, on which it must have specific directives. Its precise status — whether it should be a parliamentary committee, an independent industrial commission, a part of the civil service organisation or something else — is a matter for thought and discussion; and in fact, there is much scope for organisational innovation and learning of lessons in the running of public enterprises.

Economic Growth in the West

JOSSLEYN HENNESSY

LONDON:

IT IS REMARKABLE that the successes of postwar free enterprise have evoked fewer studies than its prewar failures. This is possibly because so much economic literature is in English and the postwar achievements of the USA have been relatively less impressive, because it has failed to avail itself of the latest techniques of fiscal and monetary policy, while the UK has failed to maintain efficient competitiveness and to provide sufficient fiscal and other incentives for expansion. But, elsewhere in the West, capitalism has flourished as never before in its history. The sincerest tribute to the truth of this assertion is that Marxist economists have now abandoned the idea that capitalism must inevitably collapse. The average growth rate of the OECD countries (even including the USA and the UK) between 1950-60 was 4.2 per cent (German and Italian rates were 7.6 and 5.9 per cent respectively, well above the average).

Because the USA dominated the world economy between the wars and because it provided generously massive Marshall Aid, which directly set Europe, and indirectly the rest of the world, on its feet after the war, popular opinion continues to believe that the USA remains dominant. But total US world trade, and hence US economic influence, is much smaller than that of Europe. Since 1950, the USA has had three recessions,

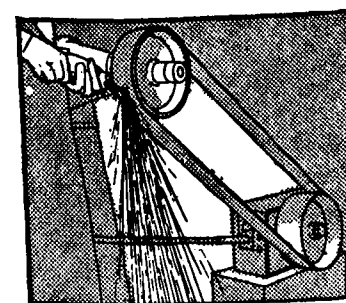
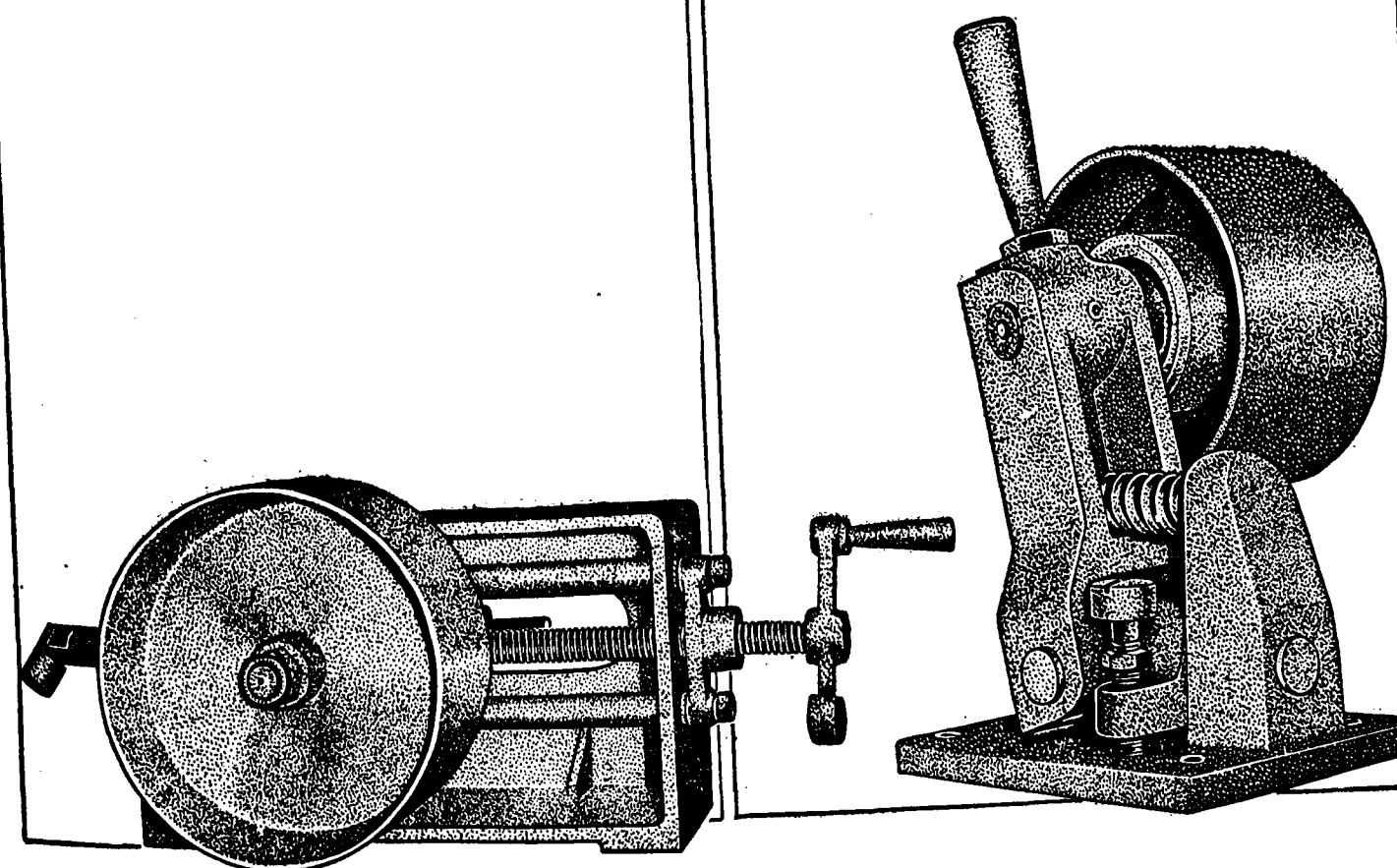
none of which has had more than a minor impact on European payments, demand, or output.

In a thought-provoking and closely documented study, "Economic Growth in the West" (Allen & Unwin, 30 sh.), Mr. Angus Maddison, a senior OECD economist, recalls the catastrophic failure of Europe to control its economic destiny in the interwar years, in which Europe sought to counter depression by exchange control on capital movements, import restrictions, devaluations, inconvertible currencies, blocked accounts, export subsidies, and discriminatory tariff and trading blocks. He contrasts this with Europe's liberal post-war policies. The cure for the inter-war depression should have been to ensure a steady expanding level of demand, but no country did this because each feared that its import would rise too fast. Hence its autarkic measures, which, of course, hit other countries, which, in turn, retaliated. Countries could not break out of this circle of external deflationary pressures, because they lacked mutual trust and shrank from granting each other credit. Fortunately, postwar Europe had digested this ghastly experience and began to move steadily back towards liberalism and a new pragmatic international economic co-operation, typified by Marshall Aid, the OEEC, and the European Payments Union.

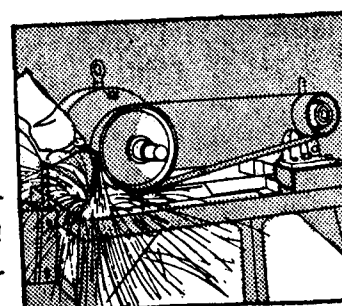
Europe's success in managing demand is a permanent

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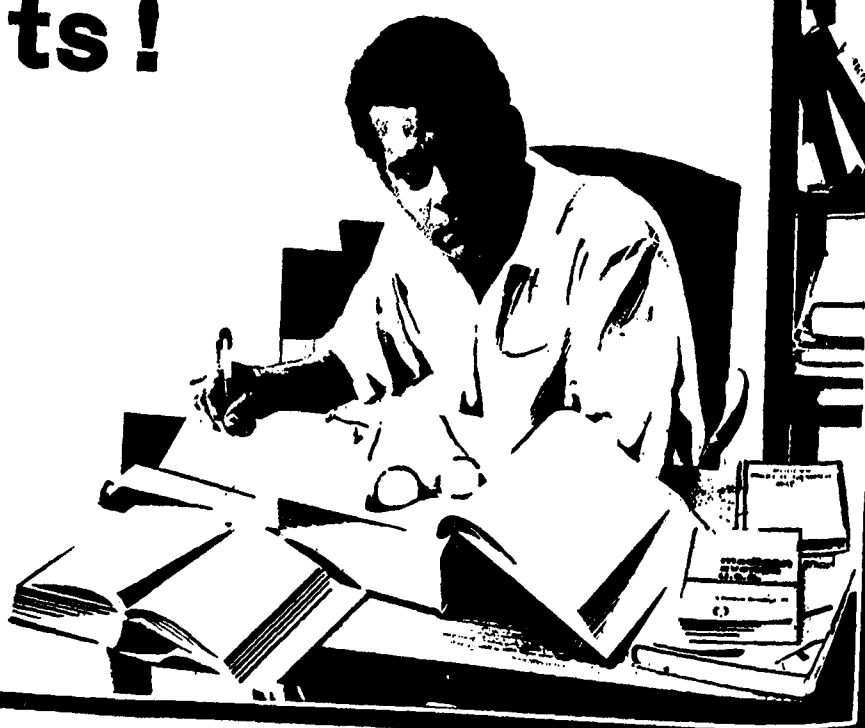


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sophistication in managing a capitalist economy. Further refinements are, of course, essential, but the basic equipment of fiscal and monetary policy has been largely used in full throughout Europe. This is not true of the USA, although its need to manage demand was greater, because the US economy had less pent up war-time demand than Europe, and the US entrepreneurs faced greater risks, because they were nearer to the fringe of technological knowledge and to future consumer tastes. The USA has much to learn from Europe in economic management, particularly in the flexible use of fiscal policies.

Europe is likely to be able to maintain growth rates at much higher than historical averages, at least for several decades ahead, because its productivity is at present only half that of the USA. This is because most European countries are working below the fringe of the best available technology. They can therefore push their investment rate above that of the USA without encountering diminishing returns.

Some of the major problems of growth arise from the interdependence of economies. That all European countries have been following expansionary demand policies, and liberalising their trade, has enlarged opportunities for export, and this, again, has fostered demand and productivity. Capital flows have stimulated growth. Mutual trust has been built up in the economic relations between countries. Fluctuations in both exports and imports have, however, been a major source of demand instability; there have been some substantial destabilising movements of capital and some persistent difficulties in obtaining payments balance in major countries, particularly the UK, where these difficulties have led to policies which have damped growth and incentives to investment.

Recent discussions of payments problems have emphasised shortage of liquidity, but this has not been a major problem for most countries (except the UK). The outstanding cause of payments difficulties is that countries' costs rise at different rates, and so affect the competitiveness of their export prices, and the volume of their imports. Germany's export surpluses, for example, have not arisen from lack of demand (e.g. too low wages preventing sufficient goods from being bought) inside Germany, but from Germany's greater skill than her neighbours in managing to avoid artificial expansion (i.e. inflation) of domestic demand. Europe's real problem has been the inadequacy of policy weapons to achieve the right degree of

competitiveness in each country. The chief drawback in liquidity arrangements was that they ceased to be automatic after the European payments had ended. In a system of free trade and fixed exchange rates there are few policy weapons which can affect foreign balance substantially. Import controls and changes in exchange rates are too disturbing to use except in extremes. Floating rates would produce instabilities harmful to investment and profit expectations (on which expansion depends), would remove restraints on irresponsible competitive inflations, and could easily end in retaliatory trade restrictions. Floating rates would destroy confidence in the key currencies and end the gold exchange standard, and would mean reverting to gold as a means of settlement. The present liberal system of trade and payments cannot continue unless countries have confidence in stability of exchange rates. In such a system, the key to equilibrating international adjustments lies in each country's management of its domestic price level, because exports and imports, and so the foreign balance, are sensitive to relative price levels.

Management of the price level has proved difficult because it is apt to involve governments in the process of determining wages and salaries. To Mr. Maddison, as to many other economists, the solution lies in an Incomes policy. In my view, however, this is to fall back on a formula, like the interwar "collective action" which, it was proclaimed, would enable the League of Nations to preserve eternal peace. An Incomes policy, in fact, means setting up some statutory authority to calculate the total increase in wages possible within a given period without causing inflation, and then to allocate this total between millions of differently skilled employees demanding wage increases in myriads of different jobs. Mr. Maddison asserts that the Netherlands has enjoyed a successful Incomes policy. I lack the space to do more than to offer the counter assertion that it has not, or alternatively if it can be argued that it did have an Incomes policy, then its policy has, in any case, collapsed.

The alternative to an Incomes policy is to maintain the level of demand with a sufficient margin of slack in the economy to avoid inflation — say, in the case of the UK, with unemployment around 2 per cent. Contrary to popular belief that this would slow growth down, it would, by maintaining a competitive price level, stimulate investment and speed growth.

IMF to Strengthen World Financial System

GUY SIMS FITCH

WASHINGTON:

A SIGNIFICANT meeting of minds is evident in the two reports issued recently on international liquidity and monetary policy. One is by the International Monetary Fund (IMF), the other by the Paris Group of 10 nations which has been studying these related questions for the past year. Members of the Paris Group are the United States, United Kingdom, Canada, France, Federal Republic of Germany, Italy, Japan, Belgium, the Netherlands, and Sweden. Switzerland, not an IMF member, has participated as an observer.

The principal recommendation, common to both reports, is that there should be a moderate increase in IMF resources to enable that body to meet more effectively international balance of payments problems of its members. An increase in members' quotas in the range of 20 to 30 per cent seems to be envisaged. This would mean that the United States, which has subscribed some \$4,125 million of the Fund's present resources of \$15,600 million would be contributing another \$1,000 million or so.

In addition, there is a likelihood of some special additional increases for those countries whose quotas are very low in relation to their ability to pay. The Federal Republic of

Germany is an example. Some less-developed countries also might want to build up their quotas, thereby enlarging the amounts they can borrow from the Fund when and if needed. This matter of a quota increase will come up at the annual meeting in Tokyo next month of the IMF and the World Bank. If adopted, it might take a year or so before all the requisite action by the Fund and parliamentary approval by the membership is completed. This, at least, was the experience in 1959, the last time the Fund's resources were increased — in that case, by 50 per cent.

A related matter is the amount of gold to be contributed in any new quota increase. The usual procedure has been for national contributions to include 25 per cent in gold. While no severe hardship is expected from this requirement, alternatives to this gold contribution are being considered to mitigate the possible effects on some countries. Involved particularly are the United States and the United Kingdom, whose currencies — the dollar and the pound sterling — are major reserve assets and hence usable for gold in international transactions. A quota increase might mean an immediate drain on the US and the UK gold stocks to meet the new commitment. Such devices as a gold certificate, or perhaps an instalment arrangement for paying in gold, have been suggested to

get around these potential difficulties. This proposed quota increase may be the only substantive matter to come up for an official decision at Tokyo.

The Paris Group, in the meantime, will be looking into ways in which nations can adjust more effectively to balance of payments swings without recourse to potentially disruptive economic or financial policies; it will be conducting a "multilateral surveillance" and an exchange of information on actions taken to bolster payments position; and it will be examining the question of establishing a new form of major reserve asset to supplement the dollar and the pound. In the last-named case, much may depend on the readiness of other countries to take up the opportunities and responsibilities of sharing the international monetary reserve burden.

It is significant that the Paris Group has placed no set timetable on the various studies and appraisals it intends to undertake in the interests of improving the system and enhancing its capacity to meet world problems. As revealed clearly in the report the Group issued recently and also in the report issued by the International Monetary Fund at the same time on the same subject, the general consensus is that there is no present urgency demanding the setting of such deadlines. There is no tendency to back away from gold as basic to the world monetary system. However, a growing opportunity is seen for opening up new ground in the form of expanded credit facilities, both bilateral and multilateral, as a means of bolstering international financing. Also underscored in the reports is a reaffirmation of the role of the US dollar as the principal currency support for the international monetary structure. No imminent threat to world liquidity is seen even if the outflow of dollars to other countries should recede or stop as the US balance of payments position continues to improve and deficit begins to give way to surplus.

Australian Budget, 1964-65

H. A. ROLFE

SYDNEY:

THE PRESERVATION of stability was the aim of the 1964-65 Budget, brought down by the Federal Treasurer, Mr. Holt on August 11. The Treasurer said the Government believed that to achieve a realistic balance between claims on national resources arising from defence, development, and social welfare there was no alternative to an increase in the prevailing levels of taxation. The Budget provides for an estimated cash surplus of £A18.5 million over projected total expenditure of £A2,529.6 million, and follows a year of notable economic achievement for Australia.

In 1963-64, wages and salaries increased by 9 per cent, company income by 10 per cent, farm income by 26 per cent, and gross national product by 9 per cent. A major factor in the achievement of these results was the spectacular improvement in exports, which reached £A1,374 million, higher by £A309 million than the previous year. The rise was due to a good season at home, price increases and unexpected market gains in several major export commodities.

Despite a rise in imports in the later part of the year, receipts from abroad greatly exceeded outgoings, and overseas reserves increased by £A228 million to a total of £A854 million. Notwithstanding the rise in incomes and activity and expenditure in the year, and despite considerable increases in wage rates and earnings, consumer goods prices remained stable until the later part of the year when they began to rise fairly sharply. Prospects for 1964-65 include a substantial addition to the work-force from school-leavers and migration, which will be coupled with as already notable shortage of skilled and semi-skilled labour, and increased pressure on plant capacity and materials. Further demand in both capital and cur-

These reports thus represent a kind of precautionary activity. They are helping to prepare the ground for action that may be needed in the future to enhance the effectiveness of the international monetary system and forestall the development of serious monetary problems. There has been a good deal of co-operation between the Paris Group and the IMF, although each has explored those avenues of primary concern to it and to which its activities are best suited — the Paris Group nations both as IMF members and as leading financial countries with special responsibilities, the IMF as a body broadly representative of the interests of 102 member nations.

Helpful Co-operation

At no time, apparently, has either body considered arrangements arrived at outside the Fund, no matter how helpful in strengthening international financial stability, as substitutes for the Fund. Nor has the Paris Group considered itself a self-appointed "Caucus" making decisions for all other nations. In fact, much of what the Paris Group may decide later on is likely to be keyed to IMF moves. As an example, the standby general agreement to borrow, under which members of the Group have undertaken to lend the Fund up to \$6,000 million if needed, will be subject to periodic review and will come up for renewal in 1965. But the precise form and size of that renewal, if any, may well depend on the nature and effectiveness of the increase in IMF resources that will be coming up for discussion at the annual meeting in Tokyo next month of the Fund and the World Bank.

What we have, then, are two parallel studies in the best tradition of the international economic co-operation that has marked the post-war period. In this type of continuing and enlightened progress and collaboration lies the best hope for whatever constructive action may be required in the future.

rent expenditure forms is rising strongly in a situation of high liquidity, and may increase further and faster than available supplies.

The Treasurer saw the budgetary problem, then, as needing to ensure that demand should not rise excessively in the face of a proposed increase of some £A224 million in Commonwealth expenditures.

Major items of expenditure included a projected increase in defence spending of £A36.3 million to £A296.8 million; an addition of £A31.7 million for grants to the States (which levy no income taxes) bringing the total to £A479 million; an increase of 21 per cent in the vote for Commonwealth works and services, and a rise of £A32.8 million for redemption of maturing debt. A wide range of development projects and a small rise in Commonwealth social service pension payments also accounted for a sizable part of the expenditure increase. On the revenue side, loan raisings are expected to be virtually all confined to the domestic capital market, and are estimated to produce some £A275 million, somewhat less than last year. A 5 per cent rebate which has operated on individuals' income taxes for the past three income years was removed, and company tax was increased from 8½ to 8½d in £1. Sales tax on a wide range of motor vehicles was raised from 22½ per cent to 25 per cent, and customs and excise duties on tobacco products, air navigation charges, and post office telephone service charges were also raised.

The Budget was generally well received by the business community, and was well anticipated on the stock exchange. However, company tax changes may require some comparatively major adjustments to taxation provisions which have already been made.

LISTENING POSTS

PL 480 Funds for Underwriting Capital Issues?

By Our Special Correspondent

NEW DELHI:

A START may soon be made, possibly next month, for utilising PL 480 counterpart funds for underwriting new capital issues in India. A concrete scheme in this regard, it is understood, is now being drawn up by the US Agency for International Development for submission to the Government of India.

According to the indications available, the scheme envisages setting up of an Agency either to refinance the existing underwriters of new issues or to directly underwrite new floatations. It will maintain complete liaison with the existing underwriters.

The Agency will be registered under the Indian Companies Act. Initially a sum of Rs. 10 to 15 crores may be placed at its disposal out of the PL 480 rupee proceeds. Further funds will be provided as and when necessary.

As the Agency is to be set up with PL 480 funds, it will give priority in its refinancing or underwriting operations to the floatations of Indo-US ventures, both new schemes and expansion programmes. Surplus resources available to it will be utilized for underwriting other issues.

The Agency will work on no-profit-no-loss basis. A nominal fee will be charged by it for its services. The unsold blocks of the underwritten shares or the scrips vested in it by the other underwriters to whom it may have provided refinancing facilities will be held by the Agency only for such periods as are necessary. As soon as the Indian public is ready to absorb these shares, they will be put on the market. Any profit accruing in the sale of these shares will be put into the revolving fund for further use.

Representation on Boards

For safeguarding its interests, the Agency will ask for representation on the Boards of Directors of the companies the capital issues of which are underwritten or refinanced by it, till the time its holdings are taken up by the public.

The Agency is proposed to be administered by a Board on which India will be suitably represented. The World Bank may also be given representation on this Board.

Only those ventures which associate the Indian public with their capital and which are unable to secure assistance from the existing underwriters will be assisted by the proposed Agency. The idea is to supplement and not supplant the activities of the existing underwriters. Safeguards will be provided against sale of the holdings of the Agency to a few individuals or parties.

Cooley Fund assistance to the Indo-U.S. ventures will not be affected by the operations of the Agency as the aid from this fund is provided in the form of loans.

The Government of India, it is understood, has suggested to the Soviet Union that a sum of Rs. 10 crores out of the unutilized Soviet credits should be made available for advance measures on the fourth Plan projects. The Soviet Union has also been requested to extend further credits during the fourth Plan period for import of Soviet oil equipment, contract surveys for oil, etc., and to send some deep-drilling experts, production engineers and specialists in mud treatment for imparting training to Indian technicians.

An approach has also been made to the Soviet authorities

for the supply of specially equipped helicopters for oil exploration in difficult areas.

The Bhilai Steel Plant is slated to have developed several scientific innovations to tackle the problems of production, construction and maintenance. These innovations are expected to go a long way in increasing productivity, reducing cost of steel and in better utilization of indigenous raw materials and skill.

Some of the important innovations made are: (1) development of a coke blend incorporating 10 to 20 per cent inferior (unwashed) coal; (2) a sinter containing more fluxes which gives more iron at much lower coke rates; (3) utilisation of surplus gases from blast furnaces and coke ovens as open-hearth fuel; and (4) speedy repair of open-hearth bottoms within two hours lasting for 100 heats, as against the usual 5 to 6 hours lasting for only 20 to 30 heats.

The Bhilai Steel Works has also adopted various modern techniques of construction and maintenance to suit its requirements.

The Chairman of Koppers & Co., Mr. Red Foy, is expected to visit India in the middle of the next month for talks with the Union Ministry of Steel on the US and UK collaboration in setting up the fifth public sector steel plant during the fourth Plan period. Koppers, a leading steel construction and engineering firm, it may be recalled, had organised a consortium of American and British companies for the supply of machinery and equipment, on commercial credit, for the Bokaro steelworks. Since assistance has been made available for the Bokaro Plant by the Soviet Union, the interest of Koppers is believed to have shifted to the fifth public sector steel plant which may be up either in the Goa/Hospet or the Visakhapatnam/Bailadilla area.

Three African countries — Uganda, Liberia and Sierra Leone — have shown interest in seeking Indian collaboration for setting up sugar factories. Four African Governments — those of Liberia, Sierra Leone, Northern Rhodesia and Nyasaland — have indicated possibilities of establishment of cotton blanket manufacturing units in their countries.

The Indo-African collaboration in setting up industrial ventures in various African countries is understood to be making good progress. Birla Brothers have already established, in partnership with local interests, a textile mill in Ethiopia and are said to be interested in the expansion of this mill and in participating in an industrial complex that is being planned around it. They are also establishing a composite industrial unit for manufacturing light engineering goods (air-conditioners, water coolers, refrigerators, electric fans, bus and truck bodies, etc.) in Nigeria. Another project of Birla Brothers for the establishment of a textile mill in Northern Nigeria has also been approved by the Governments of India and Nigeria. Birla Brothers are further stated to be actively pursuing the possibilities of setting up a jute mill and an asbestos cement plant in Nigeria.

Some other proposals are also being considered by the Government of India and the Governments of Kenya, Uganda, Nigeria and Ethiopia for Indo-African collaboration in industry. The Kenya Government has recently granted a licence to M/s. Ranchodas Goculdas, of Bombay, for setting up a

textile mill in Kenya. Negotiations are currently being carried on for this project with the Government of India. Another Bombay firm, Morarji Brothers, is examining the possibility of setting up a fertilizer manufacturing unit in Kenya. Messrs. Jay Engineering Works, Calcutta, are also stated to have conducted a study for establishing a sewing machine and parts manufacturing unit in this East African country.

Messrs. Jankidas and Co., proprietors of Atlas Cycle Works, Sonapat, are exploring the possibility of setting up a bicycle plant in Uganda. India is also extending assistance to the Uganda Government for starting handloom industry in that country. Messrs. Indian Hume Pipes have been allowed to establish on collaboration arrangements with a party in Libya a factory to manufacture concrete pipes. Messrs. Malhotra & Sons, Calcutta, are arranging to set up a razor blades manufacturing unit in Ethiopia. Messrs. Mckenzie Ltd., Bombay, are considering the establishment of glass and paints factories in Ethiopia.

To take advantage of the opportunities provided by African countries for setting up Indo-African industrial ventures, the Government of India recently approved the proposal of the Federation of Indian Chambers of Commerce and Industry to send an Industrialists Goodwill Delegation to Africa. To provide greater scope to Indian industrialists to study the African markets, it is now felt that instead of one, two delegations should be sent: one to the English speaking areas in East Africa and the other to the West African countries (including Nigeria and Ghana) which are mostly French speaking.

At a meeting held here last week under the Chairmanship of Mr. D. S. Joshi, Secretary to the Union Ministry of Commerce, the advisory body on the Kandla Free Trade Zone decided to constitute a Selection Committee for the allotment of plots to applicants for setting up industries inside the Free Trade Zone.

The Selection Committee, headed by Mr. D. S. Joshi, will consist of representatives of the Ministry of Commerce, Ministry of Finance (Department of Economic Affairs), Ministry of Industry and Supply, Director-General of Technical Development, the Planning Commission, the Kandla Port Trust, the Gujarat Government and the Chief Controller of Exports and Imports. It will hold its first meeting towards the end of September.

Applications for the allotment of plots in the Free Trade Zone will be received up to the end of the current calendar year. The allottees will be expected to start construction within a few months of the allotment of plots. They will be required to commence production within a specified period to be decided according to the nature of the industry.

The rate of annual ground rent to be paid by the lessees will be 50 paise per square metre. Arrangements for the supply of electricity will be made by the Free Trade Zone Administration so that the individual industries may not face any difficulty in this regard. Ancillary industry such as printing press for publicity, manufacture of packaging material, etc., will be allowed to be set up in the Free Trade Zone to supply ancillaries to the main industries.

The basic idea behind setting up the Free Trade Zone is to provide for the maximum relaxation of customs documentation and paper control so that the activities in the Zone may be more advantageous than in the bonded warehouses. The extent of relaxation will, however, be governed by reasonable safeguards against malpractices. The safeguards will require that all the imports for the Free Trade Zone do reach the Zone; that exports from the Zone are really effected from the country; that all foreign exchange earnings are credited to the country's foreign exchange pool; and that nothing goes into the custom territory for home consumption without a valid licence and payment of custom duties. While no quota system will, normally, apply for import of commodities into

the Zone, maintenance of proper accounts and periodic submission of returns of stocks lying with the licensees in the Zone to the custom authorities will be required so that the Government can satisfy itself that the articles imported into the Zone from abroad are properly accounted for.

A total area of 1,386,000 square metres is being developed in the Free Trade Zone for the present. Out of this, an area of 268,650 square metres is being reserved for industries requiring very big plots. Out of the remaining area, it is proposed to carve out 67 plots of 1,650 square metres each, 36 plots of 2,475 square metres each and 82 plots of 4,070 square metres each. Provision is also being made for constructing 20 sheds, each of 36 metres x 18 metres, for small industrialists and exporters who may prefer to hire accommodation instead of building their own sheds.

Imports into the Free Trade Zone intended for re-export will not be debarred. Stock-piling of important items of imports for subsequent distribution in the country may also be permitted in special cases. Such items as diamonds, precious stones, gold and watches, which can be easily smuggled into the country, shall not be allowed to be imported into the Zone.

★★
The Union Ministry of Industry is understood to be considering the establishment, in the public sector during the next Plan period, of two or three Central pulp-making plants and a second newsprint manufacturing factory in addition to expansion of NEPA.

The demand for newsprint is expected to rise to nearly 300,000 tonnes by 1970-71. It is proposed to achieve self-sufficiency in this regard by the end of the fourth Plan period. It is, therefore, felt that the 1970-71 capacity target for newsprint manufacture should be fixed at 330,000 tonnes. By the end of the current Plan period, only 30,000 tonnes capacity will be available in this line as against the target of 150,000 tonnes.

As regards paper and paper board, the demand is expected to rise to 1.2 million tonnes by the end of the fourth Plan, against the likely production of 650,000 tonnes in the last year of the third Plan. To achieve production corresponding to the fourth Plan demand, a capacity target of 1,500,000 tonnes has been proposed.

During the third Plan, though a capacity in excess of the target was licensed in paper, board and newsprint industries, the progress in the implementation of the schemes has been slow, partly on account of financial difficulties and uncertainty in regard to the availability of cellulosic raw materials. To overcome the shortage of raw materials, it is proposed to blend at least 20 per cent long-fibre pulp with bagasse pulp. Since bamboo resources are also in short supply in the country, the new paper mills will have to be based substantially on bagasse as the source of pulp production.

To meet the demand of long-fibre pulp, two or three central pulp plants with daily capacity of 300-400 tonnes each would be established by the public sector in areas richly endowed with bamboo resources. An outlay of Rs. 40 crores has been proposed for this purpose.

★★
The Government of India has granted exemption from certain provisions of the Companies Act, 1956, to non-profit associations engaged in the promotion of art, commerce, science, religious charity and any other useful objectives, which are licensed under Section 25 of the Act. This follows several requests received from chambers of commerce and other trade associations seeking the desired concession.

The exemptions relate to Sections 193, 259 and 292 of the Companies Act. They are expected to facilitate the functioning of the non profit associations.

As a result of the exemptions granted under Section 193, minutes may now be recorded within 30 days of the conclusion

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of every meeting in case of companies where the Articles of Association provide for confirmation of minutes by circulation. Under Section 292, matters referred to in clauses (c), (d) and (e) of sub-section (i) may be decided by the Board by circulation instead of at a meeting. There is complete exemption from Section 259.

At its first meeting held here last week, the Panel of Agricultural Economists, constituted recently to advise the Union Minister for Food and Agriculture for solving the food problem of the country, decided to conduct four studies. The first study will deal with the behaviour of foodgrain prices during the current season and the role played by bank credit in the foodgrains trade so that action may be taken to avoid the recurrence of spiralling of foodgrain prices. The second study will relate to the various aspects of trade in rice, wheat and other foodgrains with the object of preparing the ground for the proposed Foodgrains Trading Corporation. The third

study will be undertaken for finding out how an incentive price of foodgrains influences their production, wages of agricultural labour, marketable surpluses, etc. The panel felt that the main objective of ensuring remunerative prices for foodgrains and other agricultural products should be to provide an incentive for increasing output through the use of agricultural inputs like seeds, fertilizers, irrigation and application of pesticides. The aim of the fourth study will be to assess the efficiency of the present system of collection of statistics.

The Government of India has sanctioned the establishment of a survey unit at Ranikhet to study medicinal plants in the Uttar Khand and Dehra Dun districts and Kumaon Division. A medicinal plants garden and a museum of drugs will be attached to the unit for carrying out research. The unit will also undertake pharmacognostic and chemical investigations. A similar survey unit is already working at Hardwar.

Controls and Stagnation Go Together

From Our Correspondent

BOMBAY:

SUGAR CIRCLES in Maharashtra have reasons to wonder whether it was sporting or cavalier of Mr. C. Subramaniam, Union Minister for Food and Agriculture, to have just assured the Deccan Sugar Factories' Association (DSFA) that, "in any policy we evolve, there will be an element of positive incentives to efficiency and to higher productivity" and "leaving the problems of industry for the present", as he said, "in the hands of the Sen Commission." It is a pity that although complete identity of views seems to exist on the problems of the sugar industry, especially in the Deccan, between the Union Minister and the retiring President of the DSFA, Mr. M. L. Apte, there does not appear to be any such unanimity on the solutions to these problems. Thus, Mr. Subramaniam fully shares Mr. Apte's view that one of the basic difficulties facing the sugar industry is the diversion of sugarcane for gur manufacture, but he does not seem to believe that to ensure sufficient sugar production gur and khandasari prices must be checked at reasonable levels, as suggested by Mr. Apte. Maybe, because of the widespread dispersal of the manufacturing units of gur and the large number of varieties without any quality control, control on prices is a very difficult problem. But, merely because it is difficult, the problem cannot be left as it is. The phenomenon of a very large percentage of sugarcane going into the manufacture of gur, as the Union Minister himself has said, indicates some strong pull for gur in preference to sugar among large sections of the people in this country. It cannot be entirely due to what is euphemistically described as other than sweetening purposes. The strong consumer preference for gur is a matter of fact. Not all the gur could be going into illicit distillation. So, according to Mr. Subramaniam, there should be an investigation and, until then, perhaps, the diversion of sugarcane from sugar to gur must continue!

Another point on which both Mr. Subramaniam and Mr. Apte are agreed is the imperative need to increase sugar production. Whether it is a total capacity of nearly five million tons of sugar by the end of fourth Plan, as the former visualises, or a target of 3.3 million tons (the target originally announced by the Central Government for the year 1963-64) as Mr. Apte speaks of, the achievement of the goal depends upon a variety of factors, such as location, prices, and distribution. On none of these factors, again, is there any consensus between the industry and the Government. Whereas Mr. Subramaniam realises the need for encouragement of sugar industry in areas where the industry would make the best and most economic use of the available land — and on this question Mr. Apte has indisput-

ably established the claims of Maharashtra and the South,—he is not prepared to accept the economies of location stressed by Mr. Apte as the decisive factor. This is not at all surprising in view of the Union Minister's known predilection for equal delivered prices all over the country for every commodity. Of course, factors such as preference to relatively more productive regions, length of the crushing season, sucrose content, extent of the diversion of gur and need to license suitable capacity in areas near port towns to facilitate exports, have also been mentioned. Mr. Subramaniam has referred too to the need for regional self-sufficiency as being more desirable than area self-sufficiency. But it is intriguing why he has said nothing about the need to allocate distinct and separate zones to co-operative factories and joint-stock sugar factories, even after the detailed reference to the sorry state of affairs that the absence of such demarcation has led to in Maharashtra.

Social Responsibility

On the main question of control over the sugar industry, the views of the industry and the Government are poles apart. Mr. Apte has categorically stated that it is possible to achieve the target by adopting a policy of progressive decontrol of sugar and a partial control until total decontrol becomes possible. His thesis that "controls have invariably stagnated consumption and consequently production, while decontrol have regularly encouraged production and consumption" (amply supported by the experience of the industry from 1952-53 to date) is, however, challenged by Mr. Subramaniam who feels that "leaving the need of the country for sugar to be met by the normal operations of the free market has led to what can only be described as exploitation of the consumers." Hence his justification for Government to continue "to exercise a strategic control over the production and distribution of sugar." According to him, "Government will have to exercise control till such time as production matches demand and the industry and trade realise their social responsibilities".

Now, who is to decide the latter? If it is the Government of India, its views are already known. The pistol is thus heavily loaded against industry and trade. In other words, it seems, one can as well begin to reconcile oneself to co-existing with sugar control all the time. Mr. Subramaniam may not recognise any incompatibility between Government exercising such control and giving adequate incentives and competitive strength to sugar so as to increase its production and efficiency. But the wearer knows where the shoe pinches. Surely, to employ an automobile parlance, one cannot apply

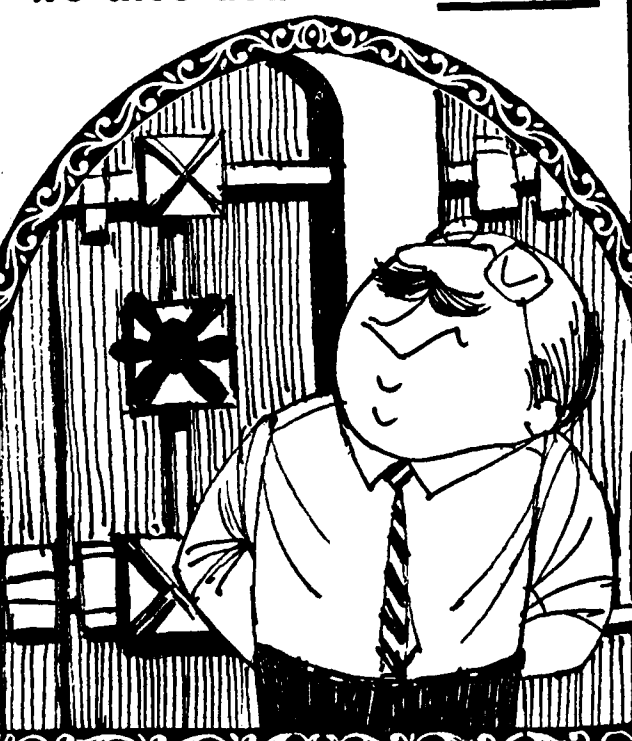
the brake and press the accelerator simultaneously and yet hope to speed up.

Yet another case of breach of parliamentary privilege arose recently in the Maharashtra Legislative Assembly. The party that courted the wrath of the Assembly this time was the Bombay Municipal Corporation. By adopting unanimously an adjournment motion expressing its strong resentment against allegations of corruption made on the floor of the State Legislative Assembly, it was contended by the members of the Assembly, the Corporation had infringed the privileges of the House. The adjournment motion, by the way, was the outcome of a debate raised by Mr. F. M. Pinto (PSP) on June 31, in the Assembly, on the Bhabha Hospital building collapse on June 13, in which six people died and seven others were injured. Significantly all the political parties in the Assembly joined in the attack against the Corporation for its gross inefficiency and rampant corruption, and asked the Minister of Urban Development, Dr. Rafiq Zakaria, to convey the sense of the House to the Corporation through the Mayor. But the civic body would not take this lying down. In turn, the Corporation took strong exception to the sweeping allegations of corruption levelled against the civic administration. Here, again, leaders of all the political parties joined in passing the adjournment motion, while the leader of the ruling Congress Party, Mr. M. Madhavan, moving the motion, went a step further in castigating the State Government for its gross inefficiency in taking an unduly long time in conducting an inquiry into the Bhabha Hospital collapse. It is this reaction of the civic body that piqued the legislators and led to the motion of privilege moved by Mr. P. G. Kher, a Congress member of the Assembly. Mr. Kher contended that, by passing the adjournment motion, the Corporation had, in effect, passed a censure motion, as understood in parliamentary parlance. It had committed a gross violation of the privileges of the House and its members, he said, "in that they have and will have an effect of deterring the members of this House from discharging their duties in a free and fearless manner." Referring this motion to a Privileges Committee, Mr. K. R. Girme, the Deputy Speaker, said that it was well known that the Corporation was the product of legislation of this House and the Government, which was responsible to this legislature, had over-riding powers over the Municipal administration as a whole.

Mr. Dharamsey M. Khatau, President of the Cement Manufacturers' Association, reviewed the progress of the cement industry since Independence at the third Annual General Meeting of the Association. He illustrated with facts how the capacity of the cement industry in each of the plans had lagged behind the targets fixed by the Planning Commission. According to the latest estimates, the actual capacity and production at the end of the third Plan period are expected to be 11.5 million tonnes and 11 million tonnes respectively, being 77 per cent and 85 per cent of the target. While the expansion programme of the industry has had an unencouraging trend, the cement factories have on the whole done much better by making the best possible use of their capacity. Currently, they are turning out cement equivalent to 96 per cent of their rated capacity and in many cases, the output is more than the installed capacity.

A number of reasons have been given by Mr. Khatau for the likely non-attainment of the target in the third Plan. In the early part of the Plan, foreign exchange difficulties and transportation bottlenecks were the primary cause. Again, the Government adopted a doctrinaire approach in granting licences to new comers who had no experience of the cement industry. The net outcome of this policy was that there was no progress in the expansion of the industry. The manufacturing units were keen to expand their capacity but the unrealistic prices fixed by the Government left little margin for ploughing back. Some of the cement companies were even forced to maintain their rate of dividend by drawing upon their reserves. The low return in the cement industry

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also failed to attract investors. All these factors combined to bring about a stalemate in the industry.

Cement prices were last fixed in November, 1961 when a provision for upward adjustment was made if the costs of production of the industry went up. It has now been estimated that between November, 1961 and April, 1964, the cost of production has increased by Rs. 5.9 per tonne while the price adjustment granted by the Government over this period amounted to Rs. 3.75 per tonne. This increase was not given with retrospective effect which caused further losses to the industry. A representation made by the industry to the Government has suggested four concrete measures for accelerating the development of the industry. They are: (1) the development rebate granted to cement industry in terms of the income-tax provisions should be raised from 20 per cent to 40 per cent; (2) a more rational basis for the grant of production incentive should be adopted; (3) a higher price for additional

production achieved by the expansion of the existing plants or the setting up of new plants should be granted; and (4) a realistic retention price should be fixed. The Government has not acceded to the request of the industry for increasing the development rebate. No production incentive has so far been provided. Only in the case of new plants or others which have expanded their capacity, a higher price at Rs. 77.75 per tonne has been allowed.

Referring to the proposed Cement Corporation under State auspices, Mr. Khatau said that the Cement Manufacturers' Association was not against the establishment of the cement plants in the public sector. He, however, suggested that the best course for the Government would have been to allow the present units to expand in all possible ways instead of granting licences to newcomers with no experience in the cement industry, specially when the profits in the industry were at the lowest level.

Expansion Plans for Private Steel

From Our Correspondent

CALCUTTA:

IN SETTING a target of 18 million ingot tons of steel for the fourth five-year Plan, the planners have obviously taken it for granted that the two major producers in the private sector — the Tata Iron and Steel Company and the Indian Iron and Steel Company — will expand their capacities, as they have been asked to do, by one million tons each. Sir Biren Mookerjee, Chairman of the Indian Iron and Steel Company, does not give the impression that his concern is finally committed to any such scheme, although the directors are examining the technical and economic feasibilities of an expansion plan which would take production capacity to two million tons of steel (ingots) within the next five or six years. Mr. J. R. D. Tata, too, speaking to shareholders at the TISCO's annual general meeting in Bombay, has said nothing final about undertaking further expansion to TISCO's steel-making capacity. In fact, this is what he said at the meeting: "I can only repeat that your Directors will sanction a further expansion only if they are thoroughly satisfied that the project is technically and economically sound and that it can be undertaken on terms wholly fair to shareholders".

It needs to be pointed out, however, that the Indian Iron and Steel Company has already taken steps to expand capacity by 300,000 tons, or what it calls the first stage of an expansion, which if completed, would raise production capacity by one million tons; in other words, Sir Biren's company will have to take a final decision on whether it will be worth while to go in for a further addition at 700,000 tons to its capacity. The cost for the first phase in terms of capital equipment and manpower was rather marginal, it did not impose any serious strain on the finances of the company, but the second phase would naturally require heavy capital investments, and, therefore, a thorough calculation of costs and returns is necessary. The TISCO directors have not yet begun calculating the cost for the second phase, as no firm estimate can be made until they first decide the form the end-products will take. This the directors have not yet been able to do as they have no clear indication of the future steel requirements of the country, or precisely, the categories for which the demand will rise. The need for this becomes the greater in the context of a free market for 60 per cent of the total production and talk of shifts in plan strategy. If the managements of both Indian Iron and Tata Steel have been considering expansion prospects as cautiously and carefully as they now do, it is because of considerations such as these.

There are other questions to consider also. Both Sir Biren and Mr. Tata have emphasised the shareholders' interests

in the context of the need to spend large sums of money. In TISCO's case, the cost of an expansion project involving the production of another one million ingot tons of steel to be rolled into sheets and strips in a continuous or semi-continuous strip mill, has been roughly estimated at Rs. 170 crores, about half of it in foreign exchange. Of course, the estimate is only preliminary, which will be further scrutinised by a firm of consulting engineers which the company will shortly appoint for a detailed project report, but there is no doubt that the investment will be heavy. The benefits of the Company's two-million-ton project are still meagre for the shareholders. In spite of the increase in the dividend for the last working year, during which the steel plant almost reached its increased rated capacity, the net payment to shareholders is in fact somewhat less than what it was before the Company embarked on expansion. This was because of sharply rising production costs which had its inevitable effect on the profit margin, and there is no assurance that the Company will do appreciably better during the current year.

Bonus Shares

The shareholders of the Indian Iron and Steel Company do not complain about the quantum of dividend paid, much too restricted though it has been, but they would like to be compensated by way of bonus shares. But this the company is unable to do for reasons which are well known. At the annual meeting of the IISCO shareholders, Sir Biren explained why the Company was not issuing bonus shares, although its reserves are already huge and out of all proportion to the share capital. The main reason is the Government's tax policy relating to bonus shares, which would impose heavy tax liabilities on both the company and shareholders, should the management decide to make bonus issues out of reserves. Besides, the amendment to the Company Law which empowers the Government to convert at will loans taken by joint-stock companies into shares in them, has now become a sore point with the private steel companies who are particularly in danger of attracting the new law because of the special advances granted to them. Also, the other amendment which transfers the voting rights in respect of shares of a joint-stock company held in trust to a Public Trustee (to be appointed by the Government) if the value exceeds Rs. 5 lakhs, has caused considerable uneasiness among these steel companies. It is, however, not suggested that they are "going slow" with the expansion schemes in order to extort concessions in respect of these new legal measures, but these have not exactly contributed to an improvement in the relations between the Government and the companies.

While the prospects for steel expansion in the fourth Plan

are thus subject to uncertainties, the buoyant expansion in aluminium is continuing. The present installed capacity in the industry is placed at 53,000 tons, as against the original plan target of 87,000 tons, later revised to 110,000 tons for 1965-66, but judged against the capacity existing only a few years ago, the rate of expansion has been very fast indeed. The process of expansion has been considerably helped by the country's vast natural resources, but also by foreign collaboration which has come from many quarters. It is well known that many world producers of aluminium are now taking a close interest in India's aluminium development. Encouraged by the rapid rate of expansion, the Government, it is reported, has decided to provide for further large expansion in its next Plan. According to the Perspective Planning Division of the Planning Commission, India is likely to require 250,000 tons of aluminium by 1970-71, and in its view, the electrical industries will be the single largest consumer of the metal if the present policy of substituting aluminium for copper in as many of the latter metal's uses as possible, is continued. The Government has apparently been influenced by the P.P.D.'s estimates in ordering advance action in respect of several major projects which would provide an additional output of 70,000 tons of aluminium by 1970-71. Also new plants may be located in regions where raw materials and power at relatively cheap rates are available.

The aluminium industry of India continues to be protected, but the present period of protection will expire next December.

The Tariff Commission has already issued a questionnaire to the quarters concerned whether protection for the industry should be continued beyond this period. The Indian Non-Ferrous Metals Manufacturers Association, which must have many among its members who are sincere consumers of the metal, has wholly supported the industry's case for continued protection. The Association says that protection should be continued until 1970. The performance of the industry and developments made by it, says the Association, fully justify the protection given to it so far. There are frequent complaints that the costs of making aluminium in India are high in spite of the country's vast natural resources, but this is mostly due to factors beyond the industry's control, the Association argues. In the first place, the cost of power is very high, and the energy requirements of the industry are necessarily heavy. Secondly, raw materials like caustic soda and calcined petroleum coke are expensive to get, and thirdly, on account of import duties, small-scale operation, greater investment in spare parts for the machinery equipment and relatively big expenditure on housing and labour welfare, the unit costs of the industry have been at a high level. The Association agrees with the Perspective Planning Division's estimates of aluminium requirement of the country by 1970-71, which is placed around 250,000 tons, as against the present demand of 10,000 to 15,000 tons. Therefore, if the industry is to expand more rapidly, it must continue to enjoy protection.

BENGAL CHEMICAL & PHARMACEUTICAL WORKS LTD., Calcutta

The following is the summary of the speech of Dr. B. N. Ghose, Chairman of the Bengal Chemical & Pharmaceutical Works Ltd., at the 64th Annual General Meeting of the Company.

Gentlemen:

The performances of your Company despite various difficulties it had to encounter during the year under review are encouraging although the net operating results are below our expectations. But for the acute shortage of industrial alcohol, rectified spirit and special denatured spirit during the latter half of 1963, which are essential raw materials in pharmaceutical industries, we could report better turnover this year with a corresponding increase in profits. To ensure smooth and uninterrupted working in the pharmaceutical industries it is considered a matter of paramount importance to see that effective steps are taken by authorities concerned to maintain adequate supplies of alcohol so vital for such industries.

The trading results of your Company for the year ended 31st March, 1964, are on the whole satisfactory notwithstanding the fact that we continued to be confronted with troubles relating to procurement of raw materials, problems of transport, interrupted supplies of power and rising costs in a number of directions. I am sure you will agree with me that with the reduction of all these factors as far as possible which have direct impact on the trading activities of any industrial and manufacturing concern, your Directors will be in a position to report more satisfactory results in years to come.

Your directors recommended maintenance of the same dividend @10 per cent on all classes of Ordinary Shares as in the last year and propose to carry forward a sum of Rs. 1,00,000 to General Reserve No. II after providing for all prior charges. I would like to add here that the completion of the various expansion schemes of the Company this year will necessitate the transfer of a substantial amount to Development Rebate Reserve next year which will have its reflection on the profits of the Company.

The overall business in the field of Heavy Chemicals in

your Company shows a sign of steady progress, the sales during the year under review having increased substantially over the last year's figure. I am glad to report that the new Alum Plant is almost completed and it is now under trial run. We do hope the new Alum Plant will go into production very soon. You will be glad to learn that the Government of India have granted your Company Industrial Licence to carry on business for the manufacture of Sodium Aluminate, Stannate, Naphthenates, etc. The export potentialities of some of the products of the Heavy Chemicals Section of your Company are now being studied and negotiations to export a large quantity of Alumino Ferric are going on.

The installation of an additional 50 ton/day Sulphuric Acid Plant at Panihati is steadily progressing and we hope this plant will start production by the end of this financial year.

I reported to you last year that we have taken up in hand certain development programmes. Your Company is one of the pioneers in India in the field of manufacture of Caffeine. I am glad to report that Industrial Licence for manufacture of 16 tonnes of Caffeine annually has been obtained from the Central Government and our plants have been expanded accordingly to reach the production target. But unfortunately, the supply of Tea Waste, the principal raw material for manufacture of Caffeine, is too inadequate to meet the increased demand.

We are trying to explore various markets in South-East Asia and Middle East and African countries. Our exports of Surgical Cotton Wool have suffered a setback due to severe competition from other countries.

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

The moving finger writes

NEHRU AND the Red Fort went well together. Both were extremely pertinent to India's history over the ages. Both, again, were rather less relevant to much of what was actually happening around either. For his first important public appearance in his present office, Mr. Lal Bahadur would have done better with a background less commemorative of a personality so radically different from his — for the present Prime Minister surely is not one who can claim to be judged by history and history alone.

That he senses this more acutely than perhaps anybody else was clear enough from the tenor of the Prime Minister's Independence Day address. He reiterated his Government's commitment to the pursuit of policies which would secure current and concrete benefits to the people and I hope I am not mistaken in my inference that, although the Prime Minister dutifully made his obeisance to the gods of Congress socialism, he did suggest that it was not his Government's intention to subordinate welfare to wishful thinking. Mr. Lal Bahadur, a recent editorial in 'The Times of India' suggested, "has the attractive quality of being earth-bound". 'Attractive', perhaps, is not the appropriate word — for earthiness the right adjective, I submit, is "reassuring."

★★

A few days ago, the Prime Minister held a full meeting of the Council of Ministers, and reportedly appealed to his colleagues to exercise restraint in their public utterances. It is a pity that his advice or admonition should have been lost on his senior-most colleague. Speaking at a seminar held by the Bharat Sewak Samaj on August 16, the Home Minister reportedly accused traders of what he was pleased to describe as "vulture mentality". Hard words break no bones, and it puzzles my understanding why such a powerful person as the Home Minister should consider it necessary to resort to them in so extravagant a fashion. Let the Government by all means in-frame sound and sensible regulations and enforce them without fear or favour. But there is surely no need for Ministers to indulge in wild or undignified language which can only alienate public opinion. Mr. Nanda, in any case, ought to know that vultures only gather over dead or dying bodies. Does the Home Minister then have so little faith in the vitality of the Government of which he is such an eminent — and excitable — member?

★★

I am sure that Dr. K. N. Raj's article on "Prices and Economic Policy" in the Independence Day Supplement of 'The Statesman' will receive wide attention if only because it attempts to measure the inflationary gap in the economy. I myself have studied this attempt with not a little interest and a great deal of care, but I am afraid that I am not impressed with Dr. Raj's scholarly exercise. For one thing, after having taken great pains and done some detailed calculations to arrive at an estimate of the magnitude of "direct" or "primary" demand, he rather casually assumes a wholly arbitrary figure for "indirect" or "secondary" demand. In my view, a statistical exercise of this kind can have but little meaning when it abruptly dismisses with statistics at an inconvenient point.

Secondly, while assessing the dimensions of the "supply" factor, Dr. Raj indicates that his calculations are related to 1960-61 prices, but no similar reference is found to constant prices in his estimate to the demand factor. The presumption, therefore, must be that demand has been estimated at current prices. This discrepancy would seem to vitiate the comparison

attempted in the article between the "quantities" of demand and supply. If allowance were to be made for the price factor in the demand estimates, the inflationary gap which Dr. Raj places at Rs. 2,500 crores for the years 1961-62 to 1963-64 would be considerably less.

The measurement of the inflationary gap, however, is not the most important part of Dr. Raj's analysis. Rather more substantial is the latter part where he tries to discuss what correctives could or should be applied to inflationary pressures. In his view, to cut the investment programmes in the five-year Plans to meet the immediate price situation would be to accumulate trouble for the future since the country has really no alternative to stepping up the rate of growth of industry for providing adequate employment opportunities for the growing population and the rate of growth of agricultural production for feeding this population and providing the raw materials for industry. He, therefore, demands that, inflation or no inflation, the rate of investment should be accelerated rather than decelerated. He suggests that it should not be difficult for the country to step up investment at the rate of Rs. 200 to Rs. 300 crores per annum provided an annual rate of growth of six per cent in the national income is achieved, since this rate of growth will add each year Rs. 1,000 crores to the total supply of commodities and services in the economy.

I would submit that the factor which is really relevant, in terms of Dr. Raj's own analysis, is not the rate of investment but the rate of growth. While growth must admittedly come out of investment, it is frequently and tragically true that all investment does not lead to growth. The quality of investment is therefore supremely important and it could certainly be argued that a smaller investment better employed could promote a greater rate of growth than a larger amount less productively used. There is also the fact that a schedule of quick-yielding investments could be very valuable in countering inflation while serving fully the cause of growth. To argue merely for a high aggregate rate of investment on the basis that the rate of growth is bound to go up simply because investments go up may not therefore be quite helpful in the present circumstances.

Finally, I must confess that I find it difficult to follow those parts of Dr. Raj's article where he argues that Government expenditure cannot be a source of inflation because it is offset by the process of taxation. It is just not true that every rupee withdrawn by taxation must necessarily have the same qualitative economic consequence as the corresponding rupee returned through government expenditure. The argument in the context of inflation must really be about the quality of government expenditure in terms of its productivity. On the same reasoning I would reject also Dr. Raj's estimate of the inflationary potential of bank credit. Once again the issue is how bank credit is utilized — to what extent productively. In any case, is it Dr. Raj's contention that the size of government expenditure is irrelevant to the size of bank credit?

★★

I am glad that the Press is becoming population conscious. In the 'Statesman' of August 14, Mr. Inder Malhotra deplores the widening gap between population and food supply. So far so good. But then he goes on to suggest that the gap is further aggravated "on account of longer life spans". Surely, the element of longevity is subsumed in the growth of population. Still, as I was saying, I am glad that the Press is beginning to take an interest in the population problem.

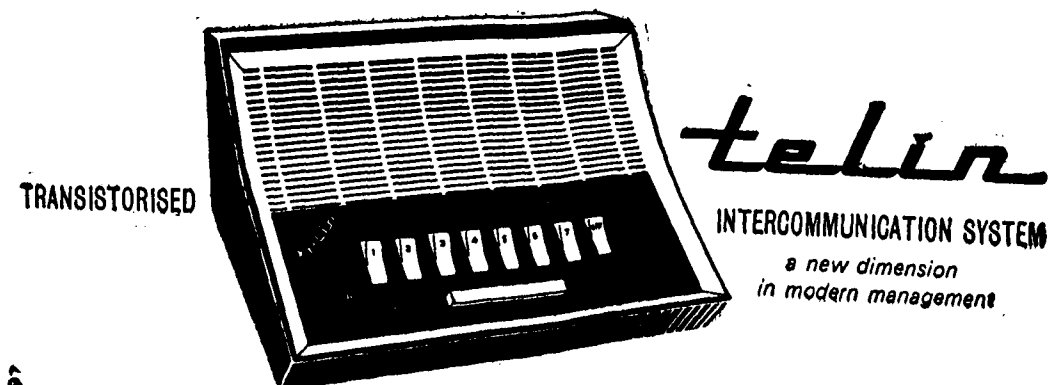
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Trade Winds

TRADE TRENDS

DURING THE quarter April-June 1964, there was a sizable reduction in India's trade deficit which amounted to only Rs. 72 crores as compared to Rs. 130 crores in April-June 1963. While imports decreased, exports registered an improvement as will be seen from the following table:

	(Value Rs. crores)	
	April-June, 1964	April-June, 1963
Imports	272.4	310.2
Exports	200.6	180.2
Balance of Trade	-71.9	-130.0

The main reason for higher exports during this period was heavy buying by East European countries, specially the USSR, which accounted for an increase of Rs. 10 crores. The increase in exports to the U.K. was Rs. 4 crores. The main items accounting for the increase of Rs. 20.4 crores in exports, in this quarter, were jute manufactures (+Rs. 5 crores), cotton textiles (+Rs. 4.6 crores), coffee (+Rs. 2.8 crores), ferro-manganese (+Rs. 2 crores), cashew kernel and tobacco (+Rs. 2 crores each). Due to attractive prices, sugar sales were accelerated to the USA and other destinations (1,50,000 tons of sugar in this quarter). As regards cotton textile fabrics, in the previous year, Pakistan and Hong Kong, our main quota-holding competitors in the UK, were selling fast in the early part of the year, flooding the markets there, and India was, therefore, not able to fully reach its annual quota of 195 million yards. This year the Textile Export Promotion Council changed its licensing system and asked exporters to fulfil quotas early and hence the bulk of the goods earmarked for the UK has been shipped.

On account of scarcity, a ban was imposed on the export of vegetable oils, with effect from July 11, 1964. The exports of these oils in the next two quarters (July to December, 1964) will, therefore, dry up causing a severe decline in earnings on that account. Due to the shortage of sugar, it is expected that only about 25,000 to 30,000 tons of sugar will be released in the next two quarters (July to December, 1964) thus causing a severe decline in earnings from this commodity. As against 5,28,000 tons of sugar exported in 1963-64, releases assured by the Ministry of Food and Agriculture for the current year (1964-65) are only 2,30,000 tons. Textile exports are also expected to show some decline due to the exports to the UK having been shipped earlier.

As regards imports, there was a reduction of Rs. 38 crores during the quarter under review. But this reduction is more apparent than real because imports of cereals alone, which are not fully recorded by the customs, showed a decline of Rs. 20 crores. Imports of miscellaneous manufactured items showed a decline of Rs. 10 crores followed by decline in petroleum and petroleum products (Rs. 8 crores) and in transport equipment (Rs. 7 crores). Part of the decline in these items was offset by increased imports of machinery, components and parts (+Rs. 7 crores), iron and steel (+Rs. 4 crores), non-ferrous metals (+Rs. 3 crores) and fruits and vegetables (+Rs. 2 crores). There was a significant decline in our imports from the USSR, from Rs. 21 crores to Rs. 15 crores. Among the other East European countries, imports from Czechoslovakia were somewhat higher while those from East Germany, Poland and Yugoslavia declined slightly. Among the EEC countries, imports from West Germany increased from nearly Rs. 23 crores to nearly Rs. 26 crores while imports from France were moderately higher. Imports from Belgium, Italy and Netherlands were at a somewhat lower

level. Imports from the UK declined by Rs. 2 crores, from Rs. 46 crores to Rs. 44 crores. Imports from Iran showed a significant decline from Rs. 16 crores to Rs. 7.5 crores, mainly due to the less imports of petroleum and petroleum products. Imports from Japan and the UAR were a little higher. A large part of the decline in imports from the USA from Rs. 102 crores to Rs. 79 crores is accounted for by items like food-grains which are not fully covered in the Custom's returns.

COTTON TEXTILE WAGE BOARD

The Government of India has set up a second wage board for the cotton textile industry to consider the question of a further revision of the wage structure in the industry. While making its recommendations, the wage board shall keep in view (i) the recommendations of the first wage board for the cotton textile industry and Government decisions thereon; (ii) the principles of fair wages as set forth in the report of the Committee on Fair Wages; (iii) the needs of the industry in a developing economy including the need for maintaining and promoting exports; (iv) the various elements of labour costs (excepting bonus) apart from wages; (v) the requirements of social justice; (vi) the need for adjusting wage differentials in such a manner as to provide incentive to workers for advancing their skill; and (vii) the desirability of extending the system of payment by results. In applying the system of payment by results, the board shall keep in view the need for fixing a minimum (fall-back wage) and also for safeguarding against over-work and undue speed. The board shall also consider the demand for the introduction of a gratuity scheme on an industry-wise basis. Mr. K. Bhimasankaram, retired Judge, High Court, Andhra Pradesh, will be the Chairman of the board. The other members on the board will be Mr. Tulsidas S. Jadhav, M.P. and Prof. M. B. Desai (independent members), Mr. D. C. Kothari and Mr. Surottam P. Hutheesing (members representing employers) and Mr. G. Ramanujam and Mr. A. N. Buch (members representing workers). The headquarters of the board will be located at Hyderabad. The correspondence intended for the board is to be addressed to the Chairman, Second Central Wage Board for the Cotton Textile Industry, c/o the Secretary to the Government of Andhra Pradesh, Home (Labour-II) Department, Hyderabad.

INTERNATIONAL STANDARDISATION

The International Organisation for Standardisation (ISO) will hold its sixth triennial General Assembly and group meetings in New Delhi from November 9 to 21, 1964. For the first time the ISO will be holding its General Assembly in the East. The objective of ISO is to promote the development of Standards in the world with a view to facilitating international exchange of goods and services, and to developing mutual co-operation in the sphere of intellectual, scientific, technological and economic activity. Delegates from 50 member countries, including India, are expected to participate in the General Assembly and group meetings. The group meetings will cover such subjects as steel, manganese ore, solid mineral fuels, light metals and their alloys, rubber, agricultural food products, sheet and wire gauges, bolts, nuts and accessories, standard marks and pictorial markings for handling of goods.

U.S. TRADE MISSION

A United States 'Investment and Industrial Development Commission' will visit India early next spring. The Commission will comprise five businessmen in such fields as are of special importance to India's development and two Commerce Department officials who will serve as director and trade de-

velopment officer respectively. The Commission will investigate ways and means by which the US and Indian private firms can prove most helpful in achieving Plan targets. The U.S. team will arrive in New Delhi on February 27, 1965. It will visit Bombay, Madras and Calcutta, returning to New Delhi in time to complete its programme by March 27, 1965. Business information centres will be established in each of the four cities so that the mission members may meet the Indian businessmen interested in the proposals offered by the U.S. firms or in presenting business offers of their own. Meetings will also be arranged with the State investment and industrial development organisations as well as with Indian trade groups and chambers of commerce. Plant visits will be arranged for discussions with company managements their plans for expansion, modernization and diversification. The five business men to be chosen for the mission are expected to be from such fields as chemicals, plastics and synthetic fibres; machine tools; fabricated metal products; materials handling machinery and equipment; and printing machinery.

RICE MILLING MACHINERY

The Union Minister for Food and Agriculture, Mr. C. Subramaniam, has assured rice mill manufacturers in the country that they will be given full opportunity to fabricate modern rice milling machinery. Recently, while addressing the representatives of the Rice Mill Machinery Manufacturers Association of Bombay, in New Delhi, he said that Government's policy was to give every encouragement to the indigenous industry. He said that Government had planned to import only six modern units from abroad. These units would be worked on a pilot basis to see whether the foreign manufacturers were justified in making their claims with regard to the efficiency of these units. The intention was not to import all the machinery that would be required for the rice processing industry. If the efficiency of the new machinery was proved, the first thing the Government would do would be to find out how much of that machinery could be fabricated within the country itself and to secure only the remaining part from abroad. These imports would also be progressively reduced. About silos, Mr. Subramaniam clarified that the intention was not to import them but to build them within the country itself. Their specifications might however, change in order to bring them in line with modern techniques.

In a memorandum submitted to the Minister, the Association has pointed out that if substantial demands are forthcoming, the Indian manufacturers, with an experience of 40 years, will be able to produce machinery of the type which the Government has in mind for modernising the rice processing industry.

The three-man delegation which went to Italy and Germany, at the instance of the Ministry of Food and Agriculture, to study modern practices in the rice processing industry, has returned to New Delhi. After an inspection of the rice milling equipment at the manufacturer's factories and also in the rice mills, the delegation has come to the conclusion that manufacturers in these countries have made major improvements in rice mills, including storage facilities. These improvements help obtain additional out-turn of rice which is being lost in India due to poor processing and storage facilities. In Italy and Germany, the team found, major scientific improvements in techniques of handling and processing of paddy had been introduced.

FRANCE LIBERALISES IMPORTS

France has liberalised the import of 27 tariff items. Many of these products have been identified by Committee III of the GATT Trade Expansion Programme as being of special export interest to less-developed countries. Among these are:

castor oil, walnuts, chewing gum, frozen fruit, certain fruit juices, carpets and rugs, specified knitted or crocheted fabrics, travelling rugs and blankets, specified ferro-manganese, specified base metals, scissors, certain parts for motor cycles, and gymnasium and athletic equipment.

G.D.R. TREBLES OUTPUT

The total volume of production in the German Democratic Republic trebled between 1950 and 1963 as it rose from 51,000 million marks to 152,000 million marks. The growth of material production in industry was significantly steep and increased more than three times from 32,000 million marks in 1950 to 109,000 million marks in 1963. These figures are contained in the 1964 Statistical Year Book of the German Democratic Republic. These achievements were accomplished essentially by the same number of working people, for the total number of gainfully employed persons in the economy did not rise above that of 1950 by more than 10 per cent in any of the following years. This means that output per man — another name for productivity — held the key to increased output.

N.S.I.C. AND SMALL INDUSTRIES

The National Small Industries Corporation has published a list of 99 industries having scope for development in the small scale sector. The list includes a number of light engineering industries such as hand tools, instruments and electrical appliances. The non-engineering industries in the list include rubber and plastic goods, glass, ceramics and cement products, leather and leather goods, chemicals, paper and paper products and food processing industries. The Corporation has also brought out a comprehensive directory of machines available on hire purchase to the prospective small industrialists. The details of facilities available to small industrialists from the Corporation and the various small industries service institutes and extension centres are outlined in the directory. An account is also given of the various measures taken by the Corporation for the development of ancillaries, industrial co-operatives and small industries in rural areas. An index of machinery suppliers is also given so that those interested in buying machines may refer to the suppliers concerned.

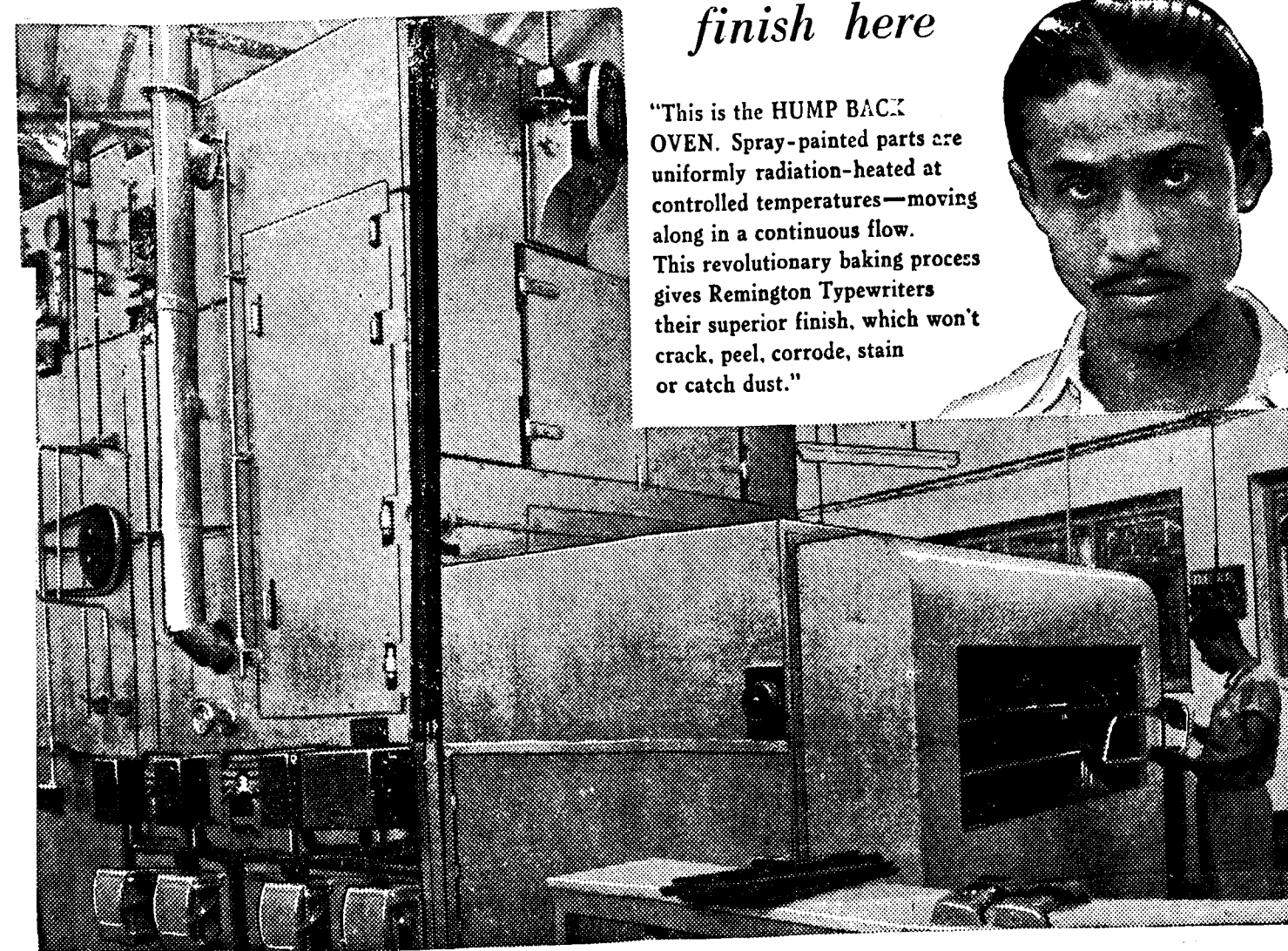
A review of the hire-purchase operations of the Corporation shows that till the end of December, 1963, the Corporation had received nearly fourteen thousand applications for over 61,600 machines valued at Rs. 65.5 crores. Of this, 10,543 applications for the supply of machines valued at about Rs. 40 crores had been accepted by the Corporation. The Corporation has so far supplied machines worth over Rs. 18 crores to some 4,500 small entrepreneurs. In terms of production and employment, it has been estimated that the machines supplied by the Corporation will add Rs. 120 crores annually to the national output, with an employment potential of 1,00,000 persons. Another field where the Corporation assists the small industrialists is in securing Government contracts for supply of stores and equipment. Till May, 1964, contracts worth Rs. 70.8 crores had been secured for small industries from the Directorate-General of Supplies and Disposals.

BRITISH INVESTMENTS IN INDIA

According to a recent estimate, direct investments in India by British companies aggregate £256,000,000. India ranks high in the list of sterling area countries benefiting from British investments, and is surpassed only by Australia (£522,000,000) and South Africa (£269,000,000). The total of British private business investments in the sterling area is put at £1,964 million. These figures exclude investments in oil, insurance, and banking.

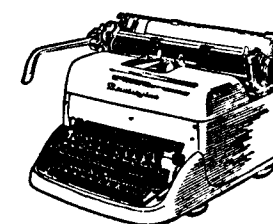


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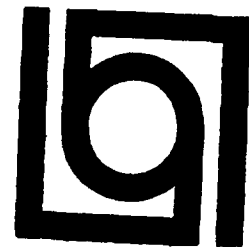
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Company Affairs

INDIAN COPPER CORPORATION

IN SPITE of various problems faced by the Indian Copper Corporation Ltd., it maintained its level of performance and recorded a higher profit of £1.39 million for the year ended December 31, 1963 as against £1.35 million a year before. Mr. S. C. Gladstone, the Chairman of the company, while addressing the annual general meeting referred to various factors that limited its normal functioning. He indicated that the output of copper during the year under review was marginally lower as compared to the previous year's output, mainly due to a shortage of good quality coal. The Coal Controller reduced the quota of Section 'A' coal by 50 per cent and substituted it by inferior quality coal which adversely affected the efficiency of the smelter. Another limiting factor was the Government's restrictions on the sale of brass and copper sheets to the utensil industry, which is the principal traditional consumer. The production of brass sheets and circles was further affected adversely by the high price of zinc, particularly in the US market, which had to be the source because these imports are financed by USAID. The Chairman also made a pointed reference to the delay in obtaining an import licence to procure spare parts for the main compressor required for the mining exploration at Mosaboni. It took eight months to obtain the licence which dislocated the functioning considerably. The compressor, however, was put back into operation in January this year. Mining explorations at Surda and Patharghora mines continued satisfactorily so that the reserves of the company increased by over 2,000 tons, which was considered to be a good progress.

The Chairman indicated that shortage of essential materials such as cement, roofing sheets and steel was responsible for the delay in the construction of the new refinery for the electrolytic plant. Even the suppliers of indigenous plant and machinery could not keep up the delivery dates, mainly due to the dislocation created by the emergency conditions following the Chinese invasion. The company has, however, tried to speed up the process and expected to put this unit into operation towards the end of this year. The company has also been licensed to produce 260 tons of nickel sulphate which will be a by-product of the electrolytic plant. Foreign exchange for the plant has been arranged and final details of the technical know-how are being negotiated. Operations on the plant are likely to start in the first quarter of 1966. The company has also been granted an industrial licence to expand production of copper and to produce sulphuric acid as a by-product. Negotiations for the necessary foreign exchange loans are in progress.

The Chairman added that the present smelter being over 30 years old, it has been proposed to install a new smelter of larger capacity and of a type that would allow the recovery of waste gases in the form of sulphuric acid. Expansion is also proposed in the mining operations at Surda, where new equipment is required to allow for development in depth and also a concentration plant. A new crushing plant is required at Mosaboni mine to deal with the increased capacity. It is expected that after this new equipment has been installed production of copper will be higher at 12,130 tons during the first year of operation of the new smelter and around 12,950 tons during the following year. Sulphuric acid is likely to be produced at the rate of 100 tons a day. The cost of this plant is expected to be around £2.88 million which is planned to be financed by bank overdrafts, foreign loans and a debenture issue.

NIMAR TEXTILES ISSUE

Nimar Textiles Ltd., will enter the capital market on August 28 to raise a sum of Rs. 42 lakhs by the issue of 28,000 equity shares of Rs. 100 each and 14,000 cumulative redeemable preference shares (9.5 per cent) of Rs. 100 each. The subscription list will close on September 10 or earlier at the discretion of the directors, but not before September 1. The company has been incorporated to establish a cotton spinning mill at Khandwa, Madhya Pradesh with an installed capacity of 25,000 spindles for spinning cotton yarn. It has an authorised capital of Rs. three crores made up of 250,000 equity shares of Rs. 100 each and 50,000 redeemable preference shares of Rs. 100 each. Out of the issued capital of Rs. 70 lakhs, 28,000 equity share of Rs. 100 each have already been subscribed by the directors, their friends and associates. The entire present issue has been underwritten by Industrial Finance Corporation of India, Life Insurance Corporation of India, ICICI, Madhya Pradesh Finance Corporation, Oriental Fire and General Insurance Co., Devkarani Nanjee Banking Co. and Mr. L. K. Panday. The total cost of the project is estimated to be around Rs. 197.49 lakhs, out of which Rs. 70 lakhs will be raised by way of capital, Rs. 70 lakhs as a loan from the Industrial Finance Corporation of India, Rs. 12.65 lakhs as unsecured deposit from the managing agents and Rs. 34.84 lakhs by borrowing from banks. The balance of Rs. 10 lakhs will be raised by a further issue before going into full production of the entire complement of 25,000 spindles licensed to the company. Construction has already started and production is expected to begin by July 1965. Machinery worth Rs. 25 lakhs is to be imported from the United States and other countries.

GLASS CARBOYS ISSUE

Glass Carboys and Pressedwares Limited will enter the capital market on August 20 to raise a sum of Rs. 17.50 lakhs by the public issue of 125,000 equity shares of Rs. 10 each and 50,000 redeemable cumulative preference shares (9.5 per cent) of Rs. 10 each. The subscription list will close on August 31 or earlier but not before August 22. It has an authorised capital of Rs. 50 lakhs out of which capital worth Rs. 25 lakhs is issued. 75,000 equity shares of Rs. 10 each have been subscribed by the directors, their associates and friends. It has obtained an industrial licence to set up a unit to manufacture glass carboys and glass pressed ware with an installed capacity of 350 tonnes per month on three shift basis. The unit will be located in the Ambernath Industrial Estate, near Bombay. The entire public issue is underwritten. It will manufacture one and five gallon carboys, glass domes for mercury vapour lamps and glass tiles used in modern building construction. The factory is expected to start around August, 1965.

CENTRAL INDIA MACHINERY SHARES

Sutluj Cotton Mills Ltd., Amritsar, has offered for sale 27,000 cumulative redeemable preference shares (8.57 per cent) of Rs. 100 each fully paid in Central India Machinery Manufacturing Company Ltd., at Rs. 92 per share (excluding dividend for the year ended March 31, 1964). The offer will be open from August 24 to August 28 and this entire offer has been underwritten. Central India Machinery Manufacturing Company Ltd. has an authorised, issued, subscribed and paid up capital of Rs. 1.50 crores. It has three factories, one at Gwalior, one at Bharatpur and one at Bombay. The Gwalior factory manufactures textile machinery, all types of power

looms, high speed cone winding machines and several other types of machines including Sakamoto automatic looms in technical collaboration with Messrs. Enshu Limited of Japan. High speed winding machines and warping machines are manufactured by the company in collaboration with Messrs. Franz Mueller, Maschinenfabrik of West Germany. The factory at Bharatpur is manufacturing rolling stock such as wagons, mine cars and structurals. The Bombay factory manufactures all types of shuttles required for the textile industry. The company is setting up a steel foundry at Birlanagar (Gwalior) which is expected to go into production soon. During the year ended March 31, 1964 it recorded a profit of Rs. 64.39 lakhs and dividend on ordinary shares was paid at the rate of 10 per cent. A sum of Rs. 18.00 lakhs was transferred to general reserve and another sum of Rs. 2.94 lakhs was transferred to development rebate reserve. Provisions for depreciation and taxation were Rs. 21.66 lakhs and Rs. 6.5 lakhs respectively.

AUTOMATION EQUIPMENT

Automation Equipment and Engineering Company is being converted into a public limited company in Bangalore for entering the capital market some time in November with a public offer of Rs. 20 lakhs in equity shares of Rs. 10 each. It will have an authorised capital of Rs. 50 lakhs and an issued capital of Rs. 25 lakhs. The directors and their friends will take up shares of worth Rs. 5 lakhs. The company proposes to manufacture remote control automation electronic equipment, flow control equipment, material handling equipment and other automation equipment with an annual turnover of nearly Rs. 1.15 crores when the plant achieves full capacity. It will be situated near Bangalore where building work is expected to commence in the next two months. The capital outlay on the project is estimated at Rs. 34 lakhs to be met by the issue of capital to the extent of Rs. 25 lakhs and credits to the extent of Rs. 9 lakhs. Foreign collaboration agreement is expected to be concluded soon.

INDIAN DYESTUFF ISSUE

The directors of the Indian Dyestuff Industries Ltd., propose to issue 15,000 ordinary shares to the existing ordinary shareholders in the ratio of one right share for every 14 shares held. These shares were originally reserved for the company's collaborators ACNA of Italy who have informed the company that they will not take up the shares. The proposed rights shares will not be entitled to dividend for the year ended March 31, 1964, but will rank for dividend for the next accounting period onwards.

The directors have decided to maintain the dividend on the ordinary shares at 7 per cent, subject to tax, for the year ended March 31, 1964. The gross profit has amounted to Rs. 43.80 lakhs against Rs. 52.18 lakhs. Provision for depreciation was Rs. 32.76 lakhs, for development rebate Rs. 9.97 lakhs, and the proposed equity dividend Rs. 14.63 lakhs. There is no provision for taxation. The directors have transferred from general reserve Rs. 10.83 lakhs and from development rebate reserve Rs. 6.59 lakhs. Sales have increased from Rs. 2.39 crores to Rs. 2.58 crores.

I.D.C.O.'s CEMENT PLANT

Considerable progress has been reported about the cement plant being erected for the Industrial Development Corporation of Orissa Limited, at Bargarh, Sambalpur. The K.C.P. Limited, Madras, have entered into an agreement for the supply and erection of this 1,200 tonnes per day cement plant. Nearly two-thirds of the machinery and equipment are of indigenous origin and the balance is being imported from France. About

1,100 tonnes of imported machinery and equipment landed in Madras Harbour last week. The fabrication of the balance of the indigenous machinery is being taken up at the workshop of the K.C.P. Ltd., in Madras. The factory at Bargarh is expected to go into production by the end of 1965. This is the first instance for an Indian manufacturer to accept a turn-key job of engineering, supply of machinery, erection and commissioning of a cement plant of such capacity.

ORIENT PAPER

The Orient Paper Mills Limited has made a slightly lower net profit for the year ended March 31, 1964. The directors have proposed to maintain the dividend on the ordinary shares at Rs. 2 a share, less tax, subject to audit. The net profit, after providing Rs. 50.40 lakhs for depreciation, Rs. 75,000 for development rebate reserve, Rs. 47 lakhs for taxation, Rs. 25 lakhs for general reserve and taking into account Rs. 93,475 being the balance brought forward from the preceding year, is Rs. 51.77 lakhs against Rs. 51.84 lakhs in 1962-63.

USHA FORGINGS

Usha Forgings and Stampings Ltd., a new company set up for the manufacture of hand tools, will enter the capital market sometime in October to raise Rs. 12.73 lakhs. The authorised capital is Rs. one crore divided into 800,000 equity shares of Rs. 10 each and 20,000 cumulative redeemable preference shares (9.3 per cent) of Rs. 100 each. The issued capital will be Rs. 20 lakhs composed of 1,42,500 equity shares and 5,750 preference shares. Of this issue, the promoters, directors and their friends have already subscribed for 72,675 equity shares for cash at par. The balance of 69,825 equity shares and 5,750 preference shares will be offered for public subscription.

The company has entered into a technical collaboration agreement with Technoexport, Praha, Czechoslovakia, an important supplier of industrial plant. The collaborators will supply the required machinery and equipment, including production tools and spare parts, and provide technical assistance including erection and supervision of plant.

TWA's PROGRESS

Trans World Airlines recorded a peak level of earnings during the six months of the current year. The net profit for the first six months of 1964, according to President Charles C. Tillinghast, Jr. was \$11.1 million, operating revenue for the second quarter of this year was \$147.16 million, 22.3 per cent more than the corresponding period of the last year. Expenses for the same period came to around \$122.75 million, an increase of 7.8 per cent. It shows apparently a higher profitability. The President of the company indicated that nearly 54 per cent of the earnings this year resulted from the operations within the United States which showed a loss during the same period last year. TWA operated 30.4 per cent more revenue passenger miles, carrying 20.9 per cent more passengers during the quarter compared with the second quarter of last year. It also recorded a 26.9 per cent increase in air cargo during this period.

EVEREST REFRIGERANTS ISSUE

Everest Refrigerants Ltd., a company formed with the main object of manufacturing fluorochloromethane gas like freon and other chemicals, will enter the capital market on August 24 to offer for public subscription 190,000 equity shares of Rs. 10 each and 6,000 cumulative redeemable preference shares (9.3 per cent) of Rs. 100 each. The list will close on August 29 or earlier but not before August 27. The directors and their friends have already taken 190,000 equity shares and

6,000 preference shares. Foreign collaborators, Technical Enterprises Inc. New York, USA, have also agreed to take 100,000 equity shares. The factory will be located at Andheri, near Bombay. The project is to be financed from a share capital of Rs. 60 lakhs and a loan of Rs. 60 lakhs approved by the United States of America acting through the AID (Cooley Fund). Import licences for capital goods have been obtained and a letter of credit has been opened. Shipments of capital goods have commenced. The factory building is expected to be completed by February next. The Government of India has approved the collaboration scheme and made available a loan of Rs. 27.5 lakhs from DLF to meet the bulk of the foreign exchange requirement. The balance will be met by the collaborators in the form of subscription to the equity capital of Rs. 10 lakhs. The project is essentially for the manufacture of new items which are not being manufactured in India.

INDIA STEAMSHIP

The directors of the India Steamship Company Limited have not recommended any dividend on the ordinary shares for the fourth year in succession. The last dividend was rupee one a share, which was paid for the year ended March 31, 1960. The directors have, however, recommended Rs. 6.50 a share, less tax, on the preference shares. The annual general meeting will be held on September 24.

CAPITAL ISSUES

Seven companies, including 4 Central Government undertakings, have been authorised to raise fresh capital aggregating Rs. 17.74 crores. Of these, one company is issuing bonus shares, four are issuing equity shares and two equities plus preference shares. Two companies involve foreign collaboration. One of them is offering part of its shares to the public by prospectus. The consent of the Controller of Capital Issues is valid for 12 months in all cases excepting one where it is valid only up to April 7, 1965.

Heavy Electricals (India) Limited, Bhopal, a Government of India undertaking, will be issuing further capital of Rs. 9 crores divided into 90,000 equity shares of Rs. 1,000 each for cash at par. The capital will be utilised for civil engineering works, purchase of machinery and plant, training of engineers etc.

Indian Drugs & Pharmaceuticals Limited, a Government of India undertaking, is to issue capital of Rs. 5.20 crores divided into 52,000 equity shares of Rs. 1,000 each to be issued for cash at par. The capital will be utilised for financing the drugs and surgical instruments plants.

Bharat Earth Movers Limited, Bangalore, a Government of India undertaking, is to issue capital of Rs. one crore divided into 10,000 equity shares of Rs. 1,000 each to be subscribed privately for cash at par. The money will be utilised for the manufacture of heavy earth moving equipment and rail coaches.

National Buildings Construction Corporation Limited, Delhi, a Central Government Undertaking, is to issue capital of Rs. 26 lakhs divided into 2600 equity shares of Rs. 1,000 each for cash at par. The capital will be utilised for construction of buildings, roads and other civil works throughout India.

Sandur Manganese & Iron Ores Private Limited, Bangalore, is to issue capital of Rs. 68,47,500 consisting of equity capital of Rs. 52,47,500 and 9.3 per cent preference capital of Rs. 16 lakhs. Equity shares of the value of Rs. 17 lakhs (con-

sisting of Rs. 2 lakhs for consideration other than cash against technical know-how and Rs. 15 lakhs for cash) will be issued to Societe Anonyme D' Applications De Chimie Industrielle and Societe Commerciale De Mines Mineralise and Metaux of Belgium respectively. Out of the above, such number of shares of each kind as would qualify the scrips to be listed on the recognised stock exchanges will be issued to the public by prospectus. The money will be utilised for the manufacture of pig-iron.

Engine Valves Limited Madras, will be issuing further capital of Rs. 32,22,300 (including Rs. 4 lakhs raised under the Exemption Order) divided into 25,000 equity and 7,228 cumulative redeemable preference shares of Rs. 100 each carrying dividend at 9.1 per cent per annum, for cash at par. Out of the issue, equity shares of the value not exceeding Rs. 14 lakhs will be offered to Farnborough Engineering Company Limited, Birmingham, or their parent company against supply of plant and machinery to be imported. The money will be utilized for financing expansion of the manufacture of valves.

Associated Cement Companies Limited, Bombay, which was given consent on April 8, 1964, to the capitalisation of share premium not exceeding Rs. 1,19,21,800 and issue bonus shares has now been permitted to capitalise Rs. 1,27,16,600 from the share premium and issue bonus shares to the existing shareholders. The consent is valid up to April 7, 1965.

Situation Vacant

CAMBRIDGE UNIVERSITY, ENGLAND

SOUTH ASIAN ECONOMICS

The Economics Faculty of Cambridge University wish to appoint an Assistant Lecturer in South Asian Economics. The candidate appointed should be a person who has had direct experience of economic conditions and problems in some regions of South Asia and should possess a degree in economics and be otherwise suitably qualified. The appointment would be for 3 years, with possible extension to a total of 5 years. The appointment would be on the scale £1200 — £1570. Applications (one copy only) giving full details of the candidate's career and the names of three referees should be sent to Posner, Economics Faculty, Sidgwick Avenue, Cambridge, England, as soon as possible and in any case so as to arrive not later than 30th November. The starting date of the appointment would be not earlier than 1st June, 1965, and could be later than that date.

BOOKS BRIEFLY

Art of Planning ?

Economic Strategy and the Third Plan: Indian Statistical Institute; Asia Publishing House; Pp. 132; Price Rs. 11.50.

Reviewed by SATISH C. MEHTA

THE BOOK under review contains a collection of papers contributed mostly by foreign economists who visited the Indian Statistical Institute during 1959-61.

Prof. Galbraith in his paper, "Some Notes on the Rationale of Indian Economic Organisation", written with the objective of provoking discussion, points out 'the lack of progress in working out a rationale of economic institutions' in India — a problem which he regards as most urgent. Indian economic institutions fall into two categories, viz., (i) the private sector, and (ii) the public sector. Undertakings in the public sector are ridden with numerous defects. Concentration of decision-making at the Centre regarding finances, purchasing and personnel are a few of the many drawbacks in existence. These drawbacks give rise to a sense of irresponsibility, on the part of executive and technical personnel, towards the development and efficient running of these undertakings. Keeping in view the problem of finance as the formidable problem of planning in India and the reliance of the government, in the past, on such "uncertain and exiguous sources of domestic savings" as taxes and voluntary savings and aid from abroad, it is imperative for public projects to be run most efficiently so as to provide finance for development by accumulating profit-surpluses. The surpluses, if and when they emerge, must not find their way into schemes of labour-welfare.

Three-fold Division

A discussion of the problem of the organisation of public enterprises calls for a three-fold division of the public sector: (a) Initiation, (b) Operation, Expansion and Financing and (c) Spontaneous Development. Sector (a) is to concern itself exclusively with the establishment of new industrial projects, the decision regarding 'what' and 'where' of such projects being taken at the ministerial level. Sector (b) is to be completely divorced from ministerial control and is to be operated by efficient managers under the supervision of competent authorities constituted into a board. Given a considerable measure of freedom in decision-making, the efficiency is to be determined by profits earned. Prof. Galbraith suggests that 'expansion and operation in this sector should be tied by the financing function'. Establishment of a 'public development bank' will go a long way in facilitating expansion programmes. Sector (c) permeates the entire Indian society and the Community Development programme is a beginning in this direction.

Mr. T. Balogh in his paper, "Notes on Indian Economic Strategy", discusses the importance of the third Plan as a stepping stone towards self-sustained growth. The discussion covers such vital issues as the role of foreign aid, the problem of income distribution, the relationship between economic and social ends, relation between physical and financial planning, the problem of investment and growth, the problem of prices and efficiency, the problem of taxation and finally the relationship between social framework and output and productivity. He demonstrates the 'national' failure of domestic savings to increase — the actual rate of savings being grossly inadequate to sustain a socially tolerable rate of economic growth. Failure to achieve a five per cent rate of growth was the most disappointing aspect of the second Plan.

In India, Mr. Balogh thinks, there is haziness regarding the 'requirements' and 'implications' of planning. Resource-availability is considered in types of finances and the problem of planning is considered in monetary terms alone. This involves short-term budgeting and fixation of lower targets. The adoption of this method of planning is throughout to avoid inflation, secure balance and help stabilise the economy. Mr. Balogh has expressed his doubts as to the correctness of this attitude on the part of Indian planners.

In his paper "An Outline of Financial Policy for the Third Plan" Dr. M. Kalecki insists that a sound financial policy must be based firstly, 'on the correct proportion between the rate of growth of national income and that of the supply of necessities' and secondly, 'on such a policy of taxation which would restrain the consumption of unessentials to the extent that would provide sufficient resources for the financing of investment'. Dr. Kalecki, in his second paper, "Measures to Expedite the Increase in Agricultural Production in the Third Plan", points out the defects in the country's agrarian structure and holds it responsible for retarding economic development.

Transport Policy

In the last paper "Transportation Policy in India" Dr. Louis Lefebvre and Mr. M. Dutta Chaudhuri analyse the transport problems and policy in India and arrive at the following conclusions: (i) for better utilisation of transport capacity during the third Plan the 'nuisance legislation' designed to hinder long-distance transport by road must be repealed; (ii) railway rate-structure must be revised upwards so as to substantially reduce the transport of bulk commodities and thus help in judicious location and adoption of efficient techniques of production in industries by reflecting not the money cost but the real cost of transportation; (iii) railways must charge the Government the full cost of services rendered to it; (iv) average railway rates should be composed of operating expenses, realistic depreciation and capital charges and their level should be such as to equilibrate the demand for and the supply of railway transportation; (v) new investment in railways should only be undertaken if the incremental return equals the current social marginal return of 20 per cent and (vi) in undertaking programmes of investment in other means of transport than railways 'the present discounted value of each should be compared to its cost'.

The current railway rate-making principle of 'what the traffic can bear' is outdated and has outlived its usefulness in the context of the developing economy of India. Railways can re-establish their financial soundness and stability by specialising in the transport of bulk commodities. This involves raising the rates of bulk commodities to lower the total cost of their transportation and physical alterations in the railway plant to shorten the time in transit, minimise the handling requirements and thus lower the cost of bulk transportation.

The reader will come across repetitive arguments and suggested measures for resolving the problems of development. This, however, is unavoidable in a compilation like the one under review. Incidentally, this indicates unanimity of opinion generally on the part of participants on some of the vital problems of planning in India.

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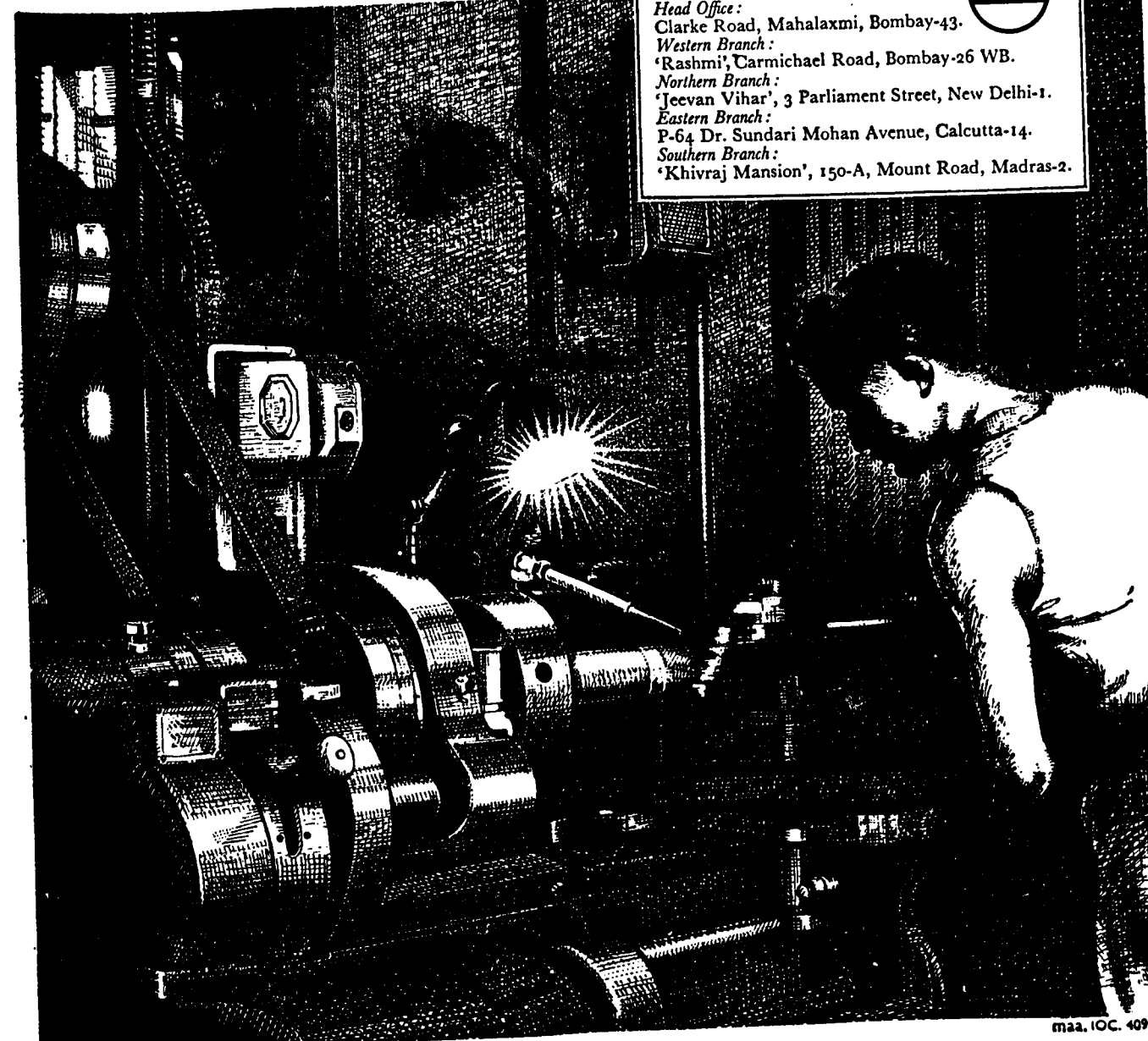
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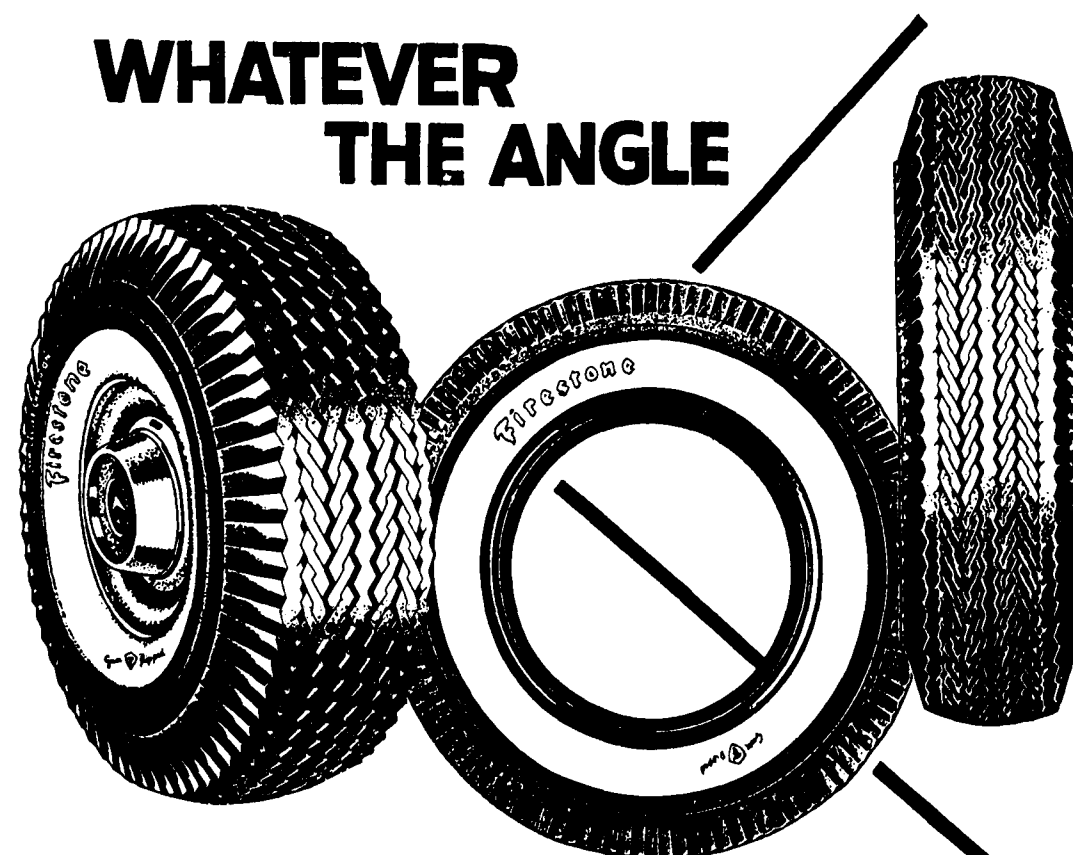
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S. 52 A

Readers' Roundtable

POPULATION CONTROL

Sir, — I have read your editorial comments entitled "Mehta, Malthus and Dr. Rao", published in your issue of July 31, 1964, with great care and am not quite sure that the substance of Dr. V. K. R. V. Rao's arguments has been correctly appreciated by you. His position was that sterilization is not likely to make the impact on birth rate which is claimed for it because the target of even 2.5 million vasectomy operations per year would be hard to achieve. It seems you disagree with Dr Rao on this basic issue. I for one would very much appreciate if you would substantiate your position.

The highest figure of vasectomies per year on record in India is 1.2 lakhs only; and it is unlikely that that performance would improve 20 times. Maharashtra has the best performance in India and even if all the States are able to reach this level of performance, which in itself will be no mean achievement, the number of operations would be 4 to 5 lakhs per year.

I would like, in this connexion, to draw your attention to the findings of S. N. Agarwala ("Economic Weekly", July 4, 1964) which support Dr. Rao's position. Agarwala maintains that even if sterilization operations are performed at the rate of 5 per thousand per year for a period of ten years (1961-1971), this would take out from reproductive group about 28 million females and in the meanwhile 21 million females would have been added to the reproductive group so that on balance only 7 million of the females go out of reproduction. The birth rate would, according to his calculations, decline by only 13 or 14 per cent in a decade as against the claim of 50 per cent made by the supporters of sterilization.

This arithmetic of the situation is quite conclusive. Agarwala further maintains that the cost of sterilization per

prevented pregnancy would be higher than that of condom, respective costs being Rs. 20 and Rs. 16. In fact, his most explosive suggestion is for using intra-uterine devices. This might involve only a very nominal cost — perhaps only a few paise per prevented pregnancy.

In view of the above, I would very much like that you please explain your technical position in this matter; and if you find that you have been unfair to Dr. Rao, to say so. To be candid, few of your readers have appreciated the language used by you for Dr. Rao who commands a great deal of respect throughout the country and abroad for his scholarship, for his services to the cause of economic thinking and research and for setting up two leading institutes of higher research and studies in the field of economics.

D. N. ELHANCE,
(Deptt. of Commerce,
Jodhpur University)

Jodhpur.

[Prof. Elhance's references to the arithmetic or the comparative economics of sterilization are no doubt pertinent to discussions of family planning, but they are not relevant to our criticism of Dr. V. K. R. V. Rao. If Prof. Elhance would study our comments once again he would find that we were taking exception to Dr. Rao's mode of treatment of a subject of grave significance. It was surely not necessary for Dr. Rao to have dragged in the question of the poor versus the rich while discussing sterilization, and we repeat that his vague mention of some kind of "sociological" or "psychological" menace on threat being present in programmes of sterilization was misleading and could be mischievous. As for the last paragraph of Prof. Elhance's letter, we had no intention of being offensive, but we have no doubt either that this country can do with some candid journalism. — Ed.]

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Full particulars can be obtained at any of the Offices mentioned above.

COMPANY MEETINGS

THE SOUTH MADRAS ELECTRIC SUPPLY CORPORATION LTD.

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EXTRACT FROM THE SPEECH OF SRI K. A. P. VISVANATHAM, CHAIRMAN, DELIVERED ON THE OCCASION OF THE 24TH ANNUAL GENERAL MEETING OF THE COMPANY HELD ON THE 14TH AUGUST, 1964.

Please allow me to welcome you all to this Twenty-fourth Annual General Meeting of the Company.

We are gathered here today under the gloom cast by the demise of our beloved Shri Jawaharlal Nehru. As one of the architects of our freedom and then as our Prime Minister, from the time the country reached its independent status, he worked hard for improving the economic status of the ordinary individual and to conferring equality to all people. He succeeded in his objectives in no small measure. May we deserve his efforts and sacrifices and continue to work in his footsteps, to achieve his objectives and ideals.

We are fortunate in having in Shri Lal Bahadur Shastri a worthy successor to Nehruji. He has been acclaimed, the world over, as one who would follow Nehruji's footsteps, most sincerely and effectively. I am sure that in his efforts to bring economic happiness at home and world peace and amity all over, he will have the sincere co-operation and goodwill of every citizen of India.

Last year the Balance Sheet and accounts of the Company could not be published on account of the prohibition imposed on the publication of such documents under the Defence of India Rules in 1963. I am glad to state that this prohibition has however been relaxed and hence the accounts of this year have been published. I believe you will share with us the gratification that our Company's affairs progressed very satisfactorily. Though the restrictions imposed under the Emergency have been relaxed, I would like to repeat my assurance to the Government, on behalf of all of you, that this Company's resources and services will be always available to the Government in any emergency.

Now, reverting to the specific affairs of the Company, as I said earlier, the progress all round has been satisfactory. Expansion in both rural and urban areas has been up to the usual budgetted schedules. In spite of our having given up large blocks of the area to the Electricity Board for development, demand for extension in the retained area, for both agricultural and domestic services continues to be heavy.

The Company has decided to invest between 20 to 25 lakhs of rupees every year on such expansion projects, so that over the next 7 to 8 years we can cover the entire area entrusted to us, with electricity services, fully.

We had an almost calamitous power position this year from the beginning of June to the end of July. Due to late decisions taken by the Government on the imposition of restrictions, the mode of power regulation was very unsatisfactory

and caused untold harassment to the rural and urban consumers of domestic power. I would request the officials of the Electricity Board to recognise the fact that the hydro-electric generation in this State is subject to vagaries of monsoon and to therefore take more timely and rational steps in regulating power supply to avoid much unpleasant situations.

I am however glad to say that the abundant, though late, rains, are reported to have filled up the Kundah and Pykara reservoirs and that Mettur, Periar and Papanasam lakes are also receiving a full measure of water supply. This position, I am told, will ensure to us that in the coming summer months we will not be subjected to any anxiety on account of power restrictions.

The effect of this one month's power restrictions (i.e. June-July '64) will probably be reflected to some extent in the next year's account. This year, however, as you would have observed from the Balance Sheet, we have done very well with power sales at over 120 lakhs of rupees and with over 76,000 consumers. With the continually increasing demand for power, I believe this rate of growth will be kept up. Your Directors have recommended the payment of increased dividends on equities at 11 per cent for this year which, I hope will be accepted by you. I also hope the same progress will continue in future.

To achieve this level of expansion and growth, the staff of the Company have contributed their best. I am sure they will every time strive to give their best for the consumers whom they serve.

This leads me to the Managing Agents, Messrs. Seshasayee Brothers (Private) Limited whose Managing Agency will end by 1st April, 1965, and whose request for renewal of their Managing Agency has been commended to you by the Directors. Seshasayees need no further recommendation to you from me. Apart from the exemplary way in which they have managed affairs of this Company, their contribution to industrial expansion in South India is well known to you. I heartily commend their continuance as Managing Agents as per their request. I am sure you will all whole-heartedly support this proposition.

I now move that the Directors Report, Auditors' Report and the Balance Sheet as on 31-3-64 and the Profit and Loss Account for the year ended 31-3-64 be approved and adopted.

Note: This does not purport to be the record of the proceedings of the 24th Annual General Meeting of the Company.

INDIAN COPPER CORPORATION LIMITED

Address Delivered by Mr. S. C. Gladstone, Chairman, at the Annual General Meeting of the Company for the year Ended 31st December, 1963, Held on 12th August, 1964

Gentlemen,

The Report of your Directors and the Accounts for the year ended 31st December, 1963 have been in your hands for several weeks. Fortunately, the restrictions imposed in 1963 by the Government of India under the Defence of India Rules, which prohibited the publication of the Accounts, have now been relaxed.

This is the first time that I have had the privilege of addressing you, but before I begin my review I should like to pay tribute to the late Prime Minister, Pandit Nehru. After leading the freedom movement for many years, he became the first Prime Minister of independent India in August 1947 and for 17 years he never spared himself in the service of the country. He will undoubtedly go down in history as one of India's greatest men.

Your Chairman last year, Mr. J. W. Easson, who left India on retirement in March this year, has been connected with the Company for 29 years and has been your Chairman for the last two years. I am sure that you would all like to join me in wishing him a happy retirement, which has been so well earned.

I will now give you a general review of the affairs of your Company during 1963.

GENERAL REVIEW

During the first nine months of last year there was ample copper to meet world demands and the price remained steady at about £234 per ton. In the last quarter of that year demand began to overtake supply, but it was not until the New Year that prices began to rise. In spite of increased production and sales the price on the London Metal Exchange, which had been steady since June 1961, rose to around £300 per ton where it has since remained.

At the present time production capacity probably just about balances the world demand and but for industrial disputes the price could be expected to recede to between £240 and £250.

The shortage of copper, especially in the U.S.A., has had a most unfortunate effect on your Company in as much as the new Electrolytic Refinery is based on the import of Blister Copper. It was originally intended to import Blister Copper from Africa, but as a result of the foreign exchange shortage the Government of India have only been able to allow us a licence to import from the U.S.A. and at the present time Blister Copper is not available from this source.

WORKING REVIEW

The production of copper in 1963 was 9,582 metric tonnes, a small decrease of 199 tonnes compared to the previous year due to a number of factors such as the deterioration in the quality of coal and operating conditions.

In the middle of 1962, as a result of the acute shortage of good quality coal, the Coal Controller reduced our quota of Selected 'A' coal by 50 per cent and substituted coal of inferior quality for the balance of our requirements. Inevitably this has had a significant effect on the efficiency of your smelter.

Your Company's Rolling Mill produced 9,376 tonnes of Brass Sheets and Circles during 1963 and for this imported Zinc is required. Import licences for Zinc are now based on value and are financed by U.S. AID and thus the high price of this metal in world markets, and particularly in the U.S.A., has resulted in a substantial reduction in the tonnage that can be purchased. The Government of India have also imposed restrictions on the sale of Brass and Copper Sheets to the Utensil Industry, our traditional and principal consumers. The effect of these restrictions began to be felt in the second half of 1963 and the burden this year will be heavier.

Mining exploration at your Surda and Patharghora Mines continued, but a serious breakdown of the main Compressor restricted development work at the Main Mine at Mosaboni. In spite of the most energetic efforts, it took eight months to obtain an import licence and procure spare parts for this machine, during which time all available compressed air was used to maintain production and development was at a standstill. In spite of this, our reserves increased by over 2,000 tonnes, which is satisfactory, and I am pleased to say that the Compressor was put back into operation in January 1964.

Electric supplies were adequate throughout the year, but pig iron and coke for the Foundry and cement were in very short supply. Thanks to a better supply of wagons, despatches showed some improvement resulting in a decrease in stock of finished products.

The financial results of your Company for 1963 were satisfactory considering the rise in prices in the wake of the Emergency. Labour costs and the expenses of mining at greater depths continue to amount; nevertheless, the successful results reflect credit on all concerned.

During the year under review labour relations were generally good and a dispute over the payment of profit sharing bonus was settled in Conciliation proceedings. Towards the end of the year, however, the Unions submitted fresh demands for very substantial increases in wages, which cannot be justified. I regret to report that while negotiations were in progress the Works Union recently called a three-day protest strike to bring pressure to bear in support of their demands. Negotiations are still in progress.

KYANITE

Exports of Kyanite fell from 27,686 tonnes in 1962 to 18,797 tonnes due to competition from synthetics and poor market conditions. The recession in the steel industry abroad in 1962 led to a reduced demand for Kyanite in the following year. At the same time there was a big improvement in the supply of railway wagons to carry the ore from your Mines to the docks, which encouraged your customers to reduce their stocks. This has led to a temporary fall in exports, but I am happy to say that up to the end of July over 13,000 tonnes had been exported and by the end of this month the figure will approach 17,000 tonnes.

ELECTROLYTIC PLANT

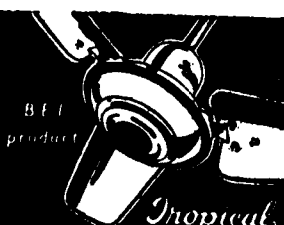
When your Directors' Report was written in May this year, it was predicted that the new Refinery would be com-



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pleted in September this year, but I regret to report that there have been further serious delays since that date.

There have been many delays in the construction schedule chiefly due to a shortage of essential materials such as cement, roofing sheets and steel and the failure of most suppliers of indigenous plant to keep to promised delivery dates. Much of this can be traced to the Emergency created by the Chinese invasion in November 1962. There has also been pilferage in the Calcutta Docks. All this is completely outside our control and although everything is being done to speed the work on the final stages of the plant, it is anticipated that production will not commence before the New Year. This will, of course, depend on the supply of Blister Copper to which I have referred earlier.

Your Company has also been licensed to produce 260 tonnes of Nickel Sulphate, which will be a bye-product of the Electrolytic Plant. Foreign exchange has been arranged and the final details of technical know-how are now being negotiated. It is hoped to start production in the first quarter of 1966.

EXPANSION PLANS

Your Company has been granted an Industrial Licence to expand production of copper and to produce Sulphuric Acid as a bye-product and negotiations for foreign exchange loans are far advanced. The present Smelter is now over 30 years old and has for some time been operating at well above its designed capacity. No plant can be expected to remain at peak efficiency after so many years' service. It will, therefore, be necessary to instal a new Smelter of larger capacity and of a type that will allow the recovery of waste gases in the form of Sulphuric Acid.

At Surda new equipment is required to allow for development in depth and also a Concentration Plant. Additional grinding plant is required at our Works and a new Crushing

Plant at your Mosaboni Mine to deal with the increased capacity. It is expected that after this new equipment has been installed, production of copper will rise to 12,130 tonnes during the first year of operation of the new Smelter and to 12,950 tonnes during the second year. Sulphuric Acid will be produced at the rate of 100 tonnes a day.

The total cost of this plant will be £2,875,000, which, it is planned, will be financed by Bank overdrafts, foreign loans and a Debenture Issue.

ACCOUNTS

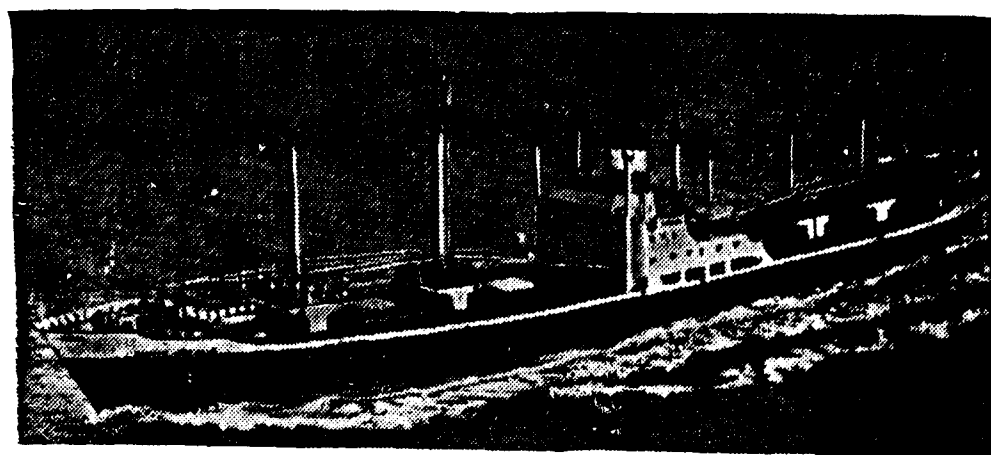
The profit for the year before providing for Taxation, Depreciation and Reserves amounts to £1,334,875, as compared with a profit in 1962 of £1,351,771. Income Tax and Super Tax on profits, however, amounted to no less than £821,855, partly because of the Bonus Issue in 1963 and the new tax on dividends. Your Directors have decided to place £170,000 to Depreciation and £98,000 to General Reserve. £26,597 is allotted to Development Rebate Reserve and £21,694 to provision for Kyanite Decretal Amount.

There is a balance available of £247,299 and your Directors are recommending that the same amount as last year, i.e. £246,834, equivalent to a Dividend of 12 per cent, subject to tax, on the new capital of the Company should be distributed, leaving a balance of £465 to be carried forward.

STAFF

It remains for me to thank the General Manager, Mr. N. A. B. Hill, and the Staff and Workers, both at the Mines and the Works. I am sure that you would all wish me to thank them for their exertions on your behalf which have led to yet another successful year.

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



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- (b) the branch of the State Bank of India at Patna,
- (c) the branch of the State Bank of Hyderabad at Hyderabad,
- (d) the branches of the State Bank of Hyderabad conducting Government treasury work within the State of Maharashtra,
- (e) the branches of the State Bank of India within the State of Maharashtra except at Bombay and Nagpur and at places covered by item (d),
- (f) the Government treasuries and Sub-treasuries in the State of Maharashtra at places not covered by items (d) and (e).

Full particulars can be obtained at any of the offices mentioned above.

THIS ANNOUNCEMENT IS NOT A PROSPECTUS.

PERSONS INTERESTED IN FULL DETAILS ARE REQUESTED TO OBTAIN COPIES OF THE PROSPECTUS WHICH ARE AVAILABLE FROM THE COMPANY'S REGISTERED OFFICE AND FROM THE OFFICES OF THE COMPANY'S BANKERS, BROKERS AND UNDERWRITERS

NIMAR TEXTILES LIMITED

(Incorporated as a Public Limited Company on 1st September, 1962, under the Companies Act, 1956)
Registered Office: Sylvester Building, 20, Old Custom House Road, Bombay-1.

PROPOSED ACTIVITIES:

The Company has undertaken the establishment of a cotton spinning mill at Khandwa, Madhya Pradesh with an installed capacity of 25,000 Spindles for spinning cotton yarn.

LOCATION:

The Company has purchased and taken possession of 42.89 acres of free-hold land at Khandwa, Madhya Pradesh.

BOARD OF DIRECTORS:

1. SHRI T. P. CHAKRAVARTI, (Chairman), Industrialist and Businessman, C/o Mohini Mills Ltd., 22, Canning Street, Calcutta-1.

Director of:-

1. Mohini Mills Ltd.
2. Associated Industries (Assam) Ltd.
3. Lilamoyee Pictures Ltd.
4. Chakravarti Mukherji Pvt. Ltd.
5. Chitra Services Pvt. Ltd.
6. Victoria Cotton Mills Ltd.
7. Sri Girijaprasanna Cotton Mills Ltd.
8. Sri Durga Cotton Mills Ltd.
9. Hemalatha Textiles Ltd.
10. Central Cotton Mills Ltd.
11. Kanoria Chemicals and Industries Ltd.

Partner of:-

- Chakravarti Sons & Company,
Managing Agents of Mohini Mills Ltd.

Director of:-

- Chakravarti Mukherji Pvt. Ltd.
Managing Agents of Annapurna Cotton Mills Ltd.

2. SHRI SETH LALCHAND B. SETHI, Industrialist, Businessman and Banker, Binod Bhavan, Ujjain.

Managing Director of:-

- Binod Mills Co. Ltd.

Director of:-

1. Vulcan Insurance Co. Ltd.
2. Binodiram Balchand Pvt. Ltd.
3. Hukumchand Mills Ltd.
4. New Manekchowk Spg. & Wvg. Co. Ltd.
5. Indian Electro-Chemicals Ltd.
6. Central India Machinery Mfg. Co. Ltd.
7. Central India Cotton Association Ltd.
8. Kalyanmal Mills Ltd.
9. Central India Insurance Co. Ltd.
10. Madhya Pradesh Financial Corporation.
11. Krishnaram Baldeo Bank Pvt. Ltd.
12. Gajraj Pannalal Ltd.
13. Hira Mills Ltd.

3. SHRI ARVINDKUMAR N. KILACHAND, Industrialist, Mafatlal House, Backbay Reclamation, Bombay-1.

Chairman of:-

1. Chemicot Ltd.
2. Nandlal Koppers Ltd.

Managing Director of:-

- Indmag Pvt. Ltd.

Director of:-

1. Oriental Pharmaceutical Industries Ltd.,
2. Bharatex Pvt. Ltd.
3. Dodsai Pvt. Ltd.
4. Tradewings Pvt. Ltd.
5. Famous Fabrics Ltd., London
6. Bhup Pvt. Ltd.

7. New India Industries Ltd.
8. A.E.G. Engineering Co. of India Pvt. Ltd.
9. Particle Boards India Ltd.
10. Vibgyor Ltd.
11. Hingir-Rampur Coal Co. Ltd.

Alternate Director of:-

1. International Fisheries Ltd.
2. SHRI RAJESHWAR VYANKATESH DESHMUKH, Industrialist and Businessman, C/o Vidarbha Mills Berar Ltd., Ellichpur.

Director of:-

1. Vidarbha Mills Berar Ltd.
2. Modak Rubber Products Pvt. Ltd.
3. SHRI LIMJEE KAIKHUSHROO PANDAY, Share and Stock Broker, Kilachand Building, 45/47, Apollo Street, Bombay-1.

Director of:-

1. Indian Rayon Corporation Ltd.
2. Structural Ceramics Ltd.
3. Barium Chemicals Ltd.
4. East India Hotels Ltd.
5. Grauer & Weil (India) Ltd.
6. Tungsten of India Ltd.
7. Freight Carriers Pvt. Ltd.
8. Bombay Ceramics Agencies Pvt. Ltd.
9. Bombay Sales & Agencies Pvt. Ltd.
10. Free Enterprises Ltd.
6. SHRI SOLI BURJORJI BILIMORIA, Share, Exchange and Finance Broker, C/o M/s. Batlivala & Karani, Union Bank Building, Dalal Street, Bombay-1.

Director of:-

1. Shama Engine Valves Ltd.
2. Universal Electrics Ltd.
3. Barium Chemicals Ltd.
4. Jhelum Spg. & Wvg. Mills Ltd.
5. Metal Distributors Ltd.
6. Indo-American Electricals Ltd.
7. Firth Sterling Steel Co. of India Ltd.
8. East India Hotels Ltd.
9. Shama Pistons & Rings Ltd.
10. Bliss & Laughlin-Shama Ltd.
11. Shama Forge Co. Ltd.
7. SHRI PRAVINCHANDRA MANEKLAL SHAH, Businessman, 9, "Rajhans", 88, Marine Drive, Bombay-2.

Director of:-

1. Maneklal Parshottam (India) Pvt. Ltd.
2. Industrial Combine Pvt. Ltd.
3. Maneklal Parshottam (Aden) Ltd.
4. Nav Agency Pvt. Ltd.
5. Petroleum Barrel Pvt. Ltd.

8. SHRI MANGALDAS DAMODARDAS VORA, Businessman, 18/4, Rafi Ahmed Kidwai Road, Bombay-31.

Managing Director of:-

- Nav Agency Private Ltd.

Director of:-

1. Industrial Combine Pvt. Ltd.
2. Mangalchand Hukmichand Pvt. Ltd.
9. SHRI VINAYAK KALYANJI SHAH, Businessman, Dwarkesh Gulli, M. J. Market, Bombay-2.

Partner of:-

1. M/s. Vinayak Kalyanji Shah.
2. M/s. Silk Centre.

10. SHRI NAVINCHANDRA SAVCHAND SHAH, (Special Director), Businessman, 134/136, Zaveri Bazar, Bombay-2.

Director of:-

1. Industrial Combine Pvt. Ltd.
2. Nav Agency Pvt. Ltd.

Partner of:-

1. M/s. N. Savchand.

MANAGING AGENTS:

M/s. NAV AGENCY PRIVATE LIMITED,
Sylvester Building, 1st Floor,
20, Old Custom House Road, Bombay-1.

SHARE CAPITAL

I. AUTHORISED:

2,50,000 Equity Shares of Rs. 100/- each	Rs. 2,50,00,000/-
50,000 Redeemable Preference Shares of Rs. 100/- each	Rs. 50,00,000/-
	Rs. 3,00,00,000/-

II. SUBSCRIBED:-

28,000 Equity Shares of Rs. 100/- each subscribed by Directors, their friends and associates for cash at par	Rs. 28,00,000/-
Out of the above shares, Rs. 100/- per share has been paid on 1,655 Equity Shares (including 7 Equity Shares of Rs. 100/- each subscribed by the subscribers to the memorandum); Rs. 50/- per share on 2,720 Equity Shares and Rs. 25/- per share on 23,625 Equity Shares. Total amount paid upon the above shares is Rs. 8,92,125/-.	
(No underwriting commission or brokerage has been paid or is payable in respect of these shares).	

III. NOW OFFERED FOR PUBLIC SUBSCRIPTION IN CASH AT PAR:

28,000 Equity Shares of Rs. 100/- each	Rs. 28,00,000/-
14,000 9.5% Cumulative Redeemable Preference Shares of Rs. 100/- each	Rs. 14,00,000/-
	Rs. 70,00,000/-

UNDERWRITERS:

1. INDUSTRIAL FINANCE CORPORATION OF INDIA, Reserve Bank Building, Parliament Street, NEW DELHI-1.
2. LIFE INSURANCE CORPORATION OF INDIA, "Jeevan Kendra", Jamshedji Tata Road, BOMBAY-1.
3. THE INDUSTRIAL CREDIT & INVESTMENT CORPORATION OF INDIA LIMITED, 163, Backbay Reclamation, BOMBAY-1.
4. MADHYA PRADESH FINANCIAL CORPORATION, Shiv Vilas Palace, INDORE-2.
5. THE ORIENTAL FIRE & GENERAL INSURANCE Co. Ltd., Oriental Buildings, Mahatma Gandhi Road, BOMBAY-1.
6. DEVKARAN NANJEE BANKING CO. LTD., 17, Horniman Circle, BOMBAY-1.

7. SHRI L. K. PANDAY, Kilachand Build.ng, 45/47, Apollo Street, BOMBAY-1.

BANKERS TO THE ISSUE:

1. STATE BANK OF INDIA, Apollo Street, Bombay-1, and at their Main Branch Offices at Ahmedabad, Bangalore, Baroda, Bhopal, Calcutta, Delhi, Gwalior, Hyderabad, Indore, Jabalpur, Kanpur, Khandwa, Madras, Nagpur, New Delhi, Poona, Rajkot and Surat.
2. DEVKARAN NANJEE BANKING CO. LTD., 17, Horniman Circle, Bombay-1, and at their Main Branch Offices at Ahmedabad, Bangalore, Baroda, Bhavnagar, Bhopal, Calcutta, Delhi, Hyderabad, Indore, Jabalpur, Kanpur, Madras, Nagpur, New Delhi, Poona, Rajkot and Surat.
3. THE BANK OF INDIA LIMITED, Mahatma Gandhi Road, Bombay-1, and at their Main Branch Offices at Ahmedabad, Bangalore, Baroda, Bhavnagar, Bhopal, Calcutta, Delhi, Gwalior, Hyderabad, Indore, Jabalpur, Kanpur, Madras, Nagpur, New Delhi, Poona, Rajkot and Surat.
4. THE CENTRAL BANK OF INDIA LIMITED, Mahatma Gandhi Road, Bombay-1, and at their Main Branch Offices at Ahmedabad, Bangalore, Baroda, Bhopal, Calcutta, Delhi, Gwalior, Hyderabad, Indore, Jabalpur, Kanpur, Madras, Nagpur, New Delhi, Poona, Rajkot and Surat.

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2. SHRI L. K. PANDEY, Kilachand Building, 45/47, Apollo Street, BOMBAY-1.
3. M/S. LEWIS & JONES, Bank of Baroda Building, Apollo Street, BOMBAY-1

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7. M/S. PATERSON & CO., Post Box No. 48, 32/33, Linghichetty Street, MADRAS-1.

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8. M.S. P. ROY & COMPANY, 3/8, M. M. Road, Jn. Panchku.in Road, NEW DELHI-1.
9. M/S. HARBANS SINGH MEHTA & CO., 33, Regal Building, Parliament Street, NEW DELHI-1.
10. M.S. RAJ PAUL CHADHA & CO., Del'te Cinama Building, Asaf Ali Road, NEW DELHI.

APPLICATIONS FOR SHARES :

Application forms alongwith copies of the Prospectus can be had from the Registered Office of the Company or from the Underwriters, Bankers, Brokers, named herein before.

THE SUBSCRIPTION LIST WILL OPEN AT THE COMMENCEMENT OF THE BANKING HOURS ON FRIDAY, THE 28TH DAY OF AUGUST, 1964 AND WILL CLOSE AT THE CLOSE OF THE BANKING HOURS ON THURSDAY, THE 10TH DAY OF SEPTEMBER, 1964, OR EARLIER AT THE DISCRETION OF THE DIRECTORS BUT NOT EARLIER THAN THE CLOSE OF THE BANKING HOURS ON TUESDAY, THE 1ST DAY OF SEPTEMBER, 1964.

RECORDS AND STATISTICS

International Liquidity

THE INTERNATIONAL Monetary Fund in its nineteenth annual report stated that there was a case for an increase in members' quotas, and called for an early and detailed examination to decide on the size and timing of a general increase, as well as on the need for special increases for individual countries. This, together with other suggestions designed to enlarge the Fund's potential for making further contributions to international liquidity, were the principal findings of the Fund's study on international liquidity.

The Fund found that in present world economic conditions, the existing general level of international liquidity was broadly satisfactory. It said, however, that the concern of its latest study had been with the prospective adequacy of international liquidity. In this respect, it believed that in a world in which income and trade were expanding rapidly, the need for the type of liquidity provided by the Fund, like the need for liquidity in general, could be expected to grow. The report said that there was some prospect that the growth in the need for international liquidity would outstrip the increase in the supply of liquidity. Reliance on the Fund to assist in filling this gap would have the advantage of increasing the type of liquidity that was associated with the adoption of measures which help to correct balance of payments disequilibria without prejudicing general prosperity.

The past fiscal year was again an active one for the Fund's financial operations. Sales of currency exceeded those in the preceding year, and the amount of stand-by arrangements reached a record level. Purchases from the Fund amounted to the equivalent of \$625.9 million, and the stand-by arrangements agreed during the year amounted to the equivalent of \$2,159.85 million. Of the 27 members which received financial assistance from the Fund during the year, either through direct purchase transactions or in the form of stand-by arrangements, 4 were industrial countries (Italy, Japan, the United Kingdom and the United States) and 23 were non-industrial countries. Italy and the United States accounted for more than 55 per cent of the total purchases, and Japan, the United States and the United Kingdom for more than 83 per cent of the total available under stand-by arrangements. Fifteen of the members receiving assistance were in the Western Hemisphere, 4 in Asia, 2 in Africa, and 2 in the Middle East.

Sharp Improvement

The Fund said that the pattern of international transactions that had evolved during 1963 had resulted in a substantial increase in international liquidity. Total official reserves of all countries, which had increased by \$1 billion during 1962, rose by about \$3.4 billion, or more than in any other post-war year. A major factor had been a sharp improvement in the balance of payments position of the primary producing countries as a whole. Since these countries generally kept a high proportion of their international reserves in foreign exchange, their \$1.6 billion over-all balance of payments surplus in 1963 had brought about a nearly equivalent increase in their sterling and dollar holdings. Another factor had been a greater increase in world monetary gold holdings than in any post-war year. Both production and Soviet gold sales had increased, and there had been less hoarding than in 1962, which itself reflected increased confidence in the international monetary system.

The relative calm in foreign exchange markets during the

past year, combined with a further substantial increase in reserves, had created a favourable background for the studies of international liquidity that had been conducted both at the Fund and in the group set up by the ten participants in the General Arrangements to Borrow. These conditions had permitted the problems to be thoroughly explored without the urgency which would otherwise have stemmed from a need for early action.

The Fund said that the subject of international liquidity had taken a prominent and continuous place in its work and recalled that a comprehensive staff study undertaken in 1958 had had great weight in the discussions which preceded the last general quota increase in 1959. The present study emphasized that the adequacy of international liquidity had to be judged not only in the context of world economic conditions, but also in conjunction with the process of adjusting payments disequilibria and in relation to the type of national economic and financial behaviour that it was desired to encourage or discourage.

Liberalising Trade

The Fund said that liquidity considerations should not inhibit industrialized countries from pursuing policies designed to liberalize trade, augment capital flows and developmental aid, and achieve full employment. Developing countries, faced as they were with large import needs relative to their export incomes and reserves, would also have a rising need for liquidity in order to be able to avert undue disturbance to their development programmes because of temporary or unexpected balance of payments difficulties.

The Fund noted that the promotion of high employment and economic growth, and the maintenance of stability, were economic objectives common for all countries. These objectives, however, had to be pursued in an international setting, which implied that countries had to keep their international payments in approximate balance over the average of a period of years. Unless adequate weight were given to balance of payments considerations in national economic policies, it would be difficult for countries to achieve their domestic goals while maintaining effective par values and avoiding undesirable payments restrictions, as provided for in the Articles of Agreement of the International Monetary Fund.

Since the end of the war, the international financial system — based on reserves in the form of gold and reserve currencies, supported by the International Monetary Fund as well as by certain other credit arrangements — had permitted a signal expansion of the world economy and of international trade. This had made it possible to restore the convertibility of the main currencies, and to cope with difficult situations which had affected certain currencies. At the same time, the system has allowed a relatively high level of employment to be maintained.

The Fund pointed out that the accumulation of dollar balances had made an important contribution to the over-all supply of international liquidity since the war. In the period ahead, however, foreign exchange reserves, arising mainly from US payments deficits, were unlikely to contribute to reserves on anything like the same scale. In these circumstances, the Fund said, it would seem both desirable and timely to enter upon a broad exploration of the possible ways to meet any inadequacies in the supply of international liquidity to which the present system might otherwise give rise and to

offset any undesirable fluctuations in it. The financial system had already been adapted to changing requirements, and in considering further changes that may be appropriate, the substantial benefits that the system had brought should be kept in mind. In looking ahead, it was also important that the characteristic advantages of the multilateral institutional approach should not be lost to view.

If it were considered that the international monetary system was moving into an era in which the supply of unconditional liquidity was tending to fall short of the need for it, there were various possible ways that the Fund might enhance its contribution to the supply of international liquidity of a more or less unconditional kind. One approach would be to make members' access to some portion of the credit tranches more assured than it was at present. Another possibility, which was closely connected with the Fund's gold policy, would be to substitute for a portion of the gold subscriptions to the Fund an alternative method of payment (e.g., by means of gold certificates). A third approach, which could take various forms, might be the purchase by the Fund of assets for the purpose of increasing the international liquidity of its members. Such investments, whatever their precise form, could be undertaken on the initiative of the Fund for response to particular balance of payments needs. The additional resources that would be needed by the Fund for these operations could be provided through increased subscriptions or through borrowing arrangements, such as negotiated lines of credit or "deposits."

Even Progress

Reviewing world economic trends, the Fund said that the past year had been marked by progress shared more evenly than for a long time among the different parts of the world. The rise in output in the industrial countries had been generally more rapid than during 1962, and the trend in production, which had been hesitant in several key countries in late 1962 and early 1963, had been clearly upward a year later. The Fund noted, however, that although all the manufacturing countries faced a broadly similar rate of expansion in their export markets from 1962 to 1963, there were wide variations in the growth of their exports. A particularly encouraging aspect was that the primary producing countries participated in the general economic improvement through an unusually large rise in their export earnings.

The Fund said that the general rise in output in the industrial countries had been accompanied by a large expansion

in world trade than had been experienced for some years, and the value of exports of the primary producing countries had risen in line with world trade, i.e. by about 9 per cent. The increased export earnings of the primary producing countries had been about equally attributable to the strong expansion in the volume of world trade that had accompanied the rise in output of the industrial countries and to the higher level of primary commodity prices. After declining or remaining low for several years, these prices rose markedly in 1963 and by early 1964 had almost returned to their level prior to the general downturn that began in 1957.

Largely as a result of the rise in their export earnings, together with some increase in foreign aid, the balance of payments of the less industrialized primary producing countries as a group improved by about \$1.5 billion, changing from a deficit into a surplus. Thus, the Fund said, was perhaps the most helpful development in international transactions in 1963. In addition, however, there was some evidence of a tendency toward a reduction in imbalances among the industrial countries, even though new situations of external disequilibrium arose in the course of the year. Thus, the balance of payments deficit of the United States, which had continued to run at a high rate in the first half of the year, fell sharply in the second half of 1963, and reached an approximate balance in the first quarter of 1964. Although the improvement was in part due to transitory factors, some basic influences were also at work. Three years of sustained growth of the US economy under conditions of price stability, in combination with rising costs and falling profit margins in many of the other industrial countries, had tended to make foreign investments relatively less attractive than domestic investments, while recent trade developments appeared to indicate an improvement in the international competitiveness of the United States.

In the United Kingdom, the balance of payments remained in surplus on current account throughout 1963. There was, however, some deterioration of the current balance in the course of the year, in part related to a rebuilding of inventories under the impact of rising activity and rising import prices. After the third quarter of 1963, an appreciable overall deficit developed which was financed mainly by an accumulation of sterling balances rather than by a decline in reserves.

In Japan, also, the very high rate of economic expansion

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had put some strains on the balance of payments; however, in part because the Japanese authorities had taken action earlier than on similar occasions in the past because of the boom from getting out of hand, and in part because of the high degree of prosperity in Japan's main markets, the balance of payments deficit on current account that had developed was smaller than the inflow of capital.

In Continental Europe, the Fund noted that balance of payments developments had shown conflicting tendencies. The over-all surplus of the area as a whole had been largely unchanged from 1962 to 1963, remaining at about \$2 billion, but it had been lower in the second half of 1963 than in the same period of 1962, with signs of a further decline in early 1964. There was, moreover, a reduction of \$0.8 billion from 1962 to 1963 in the area's surplus on current account, which was thereby brought into approximate equilibrium. These developments had been the product of marked changes in the positions of individual countries. A large German surplus re-emerged progressively in the course of 1963, mainly reflecting rising demand pressures in the rest of the Common Market area. Such pressures were particularly strong in Italy where, after several years of substantial surplus, a large balance of payments deficit on current account had been accompanied by an outflow of capital. Late in 1963, strong demand pressures in France also caused a sizable reduction in the large and hitherto persistent French balance of payments surplus. Since mid-1963 both Italy and France had adopted measures aimed at restoring stability, and more recently attention had been given by the Common Market countries to the problem of inflation in the area as a whole. These efforts, the Fund said, should help to reduce imbalances within the area and, although they may also slow down progress toward solving the problem of the area's surplus position with the rest of the world, it was apparent by early 1964 that this latter problem had in any case come much nearer to its solution.

Disequilibrium Reduced

The Fund said that the major disequilibrium between the United States and the continent of Europe that had disturbed international payment relationships for several years had been sharply reduced, without contractionary action in the major deficit country that might have had harmful repercussions in many parts of the world. The international monetary system had been able to meet the challenges to which it had been exposed with a more effective and intimate co-operation in monetary matters than at any time in history. Nevertheless, even after three years of expansion, unemployment in the United States still remained at a relatively high level, and the sharp rise in prices and costs in those countries which were or had recently been in surplus had created new problems of internal and external balance.

The existing rigidities of price systems and cost structures had made it difficult for price reductions in deficit countries to play a major role in the adjustment of payment positions, and much of the adjustment in relative costs and prices had occurred through increases in the surplus countries. Once set in motion, an upward movement of prices and wages could continue after the international imbalance that they had helped to correct had been eliminated. However, the recent sharp increases in costs and prices had not been merely the effect of "imported inflation," but had also been a reflection of other factors, such as the pressures within some countries for a redistribution of income shares or pressures which had accompanied the success of the continental countries in meeting their targets of full employment and of achieving a high rate of growth.

Commenting on these developments, the Fund said incomes policies had been given growing consideration as a possible means of mitigating tendencies toward cost inflation

under full employment. Such policies, the Fund said, seemed likely to be used increasingly to supplement other instruments, although even if they were generally adopted there was no guarantee that they would be most effective in the countries chiefly prone to cost pressures. Nevertheless, an incomes policy could contribute to the adjustment process for balance of payments disequilibria. The role of capital movements in facilitating balance of payments adjustments had also attracted increasing attention, one emphasis being on the possibilities of improving the structure of capital markets in Europe, so as to help correct the existing payments disequilibrium between the United States and continental Europe. The report describes the present limitations of these markets and some of the difficulties which limit their wider use. However, a revival of these markets had been given impetus during the past year by the proposal for an interest equalization tax in the USA, and this had led to some experimentation with new forms of international borrowing in Europe. It must be expected, however, that the United States with a very large part of the world's savings would continue to be the most important supplier of capital to the rest of the world.

Private Capital

The potential role of private capital in assisting more effectively in the process of economic development also needed attention. The flow of private capital to the less developed countries had been discouraged in recent years by a number of factors that had accompanied the slow growth of exports of these countries, including weak payments and reserve positions, intensive use of payment restrictions and inflationary developments in many countries. The new rise and higher level of prices for primary products, if they proved to be more than temporary, should improve investment opportunities in the less developed countries and also encourage the inflow of foreign capital where the climate for foreign investment was favourable. The Fund stated, however, that a substantial flow of private capital to some of the less developed countries would require a willingness on the part of both investors and developing countries to adopt new attitudes. It believed that the larger part of the inflow of foreign finance into the less developed countries would continue to take the form of bilateral and multilateral aid, the net flow of which in 1963 had made up about four-fifths of the total inflow of foreign financial resources. Much of official loans and aid continued to be tied in the country providing them, but in order that these resources could be utilised as effectively as possible, this limitation should not be resorted to unless there were compelling justifications for doing so.

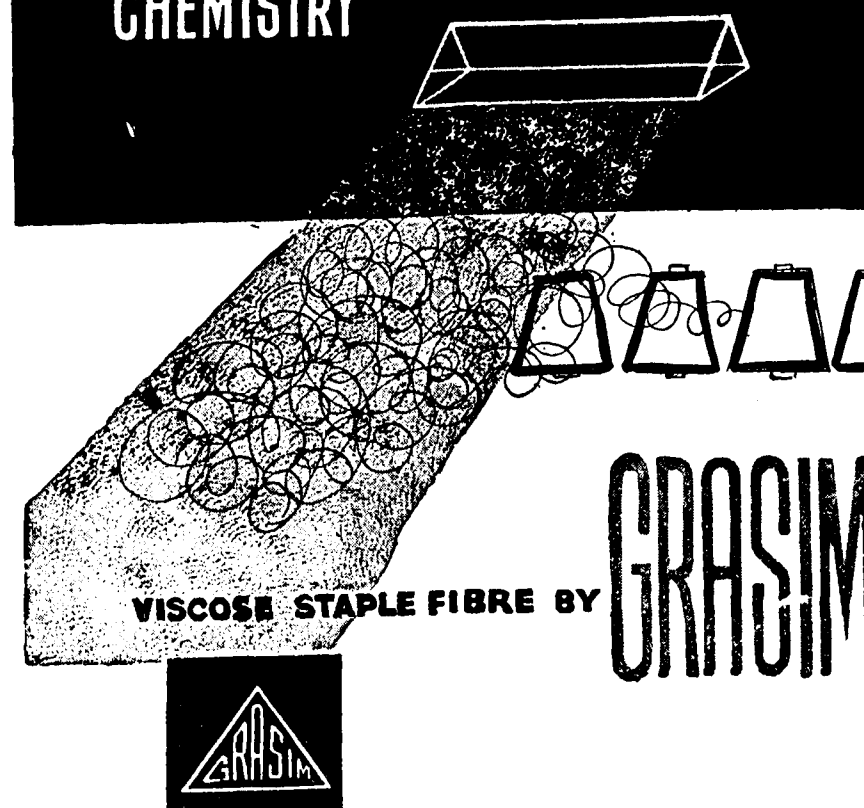
The Fund had continued to maintain a special interest in the problems of the developing countries. In addition to providing financial support to countries in balance of payments difficulties, during the year it had recruited staff to provide technical assistance in two fields which were of special importance to many of the developing countries. A new Fiscal Affairs Department would provide technical assistance on tax systems, tax administration, budgeting and revenue, and expenditures control, while the establishment of a Central Banking Advisory Service would assist those members that were planning to organise new central banks or to improve and strengthen existing institutions.

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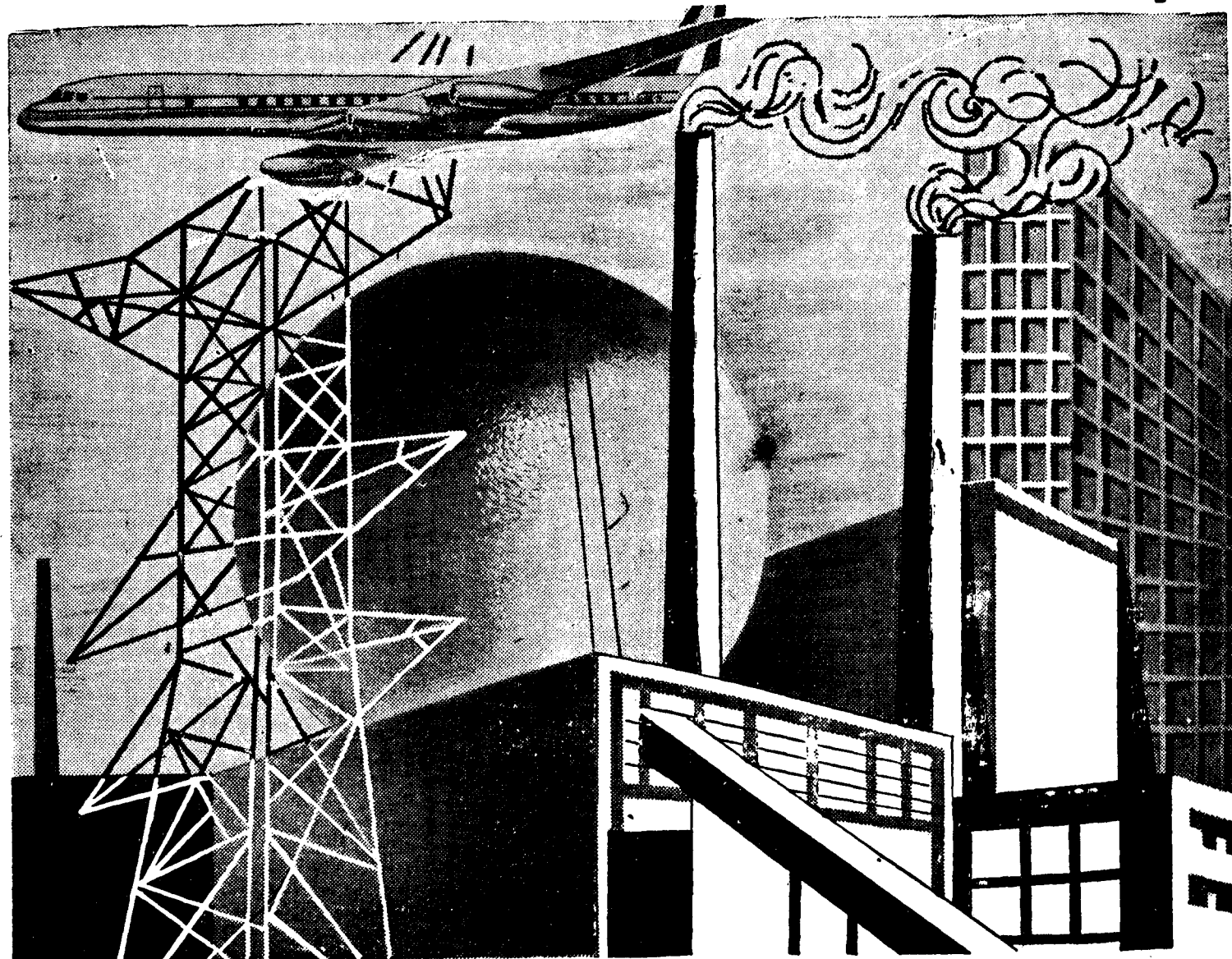
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Works: P.O. Renukoot, Dt. Mirzapur, U.P. (Phone: Pipri, 79. Gram: Hindalco)

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9

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He knows who knows that he does not know

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AUGUST 28, 1964

ANNUAL SUBSCRIPTION Rs. 65

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EASTERN ECONOMIST

AUGUST 28, 1964.

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Good Sense from Gur

AMONG THE sweet uses of adversity, according to Shakespeare, is finding "tongues in trees, books in running brooks, sermons in stones, and good sense in everything." Hard-pressed as the Government of India is, we do hope that it will be able to draw good sense, for instance, from gur. This rather lowly article of household consumption has a remarkable history of always being able to cock a snook at the Government's attempts to control it. Until very recently it was playing a game of hide-and-seek with the authorities, the latter being left, of course, to do the seeking. One of the controls put on gur was restrictions on inter-State movement. The theory backing this regulation was that unless the commercial movement of gur from the producing to the consuming areas was regulated, there would be speculation or profiteering in the commodity in the producing areas resulting in high prices and, consequently, undue diversion of cane from the manufacture of sugar to the manufacture of gur. In practice, all that the restriction on inter-State movements succeeded in achieving was that it forced the gur trade to bribe its way across State borders.

This led to the foreseeable result that the consumer had not only to go to the blackmarket if he wanted gur, but he also had to pay very high prices, part of which went towards covering traders' expenses in bribing police and civil supply officials of more than one State. Naturally there was vigorous protest in the deficit consuming areas and the Central Ministry of Food and Agriculture had at last to withdraw the movement restrictions, which it did on July 27. Since then gur has reappeared in retail shops and is generally available at or about authorized prices. A difficult supply position thus changed for the better almost overnight. This was surely not because the production of gur had suddenly shot up. All that had happened was that the artificial barriers clogging commercial channels were withdrawn.

We have no doubt in our mind that there are many other articles besides gur which could benefit from the Government drawing the moral of the story. There is a curious notion prevalent these days that the best way of dealing with imbalance between supply and demand is to prevent the trade from doing its job. The shallowness of this notion has been shown up every time the Government has attempted to badger or bully normal commerce. In October last year, the Finance Minister, concerned over the slowing down of economic activity, came to the right conclusion that excessive and ineffective controls benefited nobody and certainly not the consumer. He, in fact, announced the abolition of price controls on a few commodities and indicated that what he had done then was only a first instalment. Unfortunately, there has been no further progress in that direction since then. On the contrary, thanks to some rise in the price of foodgrains and other essential commodities, a powerful sentiment in favour of controls seems to be sweeping over the authorities. A government which panics is a burden to itself and a nuisance to the community. Now that the peak of the hysteria over the food situation seems to have been crossed, we greatly hope that the Government will pull itself together and refuse to be stampeded into short-sighted measures which may do more harm than good. The pressing need of the hour is increased production. This applies to foodgrains of course, but it is nearly as necessary to take measures for achieving increased production in the industrial sector, particularly in the area of consumer goods industries. Perhaps here more than in agriculture an appeal to restraints and regulations could have the most unfortunate results in terms of depressed production or discouragement to expansion of capacities. A specific case is that of cloth. Cement too provides an instance. The public will certainly be better served by positive policies aimed at increased capacity or production than by melodramatic attempts at fixing retail profit margins or regimenting the trade. We would appeal to the Government generally and the Finance Minister in particular to give production its due importance. Prices then will cease to be a problem.

Goodwill, Like Charity

THERE IS no harm in taking at its face value the goodwill mission which will be leaving for Pakistan next week. It is true that its leader, Mr. Jaya Prakash Narayan, has expressed views on the status of Kashmir and, indeed, on other issues involving Indian territory which run counter not only to our government policies but also to our national will and perhaps our national interests. Nevertheless Mr. Jaya Prakash Narayan's idealism has always been apparent while his patriotism has never been in doubt. That he deeply deplores the present state of Indo-Pakistan relations and sincerely desires that the two countries should learn to live in amity as good neighbours is of course obvious. It is equally obvious that co-operation and friendship between India and Pakistan is not simply one man's wish. Mr. Jaya Prakash Narayan's basic sentiments in this respect are certainly widely shared in this country. India and Pakistan have been dangerously drifting apart to the disadvantage of both countries and the individual and family disaster of large numbers of people in either country. It is, therefore, the merest common sense that initiatives for ending this rift should be unreservedly welcomed by enlightened public opinion. The Jaya Prakash Narayan mission, consequently, is entitled to take with it to Pakistan the support of the people of this country.

The mission is sponsored by the Indo-Pakistan Conciliation Group which has for its Chairman Mr. Jaya Prakash Narayan. A press release issued by the Group states that the objects of the mission will be to discuss the present political estrangement between India and Pakistan and offer its services and co-operation for lessening the tension between the two countries at government level as well as at a people-to-people level. The mission will be visiting Pakistan in response to an invitation from President Ayub Khan and on the Indian side, while it is not exactly known to what degree the Government of India is associating itself with the mission, officially or non-officially, it is reasonable to assume that the Government is extending such facilities as are required by the mission for its visit.

The mission, in any case, is essentially a non-official one in the sense that it is a goodwill effort by private citizens who believe that the problem of Indo-Pakistan relations is too important to be left wholly to diplomats. Once it is conceded, as indeed it must be, that the specific political disputes between the two countries could only be negotiated and settled in a changed atmosphere of mutual trust and desire for friendship between the governments and the peoples of the two countries, the part which a mission of the proposed kind could play in preparing the ground becomes significant. A mission of Indian citizens which would seek to create goodwill for India in Pakistan, however,

should naturally have, to begin with, the goodwill of its own countrymen if it is to be of any good. We have suggested that this goodwill should be forthcoming from our people in an abundant measure. The mission's claim to this goodwill has become all the stronger in the light of Mr. Jaya Prakash Narayan's statement that he intends suggesting to President Ayub Khan that Pakistan should agree to keep the Kashmir problem "in abeyance" for at least two years. This should dispose of suspicions aroused in this country by his previous utterances on Kashmir that he and others of his way of thinking are only interested in manoeuvring the Government of India into a position where it would be forced to accept in substance, if not in form, Pakistan's claim to Kashmir. Mr. Jaya Prakash Narayan has now made it clear that he holds no rigid view that India could or should buy the friendship of Pakistan by an immediate surrender of its position in Kashmir. He has thus rejected the role of a broker (honest or otherwise) into which certain persons here and in Pakistan would evidently like to cast him. Thereby he has shown himself to be truly interested in what he says is his interest, viz., a real and enduring friendship between the people of India and Pakistan based on mutual benefit as well as mutual trust. It is, however, easy to see why Mr. Jaya Prakash Narayan's disclosure that he intends to appeal to President Ayub Khan to agree to keep the Kashmir dispute in abeyance should have upset, for instance, Sheikh Abdullah. In the event of Mr. Jaya Prakash Narayan succeeding in his plea, Sheikh Abdullah will automatically lose not only his mission but even his mere meaning. Although he is never tired of asserting that his contention is simply that the future of Kashmir should be decided by the people of Kashmir, it has always been apparent that he is exploiting for his own purposes the situation created by Pakistan's claim to the territory of Kashmir. Sheikh Abdullah has lost no time in advertising his view that President Ayub is most unlikely to listen to Mr. Jaya Prakash Narayan's suggestion. He may be right in his anticipation since his channels of knowledge and information in this matter should certainly be accepted as authentic and adequate. But the impression which the people of this country must have had that Sheikh Abdullah not only believes but is also happy that Mr. Jaya Prakash Narayan will not succeed in his plea to President Ayub is certainly not going to be helpful to him in his self-advertised role of a grand arbiter of Kashmir standing above and apart from the squabbles of the countries and governments of India and Pakistan.

While the reaction of Sheikh Abdullah is thus natural, that of one of Mr. Jaya Prakash Narayan's own associates on the goodwill mission is rather odd. An editorial in *The Hindustan Times* of August 19 has

warned Mr. Jaya Prakash Narayan that he is exposing himself to the risk of not being taken very seriously either in Rawalpindi or Delhi. About Rawalpindi's response, *The Hindustan Times*, like Sheikh Abdullah, is probably right. But we fail to see why New Delhi also should be assumed to be incapable of seeing any virtue in Mr. Jaya Prakash Narayan's suggestion. The Government of India has always taken the stand in the United Nations and elsewhere that the Kashmir dispute is being artificially kept alive by Pakistan and it would certainly be sensible on its part to welcome Mr. Jaya Prakash Narayan's proposal at least as a partial satisfaction. This apart, the special significance of editorial admonition addressed to Mr. Jaya Prakash Narayan by *The Hindustan Times* is that its editor happens to be a member of the goodwill mission which Mr. Jaya Prakash Narayan will be leading to Pakistan. It is, therefore, a fair inference that an important member of the goodwill mission does not agree with its leader in important particulars on how the mission should conduct itself or carry out its assignment. This disagreement is rather unfortunate since it is apt to do damage to the reassuring quality of Mr. Jaya Prakash Narayan's statement of intentions and thereby possibly revive doubts and fears in the minds of the people of this country regarding the attitudes which may be adopted or activities which may be pursued by the mission collectively or its members severally during their visit to and presence in Pakistan.

It is curious that the editorial in *The Hindustan Times* joins issue with Mr. Jaya Prakash Narayan on the same ground as Sheikh Abdullah. Both oppose Mr. Jaya Prakash Narayan's projected move with the argument that President Ayub Khan is not going to listen to him. This seems to us to be strange logic. Some importance should surely be given to the point whether Mr. Jaya Prakash Narayan's suggestion in itself has any merit. His critics seem to want to maintain that a settlement of the Kashmir dispute, presumably to the satisfaction of Pakistan, is a pre-condition of the development of good relations between India and Pakistan. If this indeed is their contention they ought to say clearly and openly what precisely this settlement in their view could be — for, only then this country and its people will be able to decide whether the price that is proposed is worth paying and whether, when it is paid, there will be any goodwill left in this country for Pakistan with which this country could reciprocate the goodwill which it would have purchased from Pakistan. This does not mean that we are cynical about the Kashmir dispute being solved at any time to the mutual satisfaction of India and Pakistan or on the basis of friendship between the two countries. On the contrary, we believe not only that this could be achieved but also that it should be achieved if there is to be any civilized living for the peoples on this sub-continent. But we just do not see why Mr. Jaya Prakash Narayan should be ridiculed at all for suggesting that the two countries

should first manage to come together in mutual friendliness to some extent before they could really hope to be able to discuss Kashmir in a constructive manner. It is partly true that, historically, the Indo-Pakistan confrontation in Kashmir has preceded the accumulated atmosphere of tensions, distrust and antagonisms between India and Pakistan. But it does not necessarily follow that once a settlement — any kind of settlement — is reached between India and Pakistan over Kashmir, a flood of perfect understanding and goodwill will sweep across the frontiers. It is even less true that so long as those tensions and hostile attitudes remain, a mutually acceptable settlement could, in fact, be reached over Kashmir. Mr. Jaya Prakash Narayan, in other words, may not be putting the cart before the horse. It is his critics who do not seem to know which is the horse and which is the cart.

There may however be some substance in the argument that Mr. Jaya Prakash Narayan errs in talking of possibilities of Indo-Pakistan agreement on a common foreign policy or joint defence in advance of a settlement of the dispute over Kashmir. We agree that he is certainly looking too far ahead too soon. At the same time, we would say that even here his thinking is not wholly wide of the mark. Even if the time is not yet for agreement on foreign policy or joint defence it is surely profitable and possible immediately for both to agree on a number of matters allied to foreign policy or defence. Thus, for instance, there could be a gentlemen's agreement between India and Pakistan to refrain from carrying on unseemly propaganda against each other in other countries or international conferences. More positively it ought to be possible for the governments of the two countries to act in consultation with each other or even in association on a number of international issues in which questions relating to their own differences may not be involved. Similarly, in the area of defence, granted that there is a mutual desire for friendship and lessening of tensions, it should be possible for India and Pakistan to agree not to continue the arms race which each has directed against the other. There is, in fact, no reason why the familiar formula of a no-war declaration should not now be revived, accepted and given effect to. It should be even less difficult for the two countries to agree on a mutual guarantee that there would be no indulgence in border incidents of any kind. As a matter of fact, it should be possible for India and Pakistan to go further and redeploy their armed forces or military concentrations in such a way that both will be enabled to share in the impression of an absence of aggressive intentions. These are surely some of the directions in which the goodwill mission might endeavour to explore possibilities of a climate of mutual trust and goodwill being built up between India and Pakistan so that the two countries may gradually but not too slowly come to co-operate with each other on the economic, political and above all, human plane. We

hope that the mission collectively and its members individually will address themselves to these realistic and extremely desirable tasks or to good works of a similar nature rather than be tempted to embark on the hazardous enterprise of discovering and inventing a formula

Diversification of Industry

THE PHENOMENAL increase in the pace of Indian industrial development during the last few years has brought about some significant structural changes. Although the pattern of industrial expansion has not been peculiarly faulty, it has not been very smooth either. Studies have been conducted from time to time to determine the nature of industrial growth so that a clearer picture has emerged of this important field of the economy. A recent addition has been a short study by Dr. Raj K. Nigam, Director of Investigation, Monopolies Inquiry Commission, on the pattern of diversification observed in the Indian industry during the last few years, with special reference to the comparative financial performance of selected companies. The process of diversification has been defined as an increase in the heterogeneity of output from the point of view of the number of markets served by that output. While the subject selected is interesting and meaningful in the context of the expanding dimensions of industrial activity, the method of the study is not sufficiently scientific and comprehensive to present a valid view, even though the conclusions do not appear to be wide of the mark.

The object of the study is essentially to analyse the financial performance of the companies that diversified their activities. Although Dr. Nigam has refrained from discussing in any detail the motivation or justification for such diversification by these companies, he has given briefly the broad reasons which usually led these companies to diversify their activities. While enumerating these various reasons he has missed, perhaps, the most important factor making for diversification in Indian industry. The reasons provided in the study are: (i) The likelihood of greater stability of operations of companies engaged in diverse activities during the periods of recession as against the companies that pursued only unified activity which might be affected acutely during the recession. (ii) It is comparatively easy for the established companies to raise additional capital on attractive terms for new lines. (iii) An established company can utilise surplus funds lying with it or invested in gilt-edged securities. (iv) The existing companies can also utilise their technical and managerial skill. (v) Certain trading companies can be tempted to take up the manufacture of items for which they already maintain marketing machinery. (vi) A company may like to take advantage of the tax laws and reduce its overall tax liability. These factors do explain the process of diversification in any economy, but they do not present a full picture of the process

for India buying Pakistan's friendship with Kashmir. Mr. Jaya Prakash Narayan has been convicted by *The Hindustan Times* of "an alarming ignorance of the facts of life in Pakistan". We submit that ignorance of the facts of life in India is to be deplored no less.

in the Indian industry. In fact Dr. Nigam has failed to mention at all the role played by industrial policy which blocks the expansion in the case of various established industries and allows expansion in the case of certain other industries. No established manufacturer can be expected even to maintain his present level of activity unless he introduces a minimum expansion either by way of improvements in techniques or by entering into new lines of production. Thus an important factor to be considered in the case of companies which diversify their activities is that they do so either for reasons of attractive avenues in new lines or because they feel completely blocked in their own lines for reasons of official policy.

Dr. Nigam has attempted to compare the financial performance of those companies which went in for diversification with those that did not go through this process. The object of the study naturally is to highlight the significance of diversification in terms of profitability. It is quite possible that the present comparison may only reflect the performance of expanding organisations as against those which are comparatively static ones, which obviously is not the aim. There are certain companies that have enough funds for their expansion and instead of investing in their own lines these companies take up new lines of manufacture and are deemed to have gone in for diversification. Therefore, to assess the real impact of diversification on financial performance, a proper comparison should have been between the companies that diversified the activities and those that had nearly equivalent financial surplus for their expansion and invested these funds to expand in their own lines. When we look at the details of the increase in total assets of these companies we find that nine out of 15 companies which diversified their activities recorded an increase in their assets to the extent of more than Rs. 50 crores each between 1955 and 1962. Out of the other 15 companies which did not diversify their activities, there were only five which recorded an increase in their assets beyond Rs. 50 crores each during these years. A selection ought to be made from among the companies which recorded nearly similar increases in their total assets.

Another apparent drawback of the study is the comparatively small sample on the basis of which the author has tried to establish a phenomenon of considerable significance. These 15 companies selected by the author do not cover a sufficient span of diversification in Indian industry, especially when their financial performance has to be studied. Dr. Nigam has tried to

prove an important proposition on the basis of the results of just four cotton companies, four jute companies, three sugar companies, two cement companies and one company each from tea and rayon industries. Moreover the sample is not representative of all the companies that went in for diversification. In fact Dr. Nigam has selected such companies which featured prominently "in the discussions in the economic and financial journals and evoked attention of the public at large". To establish the validity of the conclusions of the study it is necessary that a larger sample is taken which should cover, in the first instance, a broader field of industrial activity, and secondly, a certain minimum percentage of such companies. This will reasonably reduce the element of error in the results.

Another aspect which seems to have been ignored in the study is the time taken by the diversification plans to go through the period of gestation so that normal returns start coming from the additional schemes. This is necessary because unless full returns are taken into consideration, it is quite likely that the financial results may not show the real benefits of diversification. This is again very important because the period of gestation is not uniform for all the industries. Although it is not possible to establish very precisely this period for each industry, some reasonable estimate has to be worked out and provision has to be made for such periods before their results can be considered for such a study.

In spite of the drawbacks mentioned above, this study has revealed certain interesting conclusions. Dr. Nigam has compared the growth of total tangible assets, sales, gross profits and net profits in respect of each of the 15 companies that went in for diversification, during their respective pre-diversification years and for 1962. These financial results have been studied in relation to the growth recorded in these financial indicators and compared to their matching non-diversified companies over the corresponding periods. Similarly, a comparative study has also been made of the ratios of gross and net profits to sales and net worth in respect of the two sets of companies.

The study reveals that sales of 11 of the 15 diversified companies recorded a larger increase than those of the non-diversified companies. The figures of net profits show greater increase in 9 out of 15 diversified cases as compared to the increase registered by the corresponding non-diversified companies. One reason for the comparatively less brilliant results in respect of their net profits as compared to their sales is that the diversified companies which have not yet completely commissioned their plants to their full production capacity incur heavy overhead expenses which consequently reduce the quantum of gross and net profits. Another factor which may be mentioned in this connection is that depreciation in absolute terms is usually higher in respect of the newly acquired plant and machinery as against that of the non-diversified machinery where written-down value would have already declined substantially.

Broadly, however, this discloses that the diversified companies have an edge over the non-diversified companies in the matter of improving their sales and profitability. This conclusion is also borne out by a study of the ratio of net profits to sales and net worth. In the case of diversified companies, the ratio of net profits to sales showed improvement in four cases over the period whereas the ratio of net profits to net worth was found to be better in nine cases over the same period. A study of the non-diversified companies shows that the ratio of net profits to sales improved in three cases and that of net profits to net worth was seen to have improved in six cases.

To make the study more scientific a set of correlations could be worked out. For instance, if the companies which go in for diversification show better results, there should be a positive correlation between the increment in capital investment for diversification and additional returns. The coefficients of this correlation would naturally be different from the ones that would be obtained if correlation was tried between the increment in capital investment for expansion in the same line and the additional returns. Only a difference in coefficients of correlation in these two series will provide conclusive evidence in favour of diversification.

Eastern Economist 20 Years Ago

AUGUST 25, 1944

THE WAR has crippled the lending capacity of Britain for at least two decades, unless it be that she is going to effect a second industrial revolution immediately which will put her on very superior levels of efficiency over the rest of the world, and this is highly improbable. The suggestion that British industrialists look forward to foreign investment after the war, e.g., Sir Firoz Khan's message for a fifty-fifty participation in Indian industries, reflects the investing capacity of individual industrialists who have made their pile during war rather than the nation's capacity for overseas investment. Otherwise the refusal of those very same industrialists to admit Britain's capacity for releasing India's blocked sterling assets becomes difficult to understand. In any case, the private fortunes of individual industrialists available for overseas investment cannot and will not alter the broken British balance of payments to the point of rendering possible foreign investment or removing the control over capital movements.

Ruling out Britain, there is no country on the Continent which can undertake foreign investment. On the contrary, the war-ravaged countries of Europe will stand in urgent need of immense volumes of capital. This applies to Russia as well for, say, a decade.

Thus the pre-eminent creditor status of the U.S.A. is unchallenged. But what will the U.S.A. do? It is now admitted by American statesmen themselves that the irregular dollar supply to the rest of the world arising from the high tariffs and irregular lending of the U.S.A. as well as the violent fluctuations in her national income has thrown the world's economy and balance of payments out of gear and that greater import and lending by her are essential to world's as well as her own trade and employment.

Highlights of the Week

ECONOMY IN EXPENDITURE

IN RECENT weeks, the Prime Minister, Mr. Lal Bahadur, has written to his cabinet colleagues and the State Chief Ministers in regard to the urgent problem of rising prices and reducing the current level of Government expenditure. He has propounded the view that there is need for effecting economy in expenditure without hampering the tempo of production. This objective can be attained, in his view, by not embarking upon some of the less urgent projects. He has indicated that expenditure on construction should be pruned, whether it is included within the Plan or not.

In a communication to the Prime Minister Mr. Bhupesh Gupta, Communist Member of Rajya Sabha, characterised the decision to postpone certain projects as "utterly defeatist and wrong approach." Mr. Gupta made a specific reference to the heavy industries, saying that the Prime Minister had recommended postponement and pruning of vital Plan projects which, in his view, was not in the interest of the common man. Mr. Gupta saw no contradiction at all between the heavy, nation building projects and the promotion of the well-being of the masses in the matter of food, shelter, medical facilities etc. In his reply to Mr. Gupta, the Prime Minister reiterated that he had asked his cabinet colleagues to make sizable cuts in Government expenditure and had also given illustrations of the type of projects where economy could be achieved without having any unfavourable impact on the growth of the economy. He further stated that it was in this context that he had drawn attention to the possibility of postponing some of the projects in the field of heavy industries which had not yet been started. Relevant excerpts from Mr. Lal Bahadur's letter to Mr. Bhupesh Gupta are reproduced below:

"The first point which I should like to clarify is that it is not my view that there is a contradiction between the setting up of heavy industries and the promotion of well-being of the masses. But clearly, there has to be some kind of a balance between outlays on heavy industries and outlays on measures which bring immediate benefit to the common man. It is the task of the Planning Commission to study this problem in all its intricacies when formulating the fourth Plan and it is only after the Planning Commission has gone into this difficult question, with all the care that it needs, that the time would come for me and the Government to take a definite view on this.

"The point to which I had drawn the attention of my colleagues was a much simpler one. It is, in my view, necessary to make sizable cuts in Government expenditure, both at the Centre and at the States. To achieve such economies, we must examine the possibilities everywhere and I had advised all my colleagues to extend their fullest co-operation to the Finance Minister and the Deputy Chairman, Planning Commission in effecting such economies. I had given various illustrations of the type of things where economy could be achieved without any serious repercussions of an undesirable kind and it is in this context that I had drawn attention to the possibility of postponing some of the projects in the field of heavy industries which have not yet been started. From what little I know of what is happening today, it seems to me that the many shortages which exist, of cement, steel, foreign exchange availability for the import of machinery and the like, act as limiting factors in the development of heavy industries. I definitely consider that it would be wise not to dissipate our resources by starting too many fresh projects at this stage and instead to concentrate available resources on the speedy completion of the projects already under construc-

tion. Such a policy, I feel, will accelerate rather than retard the development of heavy industries in the country — a development which has to be assessed not in terms of the number of foundation-stones laid but in terms of output derived.

"The other point where I feel you have misunderstood what I had said was in regard to return on investments already made. My reference was to the return on investment made in the public sector which I feel is low either because the projects have not been completed in time or because they do not attain full production according to target. You have referred to the "exploiting elements" which to my mind have no real relevance to the question of returns on public sector investments which I had referred to."

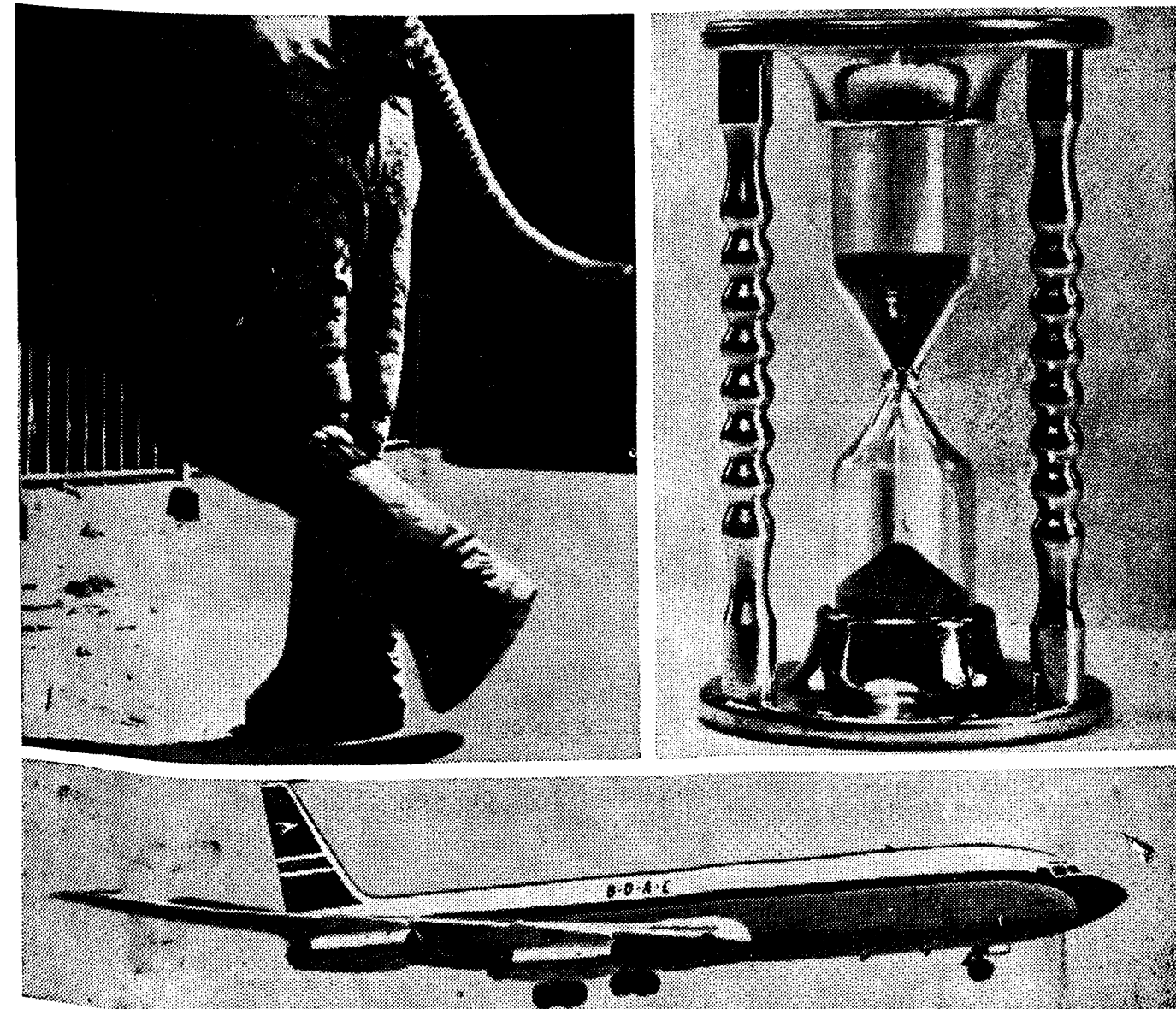
ONCE BITTEN, TWICE SHY

PARADOXICALLY, WHILE Congressmen pledge all support to the eradication of corruption, they feel somewhat jittery at the mention of the word 'corruption' which seems to be getting more and more currency. They are perhaps justified. Having been bitten twice — once by the Das Commission report, and more recently by the Madhya Pradesh High Court strictures passed against Mr. K. L. Khadiwala who, as a sequel, had to relinquish the Chairmanship of the Madhya Pradesh Congress Committee — there is no wonder if they are four times shy. An indication of such a disposition was amply had last week both at the Congress Working Committee meeting and at a session of the Union Cabinet. The Congress Working Committee digressed from its agenda to discuss the "status" of the Samyukta Sadachar Samiti. The back-drop to this discussion was provided by the correspondence exchanged on the subject between Mr. Gu'zarilal Nanda, Chairman of the Samiti, and Mr. Atulya Ghosh, the West Bengal Congress Chief. Mr. Ghosh was prompted to write to Mr. Nanda when it was brought to his notice that a section of the Congressmen was opposing the Samiti's activities. While the Prime Minister did not take part in the discussions, the Congress President, Mr. Kamaraj, stated that the Party had nothing to do with the Samiti, although it had all sympathy for agencies engaged in anti-corruption activities. Mr. Nanda, however, explained that the Samiti represented the non-official, non-party forum for the crusade against corruption. The Congress Working Committee was more in a mood to 'disown' the Samiti than to 'own' it, it did neither. The future of the Samiti has now been left to the Congress Parliamentary Board, which will be meeting shortly to consider the recommendations of the Santhanam Committee on combating corruption.

Perhaps more than anything else, the Congressmen dread the Santhanam Committee recommendations. At the meeting of the Union Cabinet, which discussed the Santhanam Committee report, the recommendation to be assailed volently was the one which demanded an enquiry by a panel in case of a complaint by ten legislators against a person in high position. The recommendations of the report are likely to undergo drastic changes before final acceptance by the Government.

Some progress has been made both at the official and the non-official levels in regard to positive measures in specific cases. A panel of lawyers, appointed by the Congress Party some time back to go into the corruption charges against the Chief Minister of Orissa and his colleagues, has finalised its report. Meanwhile, a five-man Cabinet sub-committee has been set up to consider these charges. At the Government level, the Central Vigilance Commission is being fully geared to the task of combating corruption in administration. The Ministry of Works, Housing and Supply has constituted a study team for examining the organisation, structure, and methods of

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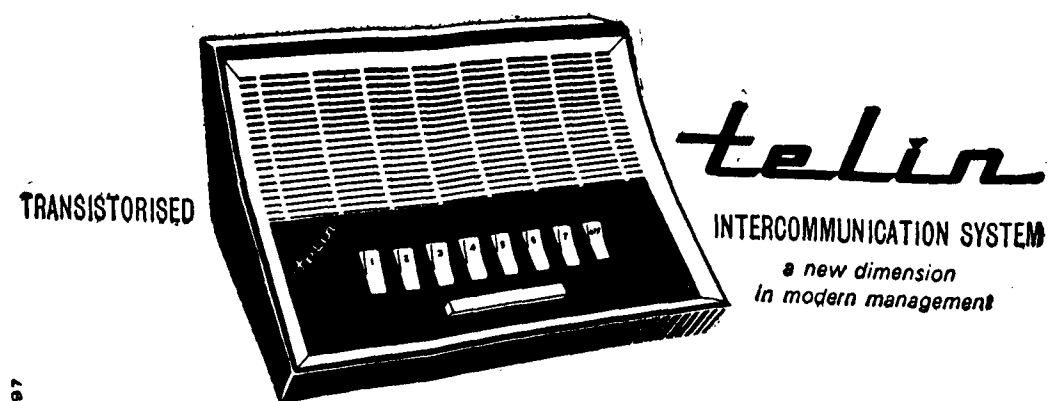
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work and procedures of the offices of the Central Public Works Department — all in an effort to eliminate malpractices. These are all healthy signs, but surely the Government will have to do much more. Besides Orissa, there are the States of Mysore and Madhya Pradesh whose Chief Ministers are facing allegations of corruption. The Government's hesitation to take resort to judicial probes in such cases is understandable but any attempt to condone the sins of the erring members is likely to recoil heavily on the ruling party.

PEACE IN NAGALAND

NAGALAND HAS been in the throes of a turmoil for more than eight years. The happy news of a cease-fire last week was, therefore, received with great satisfaction all over the country. It has rightly been claimed that the truce, which will come into effect from the mid night of September 5, is a result of genuine anxiety on the part of both the sides to come to terms and put an end to this fruitless fight. According to Press reports, a settlement has been reached on all major questions related with cease-fire though details on the patrolling of the international border and the major highways are yet to be worked out.

The broad terms and conditions for the stoppage of operations have been released to the Press by the Governor of Assam, Mr. Vishnu Sahay. After the cease fire on September 5, the representatives of the Government of India, in association with the representatives of the Government of Nagaland, will take part in talks with leaders of the underground Nagas. From the date of the cease-fire, the security forces will not undertake (a) jungle operations; (b) raiding of camps of the underground; (c) patrolling beyond a thousand yards of security posts; (d) searching of villages; (e) aerial action; (f)

arrests and imposition of labour by way of punishment. During the truce period, no fines, connected with allegations of complicity with underground leaders, will be imposed. On the part of the underground leaders, an assurance has been given that during this period, they will refrain from sniping, ambushing, kidnapping, raiding and firing on security posts, towns and administrative centres and moving with arms or in uniforms in towns, villages and administrative centres, wherever there are security posts. In case an encounter took place, both the sides will observe the rule "no firing unless first fired". Regarding the patrolling of the security forces, it has been agreed that the international border security forces will maintain patrolling to a depth of 3 miles as the crow flies from the frontier.

On the assumption that these talks will lead to promotion of permanent peace in Nagaland, the Central Government has already started formulating plans for improving the standard of living of the people in frontier areas, including Nagaland. It is known that Nagaland is deficit in foodgrains. The Centre is thinking in terms of rapid economic development of this area and will encourage such schemes as relate to soil conservation, reclamation of land, distribution of improved seeds, etc.

The Peace Mission has played a commendable part in bringing about the truce in this area. It is now preparing a widespread campaign among the people to start a new chapter in the life of the State in the spirit of "forget and forgive". The Peace Mission is preparing leaflets, in different Nagaland dialects, for circulation in the villages. There is no doubt that the Government of India will also approach the problem with an open mind and see to it that the genuine aspirations of the Nagas are fulfilled.

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Role of Anti-Monopoly Laws in a Free Market

ADOLF A. BERLE, Jr.

(Professor of Corporation Law, Columbia University, New York)

THE AMERICAN economic republic has dealt with the ancient conception of the "free market" on a realistic basis. Here, probably, economic theory is evolving more rapidly than in any other single respect.

In the 19th century, a free market was somehow assumed to be a basis for human freedom. French physiocrats like Quesnay believed (as did Proudhon in later life) that a man could not be free unless he had some piece of property with which he could produce — else he was a mere plaything of a dictatorial state. Adam Smith, writing before the French Revolution (his great work, "The Wealth of Nations," came out the same year the United States declared its independence of Great Britain), followed that theory. This was natural. Continental Europe only began to emerge from absolutist monarchies when the Bourbon dynasty fell in 1789. The absolute sovereign who controlled the persons, property and economic activities of his subjects continued throughout much of Europe until the Revolution of 1848. Naturally, perhaps, 19th century economists proposed the theory of the "free market" as antithesis to feudal or state-monarchist economic systems prevailing when the 18th century drew to a close.

Modern Theory

This idea — that of the "classical economists" represented by the Austrian Ludwig von Mises and in America by his disciple, Friedrich von Hayek — is rapidly losing ground. Modern theory is not that a free market makes free men. Rather free men make a free market — and take it or leave it, limit, modify or reject it. In the United States at present a large sector of economic production and distribution is carried on under the free market system. But the free market has become (perhaps always was) subject to considerable State influence.

Classical economics taught that all useful economic activity would be motivated and brought into existence by the desire to make profits; also that in a free market the aggregate of economic activity thus sparked by hope of gain would best allocate the resources of the nation — would allocate part of production to "capital" and part to "consumption"; would set up prices for goods so that the supply would be best allocated to need and want.

Under this spur, production would seek those areas where buyers most wanted the product. Labour was considered a commodity. In a free, that is, a competitive market, the best available equation between the price of labour and the employment requirements would be struck. There is, nevertheless, difficulty with this classic theory — as the United States has discovered. The most notable is that the free market will not stay free unless some outside power — the State, in fact — compels it to remain so. Left to themselves, enterprises in the free market will not indefinitely compete with one another. They will combine, and set up monopolies or cartels. Or, the strongest, by his competition, will bankrupt the weaker and emerge as a monopoly.

Something very like this, indeed, did occur in the United States at the close of the 19th century — as also occurred in great parts of Europe, possibly continuing even to this day. This led the United States in 1890 to pass the Sherman Antitrust Act and, after a decade of waiting, to commence its vigorous enforcement. It has since been reinforced by other laws, notably the Clayton Antitrust Act, by creation of the Federal Trade Commission and the setting up of an active unit in the Department of Justice to enforce these acts. In combination, these amount to powerful intervention by the State — for the purpose of maintaining the free market — within certain limits. Withdraw these State activities, and the free market in the United States in all major lines would probably disappear in a few years.

Again the free market, as Americans see it, has a number of useful attributes. It can maintain a degree of competition. This means that the corporations, competing with each other, keep their prices within reason. Monopoly being prohibited, no one corporation can oppress a customer by refusing to supply him; he can go to another supplier. The free market does mean that many private enterprises are constantly seeking new outlets for their organizational ability and their capital. This means a high degree of innovation — new ideas, new processes, new services and an economic system seeking primarily to satisfy the wants of a large population, testing itself by what the population does want — rather than by what someone in a commissariat thinks the population ought to want.

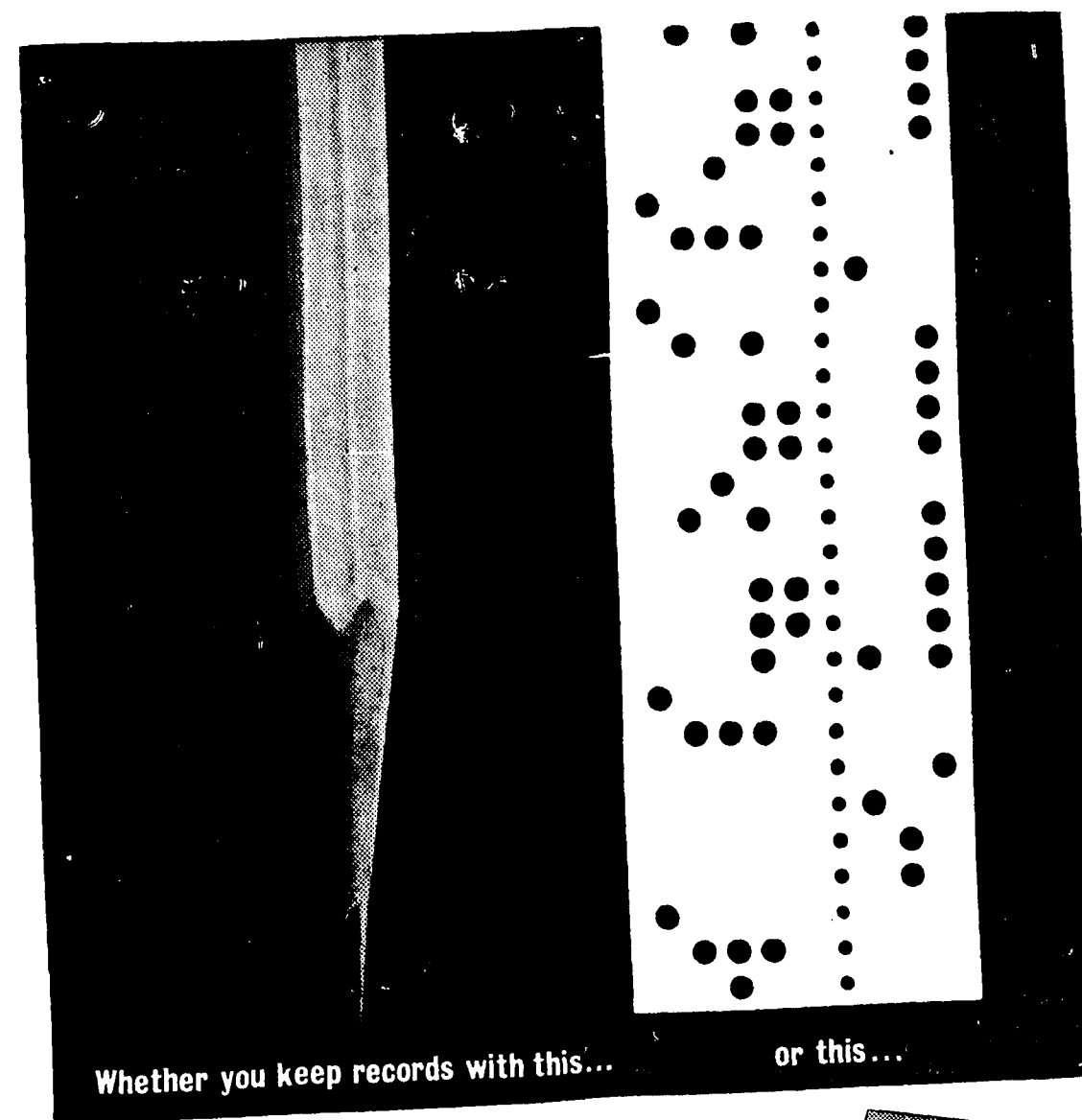
Frivolous Activity

The difficulty lies in the waste, even the frivolity, of some free market activities. Much of this current criticism is true. It is not always easy to defend a system which rewards the creator of a new mouthwash as highly as it does the publisher of first-rate books or the producer of first-rate plays. The free market sometimes seems to satisfy — or even debase — cultural levels rather than to raise them.

The American economic republic, nevertheless, has always been cautious at this point. It rarely tries to tell its population what they must consume, considering that control of a man's consumption comes perilously close to being control of his life. The assumption is that Americans must choose their own ways of life, and consequently what they will consume.

This, some argue, makes for a "bad civilization". Possibly. Certainly it is plain that in the next few decades the greatest problems in the United States lie not in the field of production or even distribution but in the field of education and cultural advance: in education, in taste, in aesthetics.

The American reliance on the free market system for a substantial part of its production is certainly not ideal. Yet it is considered better than reliance on some Orwellian Big Brother (Communist dictator), with a hierarchy of police, imposing his will by economic pressure.



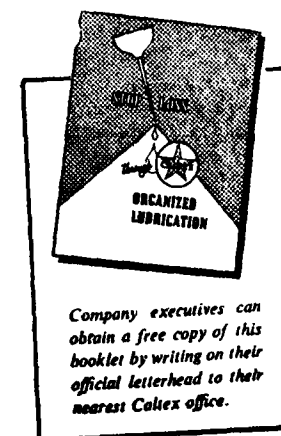
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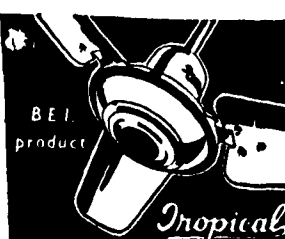


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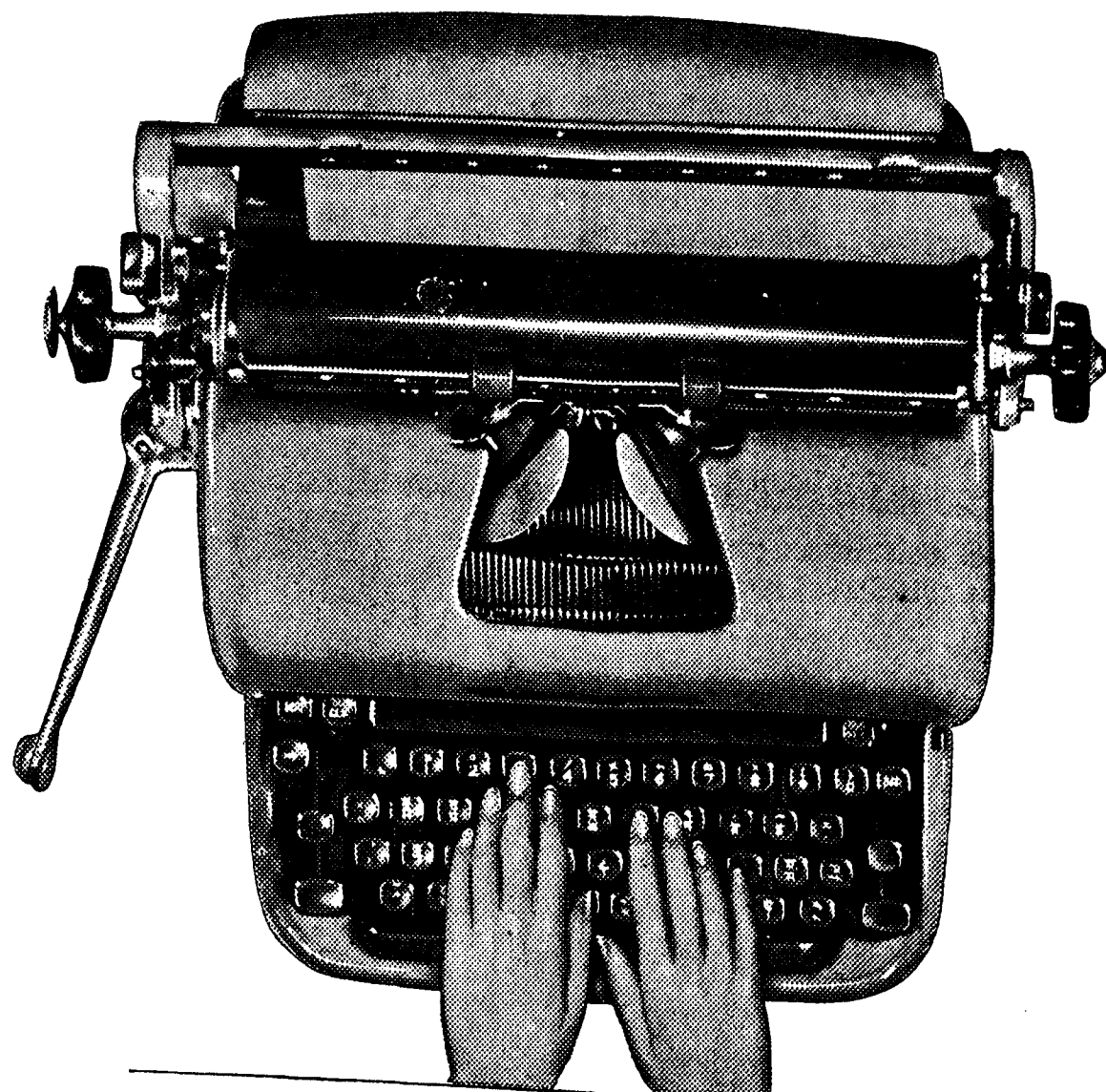
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Is Slowdown a Strike?

ARIJUN P. AGGARWAL

AFTER THE Chinese aggression on our borders in October 1962, a joint meeting of all central employers' and workers' organisations was held on November 3, 1962 when it was resolved unanimously that "under no circumstances shall there be any interruption in or slowing down of production of goods and services" and that no effort should be spared to achieve maximum production. It was also agreed that any planned idleness or waste, or any negligence, careless operation, damage to property, or interference with normal work, should be denounced by the unions. Earlier, at the 15th session of the Indian Labour Conference in 1957, certain principles were evolved to recognise the dignity of labour and to ensure better relations between employees and employers. One of the principles was that "there should be no recourse to 'go-slow' tactics". It was further agreed both by management and unions in the "Code of Discipline" "that neither party will have recourse to (a) coercion, (b) intimidation, (c) victimisation or (d) go-slow tactics. The unions further agreed "to discourage unfair labour practices such as (a) neglect of duty, (b) careless operation, (c) damage to property, (d) interference with or disturbance to normal work, and (e) insubordination."

In spite of repeated solemn agreements, however, slowdowns have occurred in the recent months even in industries of national importance. During the period of the Emergency any such break in the regular flow of production is bound to affect the security of the country and to disturb the routine of the national life.

The country has witnessed three major 'slowdowns' during the last six months. The first was reported in the government-controlled Rourkela Steel Plant. The slowdown continued for more than a month and the industry suffered a loss in production for more than 15 million rupees. (The indirect loss such as that to machinery etc. was not calculated). The other 'slowdown' was by 'grain workers' at the Bombay docks which continued for three weeks. The demurrage payable to the port authorities and shipowners worked out to about Rs. 70,000 for each day in clearance. Lastly, the nation was taken by surprise by mass indiscipline and 'slowdown', in the banking industry, started in the third week of July, throughout the country. It caused serious hardship not only to the business community but to the wage earners as well. Total national loss, which is expected to be in millions of rupees, has not so far been estimated.

Right to Strike

It may be assumed, without relying on any particular statute, that workers in India do have a right to strike, for better wages and other terms and conditions of employment. There are, however, certain restrictions on this right, both in statutory provisions and in case law. The term 'strike' is defined in the Industrial Disputes Act, 1947, Section 2(q) as follows:

"'Strike' means a cessation of work by a body of persons employed in any industry acting in combination, or a concerted refusal, or a refusal under a common understanding, of any number of persons who are or have been so employed to continue to work or to accept employment."

"Slowdown" is not included in this definition of "strike". But the unions have contended that the right to strike includes the right to engage in slowdowns. As early as 1953, however, the industrial tribunals refused to accept this view. Under the Bombay Industrial Relations Act, 1946, Section 3(a) "strike" is defined as 'a total or partial cessation of work' instead of 'a cessation of work' as in the Industrial Disputes Act. For some time, on the basis of the words 'partial cessation', slowdowns have been held to be strikes under that

*361 U.S. 477 (1960), 39 CCH Lab. Cas. 66,239.

Act. But in 1957 under the same section of the Act, the Labour Appellate Tribunal at Bombay held in *Bai Sontok Beni v. Fine Knitting Co.* (1957-1-LLJ. 409) that deliberate 'slowdown' cannot be considered to amount to a strike.

In May 1950, in *Moti Pura Sugar Factory*, the Bihar Government had appointed a Court of Enquiry to find out "what measures should be adopted by the Government of Bihar to deal with the go-slow (slowdown)?" The Court of Enquiry suggested, along with other things, that slowdowns should be treated as similar to illegal strikes.

"The solitary example of recognizing a slowdown as a 'strike' is in the report of the Committee appointed by the Bihar Central Standing Labour Advisory Board in 1950-51. That Committee recommended that slowdown by workers should be treated as on a par with a strike. It also recommended that 'slowdown' caused by the malpractices of the management would be justified. But it said that workers should not resort to a slowdown without at least seven days' notice. The Bihar Government accepted these recommendations by its resolution of December 1, 1951.

It may be noted, however, that in spite of the approval that the "slowdown" received from the Committee and the Government of Bihar, the standing orders of companies in Bihar State continued to list a slowdown as misconduct. They were upheld by the courts.

Serious Misconduct

Slowdown of production represents what would otherwise be a strike, but without suffering loss of wages. In *Bharat Sugar Mills v. Jai Singh*, 1961-II LLJ. 644-47, the Supreme Court of India condemned the slowdown tactics. It pointed out that a "slowdown" is a picturesque description of a deliberate delaying of production by workmen pretending to be engaged in the factory but not really doing so. It is one of the most pernicious practices that discontented or disgruntled workmen can resort to. A slowdown is likely to be much more harmful than total cessation of work which results from a strike. During a strike much of the machinery can be fully turned off, but during a slowdown it must keep going at a reduced speed which is often extremely damaging to some of its parts. Furthermore, a slowdown prevents an employer from hiring replacements. For all these reasons, a slowdown has always been viewed as serious misconduct. If permitted with impunity it would undermine discipline and would encourage inefficiency among the workers.

The industrial tribunals and courts in India have taken a very serious view of slowdown tactics. The slowdown has been treated as a misconduct of serious nature for which an employee may be dismissed.

In *Firestone Tyre & Rubber Co. v. Bhoja Shetty* (1953-54) V F.J.R. 159 L.A.T.) the Labour Appellate Tribunal condemned the deliberate efforts to reduce production which not only caused a serious drop in production but also induced a spirit of calculated indiscipline which undermined the stability of the industry.

In the United States, "slowdowns" are covered by the definition of strike given in the Labour Management Relations Act. Section 501(2) which reads: "The term 'strike' includes any strike or other concerted stoppage of work by employees and any concerted slowdown or other concerted interruption of operations by employees." The National Labour Relations Board has held that a slowdown is a partial strike and a harassing tactic, and, therefore, an unprotected concerted activity. The United States Supreme Court in *Insurance Agent's Int'l Union v. NLRB** has held that though the slowdowns and other harassing tactics did not amount to refusal to bargain in good faith under section 8(b) (3), such harassing

tactics were a wrong not protected against disciplinary action.

Thus the NLRB and the courts permit the employer to take disciplinary action against such employees who engage in slowdown and other harassing tactics.

In Australia 'go-slow' (slowdown) does not amount to a strike either within the natural meaning of that word or as a partial failure to work, because in 'go-slow' the workman does not refuse to work either wholly or in part, but merely refuses to work at a normal pace. The Federal Act contains a provision prohibiting, *inter alia*, an officer or a member of a Committee of an organization which is bound by an award, from advising, encouraging, or inciting any one to retard, obstruct or limit the progress of work by "go-slow" methods, or to adopt a practice or mode of performance, the result of which would be a limitation or restriction of output. (Conciliation and Arbitration Act, 1904-59 S138).

How to Prevent Slowdowns?

Slowdown in India is a serious offence and it should not be taken lightly either by the employer or by the government. The government policy as indicated above is against the slowdowns. The tripartite resolutions have condemned it and federations of unions have many times given assurance that they would not adopt slowdown tactics. The law is also against slowdown tactics and empowers the employers to discharge the employees who engage in or instigate such activities. Apart from this, the certified standing orders of most of the industries put "slowdown" in the category of misconduct for which an employer could dismiss the workman concerned.

There is a great difficulty, however, to find out when the workers really are on "slowdown". Sometimes the union gives a notice of its intention to start slowdown on a certain date if their demands are not met. But on other occasions, slowdowns are started without notice. The union secretly instructs its members to adopt the 'slowdown' tactics. The employer comes to know about a slowdown only after a long

span of time, when a considerable damage has been done to the machinery and production. The employers need to be extra-vigilant during negotiations and during the pendency of an industrial dispute. A well-managed system of daily production record of an individual worker would be of great assistance in this regard.

The courts have approved the employer's right to dismiss an employee for engaging in slowdown tactics. But they do require, of course, that the offence be properly established through a domestic enquiry and according to the procedure established. Natural justice demands that no man be punished unheard; and this is particularly true in cases of dismissal for misconduct in the realm of industrial relations.

The misconduct of "slowdown" differs from an ordinary misconduct as it is a continuing one. If an employer has to defer disciplinary action against a workman till sufficient evidence is accumulated, he would have suffered irreparable loss by that time. It is in the interest of industry that the courts relax the procedural requirement for dismissal due to misconduct in cases of 'slowdown' particularly when it is started by giving a regular notice to the employer, because notice itself is presumptive evidence against the employees. It is, therefore, suggested that (1) The management should be free to withdraw recognition from a labour union whose leaders instigate or countenance slowdown tactics; (2) Slowdown should be treated as a social crime; (3) A federation, to which the local union engaged in slowdown is affiliated, should be asked to cancel its affiliation because it has violated both the Code of Discipline and the Truce Resolution; (4) Provision should be made that the unions and its leaders would be made responsible for the damages caused by slowdown.

No restriction on the right to strike is suggested. But it is highly appropriate that proper and firm steps should be taken to control the under-hand labour practices, such as slowdowns which may jeopardise the national economy at any time.



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(PST-100-210)

WINDOW ON THE WORLD

Lessons of the Ferranti "Scandal"

JOSSLEYN HENNESSY

LONDON:

PARLIAMENT'S final session before the general election closed with an Homeric clash between the Government and the Opposition over the Auditor-General's recent discovery that Ferranti's had made a profit of £5,770,000 on their contract to produce the Bloodhound missile. The firm is now to refund £4,250,000. The price of £12 millions, agreed between Ferranti's and the Ministry had allowed for a profit of 7 per cent on costs. But costs turned out to be only £7 millions, giving a profit of 82 per cent. This outcome created red faces on the government benches and enabled the Opposition to go to towns with cries of "profiteering", "scandal", and "capitalist exploitation". So much so that the basic issues at stake, important not only in the U.K. but in all countries in which governments place contracts with private firms, have been lost to sight.

The first question is how did the Ministry of Aviation's experts come to make so large an error in their estimates of Ferranti's costs? The explanation was that the cost experts concerned are too few and too over-worked. This should be easy to remedy. But their calculations continued over a period of time, and the second question was why, when Ferranti's realised the huge margin that was piling up for them, they did not utter a squawk? Their attitude seems, in effect, to have been that if the government was satisfied with the contract that they had voluntarily signed, why should Ferranti's raise objections? Mr. de Ferranti, the chairman, told the Public Accounts Committee that labour costs were saved because "we resolved the technical problems competently and quickly and ... we employed skilled labour and so arranged our affairs and trained them that they were able to do the job more quickly than our competitors". Mr. de Ferranti's attitude was that he was accepting a fixed price contract, which inevitably involves risks. If costs had risen against him, he could not have complained. Mr. de Ferranti told the Public Accounts Committee that he had been half expecting the Ministry of Aviation to re-open discussions because the Ministry had all the information about the way that the work was developing. The Ministry had, in fact, obtained Ferranti's true labour costs for Bloodhound, as opposed to the original estimates, when its experts went to calculate the allowance to be added for over-heads. The two sets of figures were not however, compared because they were pigeon-holed in different sections of the Ministry! Ferranti's had concealed nothing and legally their position was cast iron.

On the other hand, from the viewpoint of public relations and common sense, their behaviour was childish. They have made the Ministry of Aviation look complete fools, they have damaged the public image of private enterprise at a moment in the electoral history of the country in which private enterprise ought to be on its best behaviour, they have given the Labour party a wonderful stick with which to whack the government, and they have confirmed every Socialist in his

worst suspicions of "big business", which can now look forward to rougher treatment than ever if Labour wins.

As against all this, however, I maintain that the bigger fault lies with the government. The key to the Ferranti riddle is the Ministry of Aviation's allowance for profit of seven per cent. If there is a scandal, it is in this ridiculously low figure for the production of a vital part of Britain's rational defence, which involves the most complicated and up to date technologies. Moreover, any firm with experience of government contracts in any country will tell you of the headaches, risks, and thanklessness of the task. Specifications are liable to frequent modifications, and government expenditure to sudden postponements or economy cuts, for which the compensation, if any, is usually wholly inadequate to the dislocation caused, often to other commercial contracts under simultaneous production. The chairman of one of Britain's best known companies, which undertakes vast contracts for the government, once told me — long before the present "scandal" broke out — that if he could see any way of refusing a government contract, he would never take another one. Seven per cent is an average profit allowance for such contracts in the U.K.

Incentive to Silence

I suggest that a firm which found itself in Ferranti's position would have an incentive to warn the government's officials of their mistake about labour costs if the firm knew that it was going to be allowed at least 20 per cent profit, which is nearer a reasonable figure for an efficient enterprise engaged in a new commercial venture of the magnitude, complexity, and unknown risks involved in the Bloodhound missile. But with the low profit margins offered by the government, a firm feels that it cannot get a fair return for good work produced on time, and it has an incentive to keep quiet if, for once in a way, the government makes a mistake.

If, on the other hand, the government's officials make no mistake, such low profit margins offer no incentive to a firm to find ways of improving quality and speeding production. A government which pays low rates gets low quality. A high profit would not only reduce the chances of a repetition of the Ferranti experience with other firms, but it would provide a real incentive to produce efficient defence weapons and to streamline production methods — to the benefit of the taxpayer, the industry, and the economy as a whole.

Admittedly, Ferranti's behaved foolishly, but the lesson for the UK Government, and for all governments, is that they should treat private enterprise generously, so that a firm finds that good behaviour is neither difficult nor expensive, but easy and profitable. A government which tries to employ labour on the cheap is universally condemned, but when it tries to employ capital on the cheap nobody protests. Is it not time that it was universally recognised that neither cheap labour nor cheap capital give the best results?

International Liquidity and Price Level

PAUL EINZIG

THOSE WHO expected the Tokyo meeting of the International Monetary Fund to decide upon measures to bring about an immediate expansion of international liquid reserves were no doubt disappointed by the strictly non-committal character of the Report issued by the Ministers of the Group of Ten which, together with the I.M.F.'s own expert committees, was pre-

paring the ground for a decision on the subject. The Ministers arrived at the conclusion that supplies of gold and of reserve currencies are fully adequate for the present and are likely to be for the immediate future. The most they could offer is a moderate general increase in I.M.F. member quotas, to be decided upon in September 1965, and arrangements to study

the various proposals regarding the creation of additional reserve assets.

The Report is doing its best to allay the "liquidity-hysteria" that has been evident in recent years by pointing out that "the fact that some individual countries find themselves short of external liquidity is not prima facie evidence of a general shortage of international liquidity". On the other hand, it warns that further expansion in world trade is liable to entail a corresponding increase of requirements of liquid resources and that the increase in gold output is not likely to be sufficient to meet these requirements. Likewise, it warns that the United States is not likely to oblige the world indefinitely by supplying dollars as a result of her adverse balances of payments.

All this is common sense. Where the Report goes hopelessly wrong is in respect of its defective diagnosis of the main cause of a potential acute shortage of liquid resources. In addition to growth of world trade and of capital movements, amplitude and duration of imbalances of international payments and psychological attitudes towards reserve requirements, changes in reserves, and the use of available credit facilities, there is a factor which the Report contrived to overlook completely — the trend of world prices. Yet surely it must be obvious to every student of economics that reserve requirements must rise and fall with the ups and down of prices. It is not only the increase in the volume of foreign trade that tends to increase the amount of international resources needed for financing it, but also the increase in the prices at which it has to be financed. Even though there is no such strict arithmetical relationship between the volume of international capital movements and the rise in prices, in the long run the size of international payments, financial as well as commercial, tend to adapt itself to major changes in prices. The size of "hot money" movements, for instance, is today several times larger than it was before the war.

Although it is only too glaringly obvious that rising prices tend to increase the need for gold and reserve currencies, hardly any of the experts who have been agitating in favour of the adoption of some ingenious formula by which international reserves could be increased by a stroke of the pen have as much as mentioned this aspect of the problem. In this respect at any rate economists do not seem to differ. Seven economists may well hold eight different opinions about the right formula, but there seems to be a tacit agreement between them on their attitude in trying to ignore the price factor out of existence.

Deceptive Simplicity

The explanation of this attitude is that, once they acknowledge the existence of a price problem in connection with their liquidity schemes, those schemes would lose their deceptive simplicity in which lies their principal attraction. How easy it would be to persuade public opinion, and even sophisticated politicians, to suggest a reform which merely requires a stroke of the pen that would enable mankind to live happily forever after! But it would be quite a different proposition if the Triffins, the Berssteins, the Stamps, the Maudlings and the rest of the authors of liquidity schemes were to admit that, in the oversimplified form in which they try to sell their schemes, those schemes are doomed to defeat their object. Any increase in international liquidity would entail, in existing circumstances, an accentuation of the rise in the international price level, a rise which would inevitably cancel out the additional liquidity in a few years.

In order to ensure a lasting increase in international liquidity, any increase in the volume of liquid resources, whether through the adoption of one of the schemes or through

the increase of I.M.F. quotas or even through an all-round devaluation of currencies, would have to be linked with measures to mitigate the inflationary effect of such an increase. In other words, for the sake of ensuring lasting benefits through an expansion of liquid resources, it should be made conditional on the acceptance of an incomes policy. Unless this can be achieved any expansionary measure could only bring about passing results.

In our equalitarian world the lower income groups could be the principal beneficiaries from a general rise in the standard of living resulting from international expansion through an increase of liquid resources. It is, therefore, to the lasting interests of the lower income groups to practise self-restraint in order to assist in the achievement of expansion without inflation, or at any rate with a minimum degree of inflation. It should be the duty of experts in working out the solution of the problem of liquidity to use their authority to make public opinion realise the fact that there can be no lasting solution unless it is combined with the adoption of an incomes policy. But it is ever so much simpler to put forward a magic formula — of a kind which, in words of the London "Economist", could be drafted by any articulate economist on the back of an envelope in a matter of minutes — than to make it plain that the success of such a scheme could only be achieved through co-operation between all classes in an incomes policy.

Company Notice

THE GWALIOR RAYON SILK MFG. (WVG.) CO. LTD.

Registered Office: Birlagram, Nagda

NOTICE

NOTICE is hereby given that the Seventeenth Annual General Meeting of the Shareholders of the Company will be held on 18th September, 1964 at 3 P.M. at the Registered Office of the Company to transact the ordinary and special business mentioned in the Notice which is being posted to the Shareholders of the Company along with the Explanatory Statement required under Section 173 of the Companies Act, 1956, Balance Sheet, Profit and Loss Account and the Directors' Report for the year ended 31st March, 1964.

N.B.: A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a Member.

Notice is also given that the Register of Members and Transfer books of the Equity Shares of the Company will remain closed from 31st August, 1964 to 18th September, 1964, both days inclusive.

The Dividend on Equity Shares when sanctioned will be made payable at the United Commercial Bank Ltd., on or after the 18th September, 1964 to those shareholders whose names stand on the Register on 18th September, 1964, to whom dividend warrants will be posted.

By Order of the Board
B. N. PURANMALKA
Secretary

Birlagram, Nagda,
21st August, 1964.

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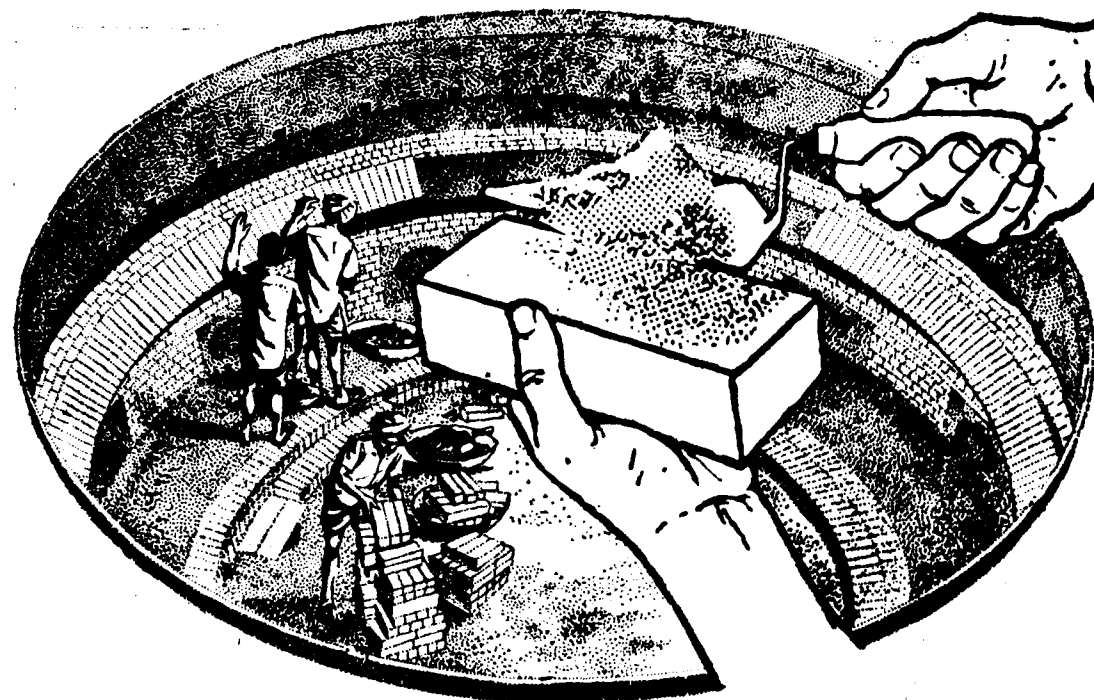
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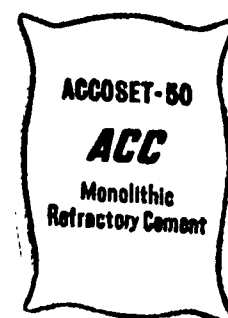
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By Our Special Correspondent

NEW DELHI:

A JOINT delegation of National Iranian Oil Company and American International Oil Company that arrived here last week has been having talks with senior officials of the Ministry of Petroleum and Chemicals in an attempt to come to an agreement regarding the supply of crude oil for the proposed Madras refinery. The delegation met the senior officials of the Ministry including Mr. Nakul Sen, Secretary (in the absence of Mr. Damle, who is on leave), Mr. N. N. Kashyap, Joint Secretary, and Mr. P. R. Nayak, Chairman, Oil and Natural Gas Commission. They also met Mr. O. V. Alagesan, Minister of State in the Ministry of Petroleum and Chemicals, and certain officials of the Ministry of Finance. Although no conclusive decisions have been taken as yet in the absence of the Union Minister for Petroleum and Chemicals, Mr. Humayun Kabir, who is likely to return from his foreign tour on August 31, it is understood that the delegation has not been able to offer sufficient reduction in the prices of crude oil, which is now the main point in the negotiations.

It is believed that an offer has been made by the delegation of a type of crude oil with high sulphur content at the rate of \$1.43 per barrel, which is considered to be rather on the higher side, particularly when additional plant and equipment will be required to extract sulphur and other impurities from this type of crude oil. It is gathered that the Government spokesmen expected a lower price of around \$1.30 per barrel. The American International Oil Company, it is believed, is prepared to reduce its earlier demand for a twenty-year contract for the supply of crude oil and is now agreeable to a shorter period of five years or so. An official statement issued last week also mentioned the difference of opinion that emerged during these negotiations and it was indicated that these discussions were likely to be resumed after the representatives of the said companies have had further consultations with their respective principals.

Future Possibility

A delegation from Kuwait which is in Delhi has also been discussing with the Government the possibilities of the supply of crude oil. But this is a possibility for the future because at the moment the Kuwait Government and the Kuwait National Oil Company do not have any crude oil of their own. Kuwait is credited with the intention of throwing open some of its off-shore areas for drilling and expects sufficient surplus crude oil that will be made available in about three to five years.

Another offer that the Government of India is likely to consider for the Madras Refinery is from a French company which has offered a loan of \$40 million for the supply of crude. It is, however, indicated that the rate of interest of this loan is considered to be on the high side. Moreover, no precise offer has been made about the price at which crude will be supplied. It may be added that the Union Government is not prepared, at the moment, to enter into a long-term contract with this company.

The new proposals offered by the BOC-Shell International are still being considered. The discovery of a new field in Oman by Shell has added interest to these proposals. A final choice may be made in the month of September and the

present round of discussions with various interests may be completed towards the end of August when the matter will go to the Cabinet.

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The fourteenth meeting of the Board of Trade held here last week under the chairmanship of Mr. Manubhai Shah, Minister of Commerce, approved an export target of Rs. 5,100 crores for the fourth Plan. There was a general consensus of opinion that taking into consideration the export possibilities in the various agricultural and industrial sectors and the economic conditions prevailing, this target would be reasonable for the five years of the fourth Plan with the export earnings in 1970-71 at Rs. 1,110 crores. The achievement of the target would call for the adoption of an integrated and co-ordinated policy designed to ensure the availability of the required quantities of commodities for export, even if this might involve a certain measure of restraint on domestic consumption. Moreover, a high degree of co-ordination among the different ministries of the Government of India as also between the Central and the State Governments would be necessary so that an integrated policy could be evolved and carried out without interruption. It was also felt that in the achievement of the export targets the various public sector undertakings should play a definite role.

The Board expressed concern regarding the inflationary pressures that were developing in the economy which might come in the way of larger exports. It was suggested, therefore, that drastic measures should be taken to achieve some degree of price stabilisation with a view to reducing costs and making Indian exports competitive in the world markets.

The Board regretted that the export of certain items such as vegetable oils had to be banned suddenly on account of scarcity conditions prevailing in the domestic market. It was indicated, however, that continuity in supplies for export was absolutely essential for maintaining our markets abroad. Abrupt stoppage of exports seriously affected the confidence of foreign buyers resulting in loss of goodwill and the markets. The need to ensure the continuance of export promotion policies over a reasonably long period of time was stressed so that trade could plan its exports on a long-term basis. No major changes should, therefore, be made in the export promotion policies during the Plan period.

Reviewing the targets for individual commodities, the Board felt that there were good possibilities of building up the exports of iron ore up to 25 million tons by 1970-71. An integrated programme of mining, transportation and port development was being implemented. The Board urged that the target for iron ore facilities should be worked at 30 million tons to achieve an export of 25 million tons per year by 1970-71. Likewise, there were considerable possibilities for increasing the exports of marine products, if an oceanographic survey was undertaken and proper facilities provided for mechanised fishing and refrigeration. With the increasing production of steel in the country, substantial exports could be developed in this line by earmarking a part of it, say, half a million tons of prime steel, for export every year to the countries of Asia and Africa.

It was felt that a systematic plantation programme for cashewnuts was absolutely necessary for ensuring adequate

supplies of raw nuts in the future. The representative of the Ministry of Food and Agriculture assured intensive attention and advance action in order to achieve the suggested targets. It was realised that it would be necessary to initiate advance action from now on so that the quantities required for export may become available during the fourth Plan. In fact it was stated that necessary action had already been initiated to increase the production of raw cashewnuts to 150,000 tons from the present annual production of about 75,000 tons.

Another suggestion was made in that collaboration arrangements should be entered into between manufacturers in India and marketing and distributing agencies abroad to build up an export market. The importance of an integrated approach by the various ministries to the various problems involved in exports was also emphasised. It was stressed that the pattern of investment in the fourth Plan should be ensured to yield the maximum results, the agriculture-based industries should receive priority and that adequate attention should be paid to economic and social over-heads.

The need for increasing the productivity of jute was urged if the increased export earnings of Rs. 180 crores were to be achieved by the end of the fourth Plan. The real handicap in future years, it was stated, was going to be the non-availability of adequate jute fibre. It was suggested that better quality of jute fibre should also be produced. The price of jute goods at reasonably high levels was recommended to be maintained if necessary by a suitable import policy of a million bales of jute fibre. The need was also stressed for tax concessions and relief to the tea industry if the exports figure of Rs. 160 crores per year was to be reached by 1970-71.

The Board also decided that Regional Export Information Bureaus be opened in all the important regions of the country to disseminate necessary information and to create proper public opinion in favour of exports. It was proposed that the Ministry of Information and Broadcasting be requested to bring out half a dozen documentary films on export activities and the role that exports play in building up the national economy.

The Board of Trade will hold its next meeting in Bombay on Monday, October 5, 1964, when the work of the United Nations Conference on Trade and Development and the strategy for promoting exports to the countries of Africa will be considered.

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The Union Ministry of Steel and Mines has indicated that tentative targets of coal production in the private sector have been placed at 5.14 million tonnes of additional coal production in the remaining period of the third Plan and an output level of 76.49 million tonnes by the end of the fourth five-year Plan. The Union Government has asked the industry to go ahead with the formulation of its programme, particularly in regard to the fourth Plan production. The units which are expected to make a contribution to the additional production during the fourth Plan period have been called upon to furnish detailed annual plans supported by necessary blueprints. The Planning Group on coal has provisionally estimated the total demand of coal by 1970-71 at 136.46 million tonnes. This is likely to go up by another three million tonnes on account of coal requirements for power.

According to a rough assessment made by the Ministry, the total capital outlay by the private sector for the programme proposed will be Rs. 48.30 crores, of which about Rs. 14.74 crores will be for additional production of coking coal and Rs. 33.56 crores for maintenance of production. The industry has been urged to make an assessment of the financial implications of this programme and has been asked to offer its

comments on the assessment made by the Ministry. It has been impressed upon the industry that it should also make a realistic assessment of machinery and equipment, indigenous as well as imported, which will be needed during the fourth Plan, both for maintenance of production and for expansion and new development.

The private sector, in the year 1965-66, is expected to produce 15.31 million tonnes of coking coal. It has been assessed that the private sector should be able to raise an additional quantity of 10.67 million tonnes of coking coal during the fourth Plan period, of which 1.42 million tonnes will be from the third Plan schemes. The requirement of coking coal, including those of iron and steel and merchant cokeries, at the end of fourth Plan has been assessed at 46.05 million tonnes.

It is further estimated that against a total production of non-coking coal for 1963-64 of 47.62 million tonnes, the requirements during 1965-66 are likely to be 60 to 64 million tonnes, including one million tonnes of blendable coal for metallurgical industries. To meet this additional requirement of 13.02 million tonnes during the next two years, the private sector is required to produce 4.40 million tonnes extra over the level of 1963-64. The estimated demand for non-coking coal at the end of the fourth Plan is expected to be 80.74 million tonnes, so that the additional requirements of non-coking coal in 1970-71 work out to 28.40 million tonnes. Out of this, the private sector's share is 7.02 million tonnes.

The production of blendable coal in the private sector during 1963-64 was about 2.50 million tonnes. This production level is likely to be maintained during the remaining period of the current Plan. The requirement of blendable coal for metallurgical industries at the end of the fourth Plan has been assessed at 6.63 million tonnes, of which 3.24 million tonnes is likely to be produced in the public sector and the balance of 3.44 million tonnes in the private sector. The private sector's share of the additional production of blendable coal during the fourth Plan is estimated to be 0.74 million tonnes.

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A Jute Textiles Consultative Board with Mr. Manubhai Shah, Minister of Commerce, as Chairman, has been set up by the Union Government. The Deputy Minister of Commerce, Mr. S. V. Ramaswamy, will be the Vice-Chairman of the Board, which will have 10 other members. The Board has been nominated for a period of two years. In view of the important part played by the jute industry in the Indian economy, particularly in the field of exports, this Board has been set up to advise the Government on steps to be taken to develop the jute textile industry in all its aspects. The Board will be consulted on all important matters concerning the jute industry, particularly in regard to production, distribution and exports of jute goods, imports and exports of raw jute and matters relating to the development of jute industry, research in jute industry, procurement of raw materials, machinery and accessories required for the industry.

The members of the Board are: the Secretary, Ministry of Commerce; the Additional Secretary, Ministry of Commerce; the Chairman, Indian Jute Mills' Association; three representatives of the Indian Jute Mills' Association; a representative of Calcutta Jute Fabric Shippers' Association; a nominee of the Ministry of Food & Agriculture (Department of Agriculture); a representative of labour in the jute industry; and the Jute Commissioner (Member-Secretary). The Board will hold its first meeting on September 9, at Calcutta.

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A Committee to go into the question of weeding out spurious co-operative societies has been appointed and is to be headed by Mr. Ram Niwas Mirdha, Speaker of the Rajasthan Legislative Assembly. This Committee, which consists

of six members, will make recommendations for the elimination of vested interests from the co-operative movement and suggest measures to make it self-reliant. This was revealed by Mr. S. K. Dey, Union Minister for Community Development and Co-operation, while addressing a conference of presidents and secretaries of State Co-operative Unions. He revealed that out of nearly 120,000 registered primary co-operatives, as many as 63,000 did not possess even a sign board and existed only in Government registers. These co-operative societies will have to be liquidated. Till now they had defied all attempts at their amalgamation into viable units. In some cases, a co-operative consisted of one family only. Mr. Dey stated that the effective size of a co-operative society should be one that covered 3,000 persons or 600 families as suggested by the V. L. Mehta Committee.

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The Union Ministry of Food and Agriculture has finalised the constitution of an Agricultural Prices Commission, a full-fledged body which will study from time to time the input costs of agriculture and variations in selling prices. This Commission, which is likely to be headed by Prof. Dantwala of Bombay University, and will have four or five other members, will study actual conditions in various regions of the country and estimate various production costs as well as costs of transport, storage etc. In a way, it will determine an over-

State Trading in Foodgrains

From Our Correspondent

CALCUTTA:

IT WAS reassuring to hear from the Union Food Minister, Mr. Subramaniam, that the overall food supply position in the country has begun to ease; only two States, Maharashtra and Gujarat, are still passing through critical times. The Minister, who made a statement to this effect at a Press conference in Calcutta last week-end, was even more reassuring about Central food assistance to the deficit States of West Bengal and Bihar. The former State would continue to get 84,000 tons of wheat every month, and the latter, a monthly quota of 70,000 tons from the end of August. Mr. Subramaniam had observed that the arrivals in West Bengal markets had been increasing and with that prices had begun to fall, and he expected that with the approach of the Pujas, the farmers would be unloading more stocks to raise the necessary money for their festival purchases. The price-trends in the city of Calcutta, however, do not confirm Mr. Subramaniam's optimistic assessment of the situation, where apart from rice ruling at a high price in the free market, the other key commodities such as fish, mustard oil and pulses are very expensive to get when they are available.

State Trading

The State Government, which has failed to "discipline" the trade, is now considering some bold measures to control the price line. It is now well known that West Bengal will introduce State trading in foodgrains from January next year. Although the details of the scheme still remain to be worked out, it wants to do something even before that. As Mr. Subramaniam announced at the Press conference, West Bengal would shortly take charge of the distribution of the entire quantity of 84,000 tons of wheat being supplied from Central stocks. At present, 51,000 tons of the cereals are distributed through trade channels, the balance going to fair price shops. Private flour mills and 'chakis' would only process the wheat, but would have nothing to do with the sale. Mr. P. C. Sen was quick to point out that this limited experiment would pave the way for the statutory rationing which would be introduced early next year in Greater Calcutta and some other urban centres of the State.

all basis for computing remunerative prices that should be assured to the producers. It is likely to have the assistance of a separate machinery for the collection and processing of agricultural data. It proposes to take into account different varieties of each agricultural product while making recommendations to the Union Government regarding fair prices. It will be expected to advise about the price levels of substitutes and competing crops so that a proper balance may be maintained in respect of the returns to the agriculturists from alternative agricultural crops. This body will also be expected to determine the margins to be allowed to wholesalers and retailers after studying the pattern of their costs by way of investment, transport and storage charges.

After the assumption of Food and Agriculture portfolio by Mr. C. Subramaniam, considerable amount of fresh thinking has been done on food prices in an effort to assure a reasonable return to the agricultural producer. It is now increasingly realised that an assurance of reasonable returns to the agriculturist will enable him to invest in the improvement of his land and will allow him the utilisation of fertilizers, improved seeds, better implements, without which consistent higher output is not possible. It is quite likely that this one measure of assured prices to the agriculturists will result in considerably higher output.

Statutory rationing combined with modified rationing in some places would cover nearly 13 million people, and in order to ensure adequate supplies of foodgrains for this number throughout the year, the State Government would procure part of the marketable surplus directly from the producer. This is broadly the idea behind the new bold scheme which West Bengal proposes to introduce and which has earned high commendation from the Central Government, the Food Minister in particular. But since the State Government is yet to announce the details, a number of questions are being asked. In the first place, will the State resort to compulsory procurement, and if so what would be the basis of arriving at a particular producer's surplus? Alternatively, if it buys in the open market at pre-determined prices, the producers would be free to withhold stocks if they consider the prices uneconomic or less profitable. What would the Government do in that case? In spite of what Mr. Subramaniam may say, there is no real evidence that producers or stockists are unloading their stocks in response to the Prime Minister's warning. Secondly what role would the rice mills play in this scheme, for the Government will have to process the paddy assuming that it manages to get the quantity it wants. According to one report, they too would be required to process the Government's paddy and hand over the rice for distribution through ration shops. But the milling programme of these units may not exactly suit the authorities. In order to make it smooth from all sides, the Price Inquiry Committee appointed by the Government some time ago, has recommended that the Government should take over the rice mills when it acquires the entire marketable surplus of foodgrains through State trading. But then the question is, will the Government be able to run the mills by itself? Here, one suggestion is that they should be handed over to co-operatives. But considering the racket some of these co-operatives have been — they are often found to be run by the well-to-do for the well-to-do and the politically influential — the State Government is likely to treat this suggestion rather cautiously.

Meanwhile, the Calcutta Rice Mills' Association in a communication to the Press has questioned some of the basic assumptions

tions of the Government's price policy. In its opinion, there is no real food shortage in the country: not a shortage at any rate which could justify the present high prices. On the contrary, the current situation is very much the product of the Government's wrong policies of pricing and distribution control. Taking the zonal system, in the first place, West Bengal, a deficit State, is tagged on to Orissa which usually has a surplus. The system logically implies that there should be free movement of foodgrains between the two, but this is not the case now. The Orissa Government has imposed restrictions on paddy movement through a levy on exports. The levy has not been withdrawn despite the pressure from the Centre; on the contrary, it has been raised from 25 per cent of the value on paddy to 40 per cent, and from 15 per cent on rice to 25 per cent. Even so, the promised quantity of 300,000 tons has not been delivered and the supply up to date is less than one-third of this figure. While Orissa is thus being unhelpful, West Bengal has lost another major traditional source of supply — Chattisgarh in Madhya Pradesh.

But the major fault lies with West Bengal's pricing policy itself. In the view of the Association, this is definitely uneconomic. This has made it difficult for the rice mills in the Calcutta area to procure the paddy they need. The State Government has fixed the same price for the cereal for the entire State, making no allowance for the transport costs which the mills' suppliers would incur in getting paddy from distant areas, say, in north Bengal. The Government should not only revise the ceiling prices, but it must also allow due transport costs and a margin to traders if they are to bring paddy to mills from districts. As they are not allowed these at present, they have no incentive to bring the cereal. Consequently, some 60 rice mills or so in the Calcutta area are now closed, "creating unemployment for workers and waste of capital."

Lacking Realism

This is not the only aspect where the Government's policy lacks realism. Its much advertised food production drive is scarcely more realistic. Even making allowance for the fact that this State has over 3 million refugees and about 5.5 million non-food producing population who have migrated from neighbouring States in search of employment in factories and offices, that the land-man ratio is one of the lowest in the country, and that there has been a large diversion of acreage to jute production, there is no reason why it should not be able to raise an additional 3 to 4 lakh tons of foodgrains. As the Deputy Chairman of the Planning Commission, Mr. Asoka Mehta, pointed out in the course of his chat with the local Press about the new strategy being proposed for the fourth Plan (under which quick result-yielding projects would claim equal priority with heavy capital-intensive industries with long gestation period) the growth rate in agriculture in West Bengal has been the lowest in India. This is not only because of the natural limitations under which this State has to work, but because of faulty planning. For example, West Bengal's minor irrigation programme has been a near failure because sufficient power is not available to energise most of the tube wells which have been sunk at such cost all over north Bengal and in many other areas of the countryside. This in turn has affected the consumption of fertilisers. Again, for a package district like Burdwan there is no arrangement of any kind to provide credit to the farmers. These are only two examples of rank bad planning which Mr. Mehta gave. There would undoubtedly be many more if a proper evaluation of West Bengal's agricultural development programme is made.

Mr. Mehta is reported to have done much more plain speaking at Bhubaneswar about Orissa's farm programme, where he had been to discuss the State Government's fourth

Plan projects with Cabinet Ministers and members of the State Planning Board. Stressing the need for a very well worked out agricultural programme, Mr. Mehta is reported to have made the following frank remarks: "Orissa's agricultural production is so poor and the State's attempt to step up agricultural production is so little that it has no capacity to raise more and more resources internally. Therefore, it constantly runs into difficulties. The point is, Orissa is one of those States which, I think, enjoys getting into debt not because of any mismanagement, but because its whole economy is so constituted today. Now the strait-jacket has to be removed". Orissa is trying hard to run fast in the industrial race — in fact, the growth rate in industrial production in the first Plan was 4.5 per cent, in the second Plan it was 5.9 per cent and would be substantially more in the third. Yet this has made little difference to the poverty of the people. This is because farming is the main occupation of the people, and during the last ten years, production on this front has practically remained stagnant. Orissa still continues to be a one-crop economy, and during the current Plan period the increase in the farm productivity rate has gone down to 1.3 per cent from 2.1 per cent in the second Plan. Mr. Mehta urged the State's planners to realise that their effort to start more and more industries was probably all right, but the industrial structure must have a strong base which alone a prosperous agriculture can provide. He pointed out that despite the general economy drive, the Union Finance Minister was willing to make liberal grants for subsidiary agricultural projects, projects which could raise more milk, fish, poultry and other articles of food value. But Orissa has not a single project of this nature to merit Central assistance in the next Plan.

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The jute industry, whose affairs were reviewed in these columns a few weeks ago, has moved the Government of India to come to its help in fighting unfair competition from Pakistan. Pakistani competition has particularly affected India's sacking exports. For instance, the overall jute goods exports of this country during 1963-64 were higher than in the previous year largely because of the expansion in India's hessian markets, but the figure for sacking showed a very substantial drop. Pakistan cut into India's sacking markets in Asia and Africa in a big way, not only because such natural advantages as that country has, but largely on account of the "bonus voucher scheme" which in effect amounts to a subsidy for the exporters from the Government in contravention of GATT principles. India can meet Pakistani competition only on the latter's own ground, that is, by offering some sort of a subsidy itself. This idea the Government has so far resisted, but the industry, it is reported has thought up a scheme which it will operate without embarrassing the Government in any way. This is to sell jute goods in the domestic market at a higher price by levying a cess and subsidise sacking exporters out of the proceeds. In a Press note issued last week, the Indian Jute Mills Association has made no mention of any such scheme, but it has emphasised the urgency of Governmental assistance to this industry if India's sacking markets are to be won back. It calls for a boldly conceived plan of assistance to the Indian jute mills who earn 20 per cent of the country's export income. Pointing out how rapidly the Pakistani jute industry has grown because of the natural advantages and sustained official encouragement, the IJMA says that the natural advantages enjoyed by the Pakistani industry are well known, but today they are not so formidable, as the advantages bestowed by direct Government assistance in that country. Again, the fact that the Pakistani Government is ready to pay an additional subsidy of about 10 per cent even under existing conditions of prosperity can only be seen as a measure of its resolve to expand at the cost of the Indian industry.

Earlier, speaking at the annual meeting of the Calcutta Jute Fabrica Shippers Association, Mr. D. Duncan-Smith,

Chairman, stressed the dangers of Pakistani competition and urged immediate measures to meet the situation. Some of the measures he suggested include improvement of raw jute quality through research and development work, simplification of remittance regulations by the Reserve Bank, simplification of the procedure for the shipper to obtain the bond qualifying him from the exemption of excise duty, and, if necessary, a maximum price for raw jute and jute goods for export. A delegation sponsored by the industry, will soon be going to New Delhi to press the case for urgent official help. It is worth mentioning here that the jute goods stocks with mills at the end of July rose sharply and this could well be a warning signal.

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Assam is going to have its first jute mill at last. This will be a co-operative mill with a capacity sufficient to meet the State's requirement of jute goods estimated at 3,900 tons of sacking and 950 tons of hessian per year. In the present context of surplus sacking production of existing Indian jute mills, the wisdom of starting an altogether new unit in Assam is doubtful, but apparently, the State Government is taking the step under the pressure of major local gunny consumers like the Assam Co-operative Sugar Mill, the State Warehousing Corporation and the Apex Marketing Society, to name only three. The fact that there are going to be cement and fertiliser factories in the State must have weighed with the Government also. The jute growers of Assam, too, nurse a

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Additional details about the Orissa Government's loan have now become available. The value of the total loan is placed at Rs. 8 crores. Subscriptions will be received from August 24, 1964 to August 29, 1964, both days inclusive. While the subscriptions may be in the form of cash or cheque, they will be closed without notice as soon as it appears that the total subscription amounts approximately to Rs. 8 crores. In any case, the subscriptions will not be extended beyond the close of business on August 29, 1964. The Government has also reserved the right to retain subscriptions received upto 10 per cent in excess of the stipulated sum of Rs. 8 crores. It means if the total subscriptions exceeded the sum of Rs. 8.8 crores, partial allotment would be made. In the latter case, the balance of the sum paid at the time of applications would be refunded as soon as possible after allotment. No interest will be paid on the amounts which are refunded. Applications for the loan must be for Rs. 100 or for a multiple of that sum. The loan will bear interest at the rate of 4½ per cent per annum from August 24, 1964. Interest will be payable half yearly on the 24th February, and 24th August, subject to tax under Income-tax Act, 1961.

Experts to Decide Steel Plant Location

From Our Correspondent

MADRAS:

THE CONFUSION created by Mr. N. Sanjeeva Reddy's statement regarding the location of a steel plant in the South has raised doubts about the Salem steel project being taken up at an early date. It had been assumed that it would be necessary to erect two or three steel plants in Andhra Pradesh, Madras and Mysore States in order to complete the target of 18 million tonnes of steel ingots at the end of the fourth Plan. Even with the expansion of all the major steel units and the completion of the Bokaro project, it is feared there would be a shortfall of nearly 3 million tonnes of ingots which could be made good only by the construction of entirely new units. On this reasoning, it was taken for granted that the Salem steel plant would come into being especially as considerable preliminary work had already been completed. The report of the technical consultants has been submitted only a few days back and there is no basis for the presumption that the project is not feasible or that the required quantities of lignite are not available. It is true that available lignite resources can be used for generation of electricity and that, with the lack of other mineral resources in this part of the country, there is need for making the best use of available lignite. The Neyveli authorities, however, have been pointing out that total reserves are more than 2,000 million tonnes even though the overburden in some areas is very heavy and lignite can be found only at greater depths. There will naturally be an increase in the cost of mining but with the experience gained in mining operations in the past few years, it is emphasised that future operations could be conducted more economically especially if more efficient mining machinery can be secured.

In any case, there is no basis for the presumption that lignite reserves will not be adequate for power generation as well as steel making, especially as the initial capacity of the plant is not expected to be more than 500,000 tonnes and after extension over a period the capacity is estimated to be only 1.5 million tonnes. It is also sought to be suggested that

Salem ore is inferior in ferrous content and that the cost of steel making will be high. Here again, it has been clearly proved that, after beneficiation, the ferrous content can be raised to over 60 per cent and that with the advantage of availability of lignite and limestone from nearby sources, the Salem steel project has all the advantages of any project in the north. The raw materials, of course, are inferior in quality but the advantage accruing on account of the saving in freight costs will be more than enough to take care of any marginal increase in production costs.

The Madras Government is, therefore, upset over the suggestion that there should be a conference of Chief Ministers of the three States in order to decide which of the steel plants should be taken up first on the basis of the recommendations of technical experts. In the case of the other two projects which are proposed to be located in the Vizag-Bailadilla area and the Goa-Hospet area, no details are available though it is generally agreed that ample ore reserves are available. Indeed, the ore that can be had in the Hospet area is of greater purity and large quantities are already being exported through Madras and other ports to foreign countries. But the main problem will relate to the import of coal for steel smelting. In the case of Goa, foreign exchange would be involved if it were decided that coal could not be brought round the coast from the West Bengal-Bihar coalfields. In the case of Visakhapatnam, too, Singareni coal supplies may not be adequate nor completely satisfactory and if it were necessary to bring coal from the same sources as in Goa, the cost of steel making may not be very much lower than in the case of Salem. Besides, the problem of transporting ore will involve heavy outlay in terms of railway facilities. If all the aspects have to be considered and a technical report drawn up it may be two or three years before a decision could be taken on the feasibility or the desirability of these two projects. The Madras Government, therefore, is of the feeling that there is no point in suggesting that a decision should be taken on the location of the steel plant in the South only after the technical reports of the other two projects have

been drawn up. Indeed, it is claimed that the outlay on the Salem project will be modest being not more than Rs. 100 crores and that the pig iron produced will be ideally suited for manufacturing malleable castings and for producing also alloy steel. It is only to be hoped that the controversy over the location of a new steel project would not lead to misunderstanding among the three Southern States which have friendly relations. The question at issue is only the determination of the required priorities. For, the base of the industry has to be broadened in order to be able to step up the output easily in the subsequent plan periods. With the changing techniques of steel making and the availability of large quantities of iron ore it should be possible to devise a procedure by which the three steel plants are taken up as and when the technical reports have been drawn up and the financial resources have been arranged.

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The sincere effort made by Dr. K. L. Rao to resolve the differences among Maharashtra, Mysore and Andhra Pradesh, regarding the allocation of the waters of Krishna and Godavari, will, it is generally believed, bear fruit. It is true that the discussions between the Chief Ministers of the three States under the Chairmanship of Dr. K. L. Rao, held in New Delhi recently, were inconclusive and further discussions will have to take place before any definite decisions are reached. It is, however, expected that the approach would be to make the best use of available resources and derive the maximum benefit in terms of power generated and additional acreage irrigated. The Maharashtra and Mysore States are, of course, anxious that the waters of Godavari and Krishna, as they flow through their territories, should be exploited in such a way that the backward areas in these States are greatly benefited. The Koyna Project has already vitalised the region around it while it is expected that the Upper Krishna Project in Mysore will be greatly helpful in developing the arid tracts in the northern districts of the State. The Andhra Pradesh Government has, of course, been pointing out that the scope for generating power from the Godavari particularly, as it flows from Maharashtra, should be fully exploited before the large volume of water is used for irrigation purposes in the lower regions. The argument was till recently put forward that the Maharashtra Government was not in a position to generate equally large quantities of power by diverting the river waters westward. Besides, there was the likelihood of a large waste as the waters may not be useful for irrigation purposes before flowing into the Arabian Sea.

It has been latterly examined how additional acreage can be brought under irrigation in the areas concerned and there would seem to be confidence that waste can be avoided to a considerable extent. Mysore also has been adopting a similar attitude and the true position will emerge only after the various proposals have been carefully analysed and their efficacy determined. Considerations of regional development will naturally conflict with the overall approach. But there will have to be some intelligent compromise as the objective should be to maximise power generation and agricultural production. Viewed from this angle, Andhra Pradesh is probably better placed than the other two riparian States. There may not, however, be cause for mutual recrimination and distrust because the Gulhati Commission's appraisal would seem to have given rise to the impression that the total water resources are in excess of earlier estimates and that, in any case, the difficulties will arise only after three or four decades when the various projects have been completed.

It would probably be advisable to proceed with the implementation of projects which can be taken up immediately and without much difficulty in a manner that conferred large benefits on the country in a relatively short period. This can

be achieved to a great extent by asking all the three States to embark on projects in their areas so that there will be a proper division of labour and no undue concentration on any single major scheme. The difficulties in the way of executing huge multi-purpose projects will be appreciated, if it is remembered that the Nagarjunasagar Project in Andhra Pradesh has taken a number of years even to be partly completed and it is not expected that the early benefits will be derived before the early years of the fourth Plan. While a decision to implement huge projects under the guidance of the Centre, and with its financial assistance, might expedite the construction of this project, it would enable planned exploitation of the two mighty rivers if an effort were made to calculate with some precision the outlay that will have to be made if available resources have to be fully harnessed. The present opportunity should be utilised to obtain a clear picture of the progress that can be made in the next two or three years. If need be, a central authority can be created with suitable representation for the three States in order to solve the various problems that might be encountered when executing the different projects.

As regards Andhra Pradesh, the Chief Minister, Mr. K. Brahmananda Reddi, has pointed out that any delay in arriving at an amicable settlement will not impede the progress of the projects under construction or those under contemplation like Srisailem and Pochampad. These projects are vital for the development of the economy of the State in the coming years and it is expected that the execution of the Nagarjunasagar Project particularly would be expedited with the provision of large resources by the Centre. Some method of co-ordination will, of course, have to be devised when it has been decided that the Centre should provide fully the resources required for implementing this project according to the revised schedule.

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The importance of planned and intelligent exploitation of natural resources will be readily appreciated if it is pointed out that the power shortage now being experienced in Andhra Pradesh is due to inadequate outlay on hydel and thermal projects in the first two Plan periods. Only during the third Plan, the allocation for this purpose has been raised significantly. Even so, the target of 500 MW. is not expected to be reached before the second year of the fourth Plan. Dr. K. L. Rao has recognised the need for the creation of additional hydel and thermal capacity in a short period as it will not only help the State to get over its immediate difficulties but also benefit the neighbouring States by exporting power. There was some delay in finalising the thermal projects at Ramagundam and Kothagudem. But construction work is now progressing satisfactorily and it is anticipated that, after two or three years, these two stations would be able to account for a generating capacity of 180 MW. At the end of the third Plan, the installed capacity is expected to be 432 MW. but at present there is a capacity of only 213 MW. of which the dependable capacity is a bare 104 MW. As many large industrial units are under construction and there is also an ambitious programme of rural electrification, it should be ensured that the different schemes are completed as early as possible.

In the present context, Dr. Dharma Teja's offer to construct a thermal project at Ramagundam with a capacity of 200 MW. on a turn-key basis, has special significance. The Cabinet Sub-Committee is reported to have recommended this project to the Centre and a decision in this regard is expected at an early date. The main problem would appear to relate to the finding of foreign exchange to repay the loan over 15 years even though the payments will start only after the plant has been handed over and will be in operation. The cost of construction is expected to be around Rs. 17 crores

and the credit will bear a reasonable rate of interest. The merit of the scheme lies in the fact that an independent agency will be in charge of construction of the project and that the Government can concentrate its attention on the completion of other schemes so that a big addition to power availability can be effected in the next three years. Dr. Teja has offered to complete the scheme in thirty months from the date of signing of the agreement.

Meanwhile, Andhra Pradesh's Chief Engineer for Electricity Projects, who is also the Secretary of the Regional Electricity Board, has emphasised the need for constructing super thermal stations at Kothagudem and Ramagundam. The coal reserves in these two regions have great potentialities and it is asserted that in both these places the thermal stations should have a capacity of 1,000 MW. each. As the hydel potential of this State is 3 million KW. it is argued that the region's requirements can be more than adequately met if only transmission lines of the desired capacity could be constructed and the zonal grid was fully formed at an early date. The Srisailem project alone will have a capacity of 770 MW. while the Lower Sileru will have a capacity of 300 MW. in the first stage. These potentialities only bring out the need for proper planning and effective exploitation. The future outlook for Andhra Pradesh is, therefore, bright though so far only a fraction of nature's bountiful resources have been exploited and there is at present an acute bottleneck in respect of power availability.

Rice Situation

The rice situation is causing considerable anxiety in Madras and Kerala. The traders have been finding it difficult to transact business at or below the maximum prices fixed for the different categories after the announcement by the Central Government sometime back. As has been already indicated, the maximum prices are 10 to 15 per cent below the cost of acquisition of rice by the merchants and stocks have gone underground. Even when the attention of traders has been drawn to the fixation of maximum prices, retailers have been unwilling to part with their stocks except at prices which yielded them a small profit or at least prevented a loss. It is argued, therefore, that, in the absence of control over prices for paddy, it would not be possible for the traders to acquire paddy and convert it into rice for being sold at or below the maximum prices. The exact situation in regard to availability of stocks in Andhra Pradesh and Madras is not clear. The Andhra Government would appear to be worried over the large-scale movement of rice to Madras, Kerala and other States legally or otherwise. But curiously enough the traders in Madras and Kerala have been complaining about the non-receipt of supplies in adequate quantities from Andhra. The Kerala Chief Minister has even appealed to his counterparts in Andhra Pradesh and Madras to persuade merchants to send liberal quantities to Kerala in order to get over the difficult predicament.

A vigorous search is being carried out in Kerala to un-

earth hoarded stocks but the search has so far been futile and it is apprehended that the situation will get out of control if large supplies were not made available by the Centre. The latter for its part has been responsive and imports from Pakistan and Burma are being directly diverted to Cochin. It is expected that about 80,000 tonnes of rice will be available to Kerala in this manner and the stocks already in the possession of the State and the Centre could also be used. The difficult period between now and the end of December should somehow be got over. The success of the present experiment, however, is dependent on the effective use of available stocks in Madras and Andhra Pradesh. The outlook for the current crop is considered quite good as the recent rains have been very helpful. But the deficit of Mysore and Kerala is so large that the whole situation will have to be carefully watched if prices are to be prevented from getting out of control. The impression still persists that the rice problem is not so intractable as wheat. Indeed, it has been urged that a liberalisation of sales of wheat in these areas will reduce the pressure on rice and also the switch-over from coarse cereals to rice in the absence of availability of the former.

★★

The Madras Stock Market has been active in the past few days in sympathy with higher advices from Bombay and Calcutta. The quiet buying by the Unit Trust of select scrips like Mettur Chemicals, Aluminium Industries, Madura Mills and others have led to a firming up of prices and there is an acute shortage of floating stocks. Following the satisfactory settlement in regard to the payment of bonus with plantation workers and helpful rains in the tea and coffee growing areas, it is felt that the prospects for plantation industries have considerably improved. The outlook for the textile industry has also brightened as there is a good offtake of cloth and yarn and several units have large expansion plans. Corporate news has been encouraging and the publication of satisfactory results by Mettur Chemical and Industrial Corporation, Aluminium Industries, India Cements and Dhrangadhra has had a stimulating effect. Ashok Leyland will shortly engage itself in the implementation of a huge expansion programme and it is expected that additional capital in equity shares will be raised shortly. Standard Motor Products of India too will soon be deriving benefit out of the expansion programme now under implementation. Prices for select counters have not, however, risen abruptly in this centre as in Dalal Street and Lyons Range. There has no doubt been a gradual increase in the rates for scrips like Mettur Chemicals and Aluminium Industries. Even so, the average yield on many scrips is fairly satisfactory and investors are unwilling to part with their holdings even at the higher levels. If only the shares of new companies which are quoting still at a heavy discount recorded handsome gains there could be a speedier recovery. In this connection, there is anxiety to know whether the Central Government would announce measures which would be definitely helpful to the paper, tyre, rayon and other industries and in which a large number of new units are experiencing difficulty in operating on a profitable basis.

Dear Money and Investment Policy

From our Correspondent

BOMBAY:

THIS WEEK, thirteen State Governments entered the capital market to borrow Rs. 100 crores. The terms on which these loans are invited are not identical, some offering them at par and some at discount, the discount too not being the same in every case. Nor is the amount to be borrowed uniform, inasmuch as it ranges from a low of Rs. 3 crores as in the case of Assam to a high of Rs. 15 crores as in the case of Maha-

rashtra. So far as the duration of the loan and the rate of interest are concerned, however, there is uniformity in that all are twelve-year loans offering the same 4½ per cent rate of interest.

It was expected that the States would enter the market independently this year, unlike last year. As a matter of fact, the desirability of such a course was urged in these columns. This would appear to be more important today than ever

before, what with the universally accepted criticism of the States' failure to raise resources, while all the time they have been busy presenting ambitious schemes of development in their respective areas for Central assistance.

It is rather surprising that, whereas there is general agreement on the desirability of the States being asked to raise the loans on their own, there is no such unanimity of view as to the desirability of having a uniform pattern of State loans. To be precise, why should one State loan be offered at par and another at a discount? Again, why should there be a difference in the quantum of discount offered by two State Governments? Do these not put some State loans at a disadvantage vis-a-vis other State loans? If we really look at the question dispassionately, there should be no such distinction, notwithstanding the varying degrees of economic development from State to State, which is always offered as the justification. In the ultimate analysis, the State Government of the day has to meet the obligation from its own resources, if it can, or from assistance supplemented by the Centre, if necessary — more often the latter lately. It is perhaps worthwhile making a start in developing a spirit of national integration from the monetary field.

The rate of interest offered by the State Governments is naturally higher. Although the rate of interest in every case is 4.75 per cent, the yield varies from 4.75 per cent to 4.81 per cent. The higher rate of interest offered (not the varying yields from one State to another) is in conformity with the prevailing pattern of interest rates. It would have been unrealistic to offer lower rates after the recent changes effected by the banks in respect of their rates of interest on advances and deposits alike. After all, was it not the Reserve Bank itself which, not long ago, advised banks to reinforce their efforts to mobilise deposits in every possible way, including a re-examination of the pattern of interest rates offered by them on deposits?

Credit Squeeze

Higher interest rates are also warranted when there is felt a need to curtail credit, provided, of course, the objective of such credit curtailment is made clear. But what is the philosophy underlying the Government's present policy of higher interest rates? Is it to apply a brake on economic development? Or is it to counter inflationary trends, especially those stemming from the so-called speculative transactions? Are the selective credit controls, as they are being applied today, achieving their purpose? There seems to be scope for genuine differences of opinion here. For, while Dr. P. S. Lokanathan has recommended this course, at a meeting of bankers, economists and industrialists convened by Mr. G. L. Nanda, the Union Home Minister, last week, it was pointed out, by reference to published official data, that the Reserve Bank figures of bank advances did not provide any conclusive proof that hoarding of foodgrains had been the outcome of such advances. These are all questions that deserve detailed and careful examination by students of monetary policy.

It is well known that, in any comprehensive examination of monetary policy, one should be clear about the incentive effect of the rate of interest on saving as distinct from that on investment. Dr. Madan stated recently, in an address to the fifth SEANZA Central Banking Course held at Karachi, that "the balance between saving and investment in a situation where investment outruns saving is brought about mainly through a decline in investment in response to higher interest rates and only partly to an increase in savings." It would be interesting to know from him the precise effect of the rate of interest in a situation in which both the rate of saving and the rate of investment are woefully low as in our country. Would it be right, for instance, to infer that as savings have

failed to come up to expectations, a deliberate attempt is now being made in India to boost investment by the creation of a series of financial intermediaries? The question becomes pertinent perhaps, as the Government has so far been unable to revive the traditional capital market. Take, for example, the Unit Trust which is in a position to offer competition-free investible funds. The Unit Trust is, of course, a very desirable institution, but so are the Investment Trusts, and to deny tax concessions to the latter despite repeated representations to the Union Finance Minister year after year, while bestowing all manner of concessions on the former, is clearly invidious, however justified it may be ideologically. Take, again, the Development Bank of India. Can one honestly say that all the applications that are being addressed to it today are of a type that should go to the lender in the last resort?

Now, from the prevailing conditions in the capital market, it is permissible to draw two inferences. One is that it has become the avowed policy of the Government to bring a steadily increasing segment of investment within the purview of the organised credit structure. And the other is that this trend may be either deliberate, or may have been forced upon a Government which realises that its taxation and monetary policies have led to the present impasse and that it has no other alternative but this so long as it finds itself unable to reverse its policies due to political pressure.

★ ★
The loans floated by the States received a favourable response on the opening day (August 24) when no less than 5 of them were fully subscribed. It shows that the loans have been well-timed as they have taken due advantage of the seasonal easiness in the money market. The total subscriptions of all the State loans on the first day were valued at about Rs. 40 crores. The loans of two of the States, namely, Uttar Pradesh (Rs. 10 crores) and Bihar (Rs. 4 crores) were over-subscribed. The loans of Gujarat (Rs. 7 crores), West Bengal (Rs. 7 crores) and Assam (Rs. 3 crores) were fully subscribed. The Gujarat State loan was the first in the race and had to be closed within a few hours of the opening of the subscription. Even though it was believed that the total State loans of Rs. 100 crores were on the high side, yet it is now felt that almost all of them will be subscribed before the close of the week.

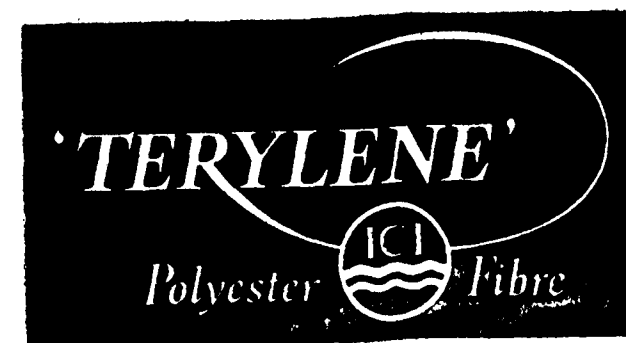
★ ★
The Textile Commissioner has announced free licensing of Bengal Deshi cotton for export for the 1964-65 season. This step has been welcomed by the business circles because it will enable smoother exports of Deshi cotton; these exports will take place on shipping bills accompanied by the usual certificate from the Appeal Committee. The shippers are required to register their sales with the Joint Chief Controller of Exports and Imports, Bombay. The Commissioner has also directed the mills to purchase hundred per cent quota of Indian cotton which is equivalent to their consumption during the current season. The fact that the mills have been permitted to purchase all their requirements before the end of July, 1965 is deemed to be a favourable factor because it will insure that production will not be restricted because of shortage of cotton. The only condition which has been attached is that the mills must purchase Cambodia A and/or B cotton to the extent of 7½ per cent of the consumption of Indian cotton during the 1963-64 season. This stipulation, however, does not attach to mills which have not been using this variety of cotton during the last three cotton seasons ending August 31, 1964. It is stipulated, however, that the mills must purchase the entire quantity of Indian cotton allowed under the latest circular as early as possible but not later than July 31, 1965. The mills have been asked to furnish monthly statements showing purchases of Cambodia A and/or Indian cotton in the same manner as in the past. Market circles believe that up to 275,000 bales of cotton may be exported under the new scheme. The forecasts regarding the new crop are described to be satisfactory.

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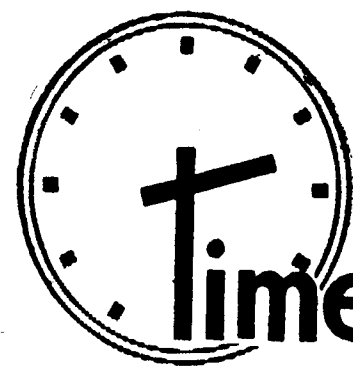
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The moving finger writes

THE PRIME Minister's letter to Mr. Bhupesh Gupta surely utters some of the most sensible ideas that have ever been heard in this country on economic planning. I like particularly his firm assertion that there has to be some kind of a balance between outlays on heavy industries and outlays on measures which bring immediate benefit to the common man. I have always held the view that history has been unkind to that generation of Indians who are now past middle age. Their young years were blighted by the worst economic depression the world had ever seen. Then came the demands which the Independence struggle made on the idealism and patriotism of people in various walks of life — demands which we most splendidly responded to by those who might be considered, in pharisaical terms, to have been least able to make the sacrifice asked of them. There were also the stresses and strains of a most destructive world war and they were followed by the depredation of inflation and the exactions of the five-year Plans. I am, therefore, all in favour of some consideration being shown to the India of today even if it might mean a little less jam for the India of tomorrow.

It is for this reason that I am far less enthusiastic over Mr. Asoka Mehta's revelation that the Perspective Planning Division of the Planning Commission expects the country to be "in a somewhat comfortable position" in 1973 or 1974 than I am over Mr. C. Subramaniam's reassuring statement in Calcutta on August 22 that the worst of the food difficulties was now behind us and that the food position in many areas of the country had improved considerably already and would improve further rapidly in the coming weeks.

Incidentally, among the local daily papers only "The Statesman" deemed it necessary to give space on the front page to Mr. Subramaniam's statement. "The Times of India" which did have a news story on Mr. Subramaniam's Calcutta visit on its front page failed most oddly to report this observation of the Minister. "The Hindustan Times" had a report on page 9, while "The Indian Express" and "The Patriot" had ignored the statement altogether. "The Patriot", of course, could be expected to be not too keen on drawing the public's attention to any improvement in the food situation. Mr. Subramaniam had to go to the P.T.I. in the Capital before the Dailies would take proper notice of his views on their front pages. It is a pity that while the Press is only too liberal with banner headlines in reporting police raids on grain godowns, it should be found to be so lacking in sound judgment when it comes to the question of giving proper publicity to a statement by the Food and Agriculture Minister on the improvement in the food situation.

Mr. H. V. R. Iengar's article on 'Double Standard of Justice' in "The Indian Express" of August 20 is a stimulating dissertation on some of the current ills of our body politic. So much so that I am provoked into sharing with my readers some reflections of my own. Mr. Iengar rightly denounces the venality of politicians as revealed in the Das Commission Report, but has not that document also brought out the ready vulnerability of civil servants? Surely, one of the more important morals to be drawn from the findings of the Commission is that without the subservience, if not the connivance and collusion of high government officials of easy virtue, the attempts of politicians in power or the people around them to feather their own nests would not have had or be having the success that is theirs. I believe that men of the stature of Mr. H. V. R. Iengar, who had held high positions in the administration,

might profitably give some thought also to the culpability of government officials. Especially when it is borne in mind that some of the most blameworthy officials have often been those whose tenures and terms of service have been given the strongest protection in law and practice, the readiness with which they have been yielding to the persuasion or pressures of their political bosses suggests that the politician is not the only ailing limb of a sick society.

★ ★
The following passage is from Mr. Nandan B. Kagal's column in "The Times of India" of August 20:

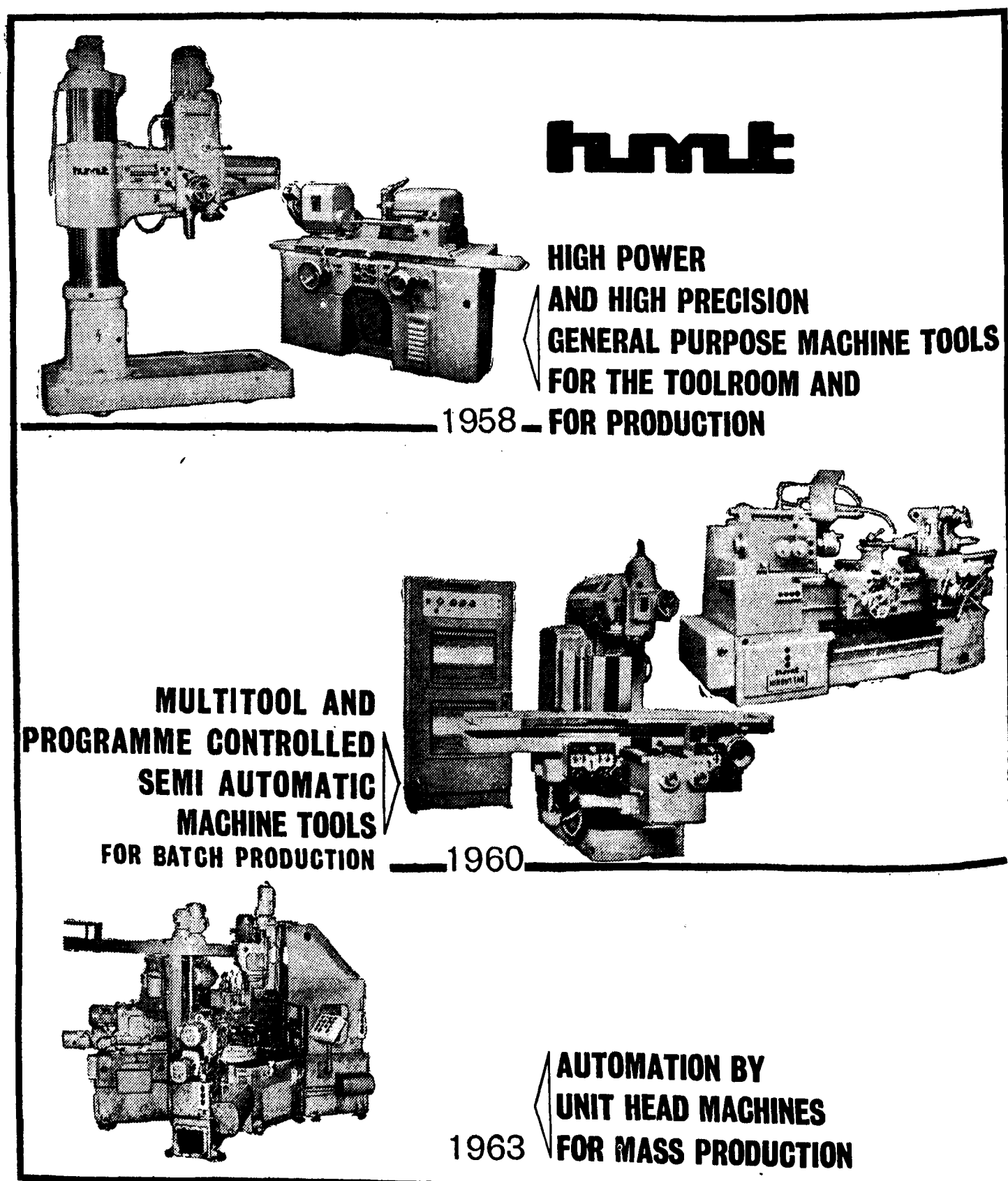
"As I stand here today under the Indian tricolour, I am oppressed with a feeling of shame — shame that after 17 years of independence the strong united nation we dreamed about is a chequer-board of disintegrating States hostile to one another... Each year found us more and more engrossed in the fulfilment of petty selfish interests rather than in the wider interests of the nation. Gradually State boundaries have assumed the importance of national boundaries and the people of one State are moving away from those of another... I am afraid, unless this picture can be changed, we shall go down in history as a people who were among the great orators — who gave the world a great religion and a great philosophy — but who had to look to the world for the fulfilment of their personal needs. I would hate to think of such a fate for this beloved country of ours... How long will the hungry and disappointed men and women listen to the reasons that are offered for the failures? These are harsh words but they have the merit of honesty and we must be grateful to Mrs. Vijayalakshmi Pandit for having spoken them at an Independence Day ceremony in Bombay the other day."

I do not agree with Mr. Kagal that "we must be grateful to Mrs. Vijayalakshmi Pandit for having spoken" as she did — because I rather doubt that the Governor of Maharashtra would have been so candidly critical of national or government achievements at an Independence Day ceremony had her lamented brother been still the Prime Minister of India.

★ ★
The offer made by Orissa's Chief Minister, Mr. Biren Mitra, to make over the entire assets and liabilities of himself and his wife to anyone who cares to pay a rupee for them has expectedly brought on an avalanche of acceptances. I am watching with interest how Mr. Biren Mitra proposes to carry the transaction through. As there are more than one taker, there will obviously have to be some kind of a lottery to determine the lucky winner. Meanwhile, his offer is pulling in money far faster than the Nehru Memorial Fund and at this rate the present transaction may well turn out to be Mr. Mitra's slickest business deal ever.

★ ★
Jawaharlal Nehru died full of years, fulfilment and glory. There was therefore no warrant, surely, for the mawkish sentimentality of the first bit in the "New Delhi Notebook" of "The Statesman" of August 24. That was a description of villagers and school children visiting "Teen Murti", on the eve of Rakhi. The worst part of it all was the macabre caption "Rakhi without a Wrst". It sounded like the title of some horror story from Ambrose Bierce or Alfred Hitchcock. I read somewhere the other day that the Emperor of Ethiopia had prescribed severe penalties for professional mourners and breast-beaters at obsequies. New Delhi could learn from Addis Ababa.

V.B.



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Trade Winds

CAPITAL'S PRICE COMMITTEE

THE PRICE Fixation Committee of Delhi Administration has done a piecemeal job by fixing the margin of profit for the retail sale of some varieties of pulses. Announcing the decision of the Committee at a press conference, the Chief Commissioner, Mr. Dharam Vira, remarked that he was unable to control the prices of foodgrains coming into Delhi as it was not a producing centre. It was for the Central Government, he added, to consider the matter on an all-India basis. Perhaps it was for this reason that the Capital's Price Fixation Committee felt satisfied only with the reduction of profit margins of five varieties of pulses — Arhar, Malka Massor, Masoor Ki Dal and Moong, washed and unwashed — from the present margin of 10 to 19 per cent to 7.5 per cent. The Committee arrived at the conclusion that the margin on the retail sale of wheat, rice and Urad (a kind of pulse) were reasonable and that, therefore, there was no point in disturbing them. In order to ensure that the dealers will charge prices according to the fixed margins, the wholesalers have decided to set up a vigilance committee. This committee will look into the complaints against the traders charging higher prices. The wholesalers have also decided to set up a committee to supervise the publicity of foodgrains prices at producing centres, expenses incurred in bringing the foodgrains from these centres to the Capital and the margins of profit allowed. This committee will supply to newspapers, every evening, the rates for the following day and will also display them at six important places on notice boards. The names of the members of the vigilance committee to whom the complaints should be made, will also be notified.

The wholesalers have given an assurance to the Price Fixation Committee that they will do their best to increase the supplies of foodgrains to the Capital. They have also volunteered to manage about 100 fair price shops in various parts of the Capital where wheat, rice and pulses will be available at prices fixed by the Committee. The Chief Commissioner, however, intends to keep a constant watch on the trend of prices in the markets instead of relying blindly on the assurances given by the wholesalers. The Delhi Administration has with it 62 inspectors and six chief inspectors, covering 3,000 licensed traders and about an equal number of unlicensed traders.

As regards the retail shops, dealing in foodgrains, being asked to display the fixed prices, the Chief Commissioner is of the opinion that it should not be difficult for the consumers to calculate the prices they have to pay on the basis of margins of profits fixed by the Committee vis-a-vis the rates prevalent in the wholesale market. According to Mr. B. R. Gupta, the General Secretary of the All-India Food Grains Dealers' Association, Delhi, the decisions of the Price Committee will be effective for about two months i.e., till the new crop is harvested and comes in the market.

A fall in the prices of foodgrains may be expected in the near future in view of the bright prospects of the coming Kharif crop coupled with the US foodgrains shipments to India at the rate of 4,00,000 tons per month. The Federation of All-India Food Grains Dealers' Associations has asked its constituents to clear all food grain stocks before the arrival of new crops. The Federation feels that after the new arrivals, food grains prices will fall sharply. The traders are, therefore, being advised that in order to avoid losses they should clear their stocks as quickly as possible. According to the Federation, the early crops of Moong, Urad and Lobia from Khandesh are expected in the market in 10 days. The maize crops from Bihar and Andhra Pradesh are expected to arrive in the market within three weeks; Jowar and Bajra

from Rajasthan and Punjab in about six weeks, and from Madhya Pradesh and other places in 10 weeks. The rice crops of Punjab, Bihar, West Bengal and Chhatisgarh are expected to arrive in the market in about a month. The crops everywhere are generally encouraging. The groundnut and Til seed crops from Punjab, U.P., Madras and Khandesh are also expected in the market in about a month's time. The Federation has assured traders that in view of the good prospects of sugarcane crop, ample supply of gur and khandasari will be available from U.P. in about two months.

LEIPZIG FAIR

With the theme of "Success Through High Quality Products", the German Democratic Republic's famous Leipzig Autumn Fair will be held from September 6 to 13, 1964. About 6,500 exhibitors from 57 countries are expected to take part in this year's fair. Visitors from nearly 80 countries are likely to participate. The biggest overseas exhibitors will be India and Tunisia. Twenty-one countries of Western Europe, including Great Britain, Belgium, France, Italy, Austria, Spain, Turkey, Sweden and Switzerland, most of the Socialist countries including Cuba, nine countries of North, Central and South America, nine countries of Africa, and seven countries of Asia, including Indonesia, Japan and Pakistan will be participating in the fair. India being the biggest overseas trading partner of the G.D.R. outside the socialist group, will display a wide range of products in a pavilion comprising an area of 600 square metres. This country has enlarged its floor space by about 40 per cent as compared to the 1963 autumn fair, while the products to be displayed include textiles, jute manufactures, shoes and other leather goods, and electrical appliances besides such traditional items as tea, coffee, cashewnuts, pepper and other spices, de-oiled cakes and m.c.a. At the 1963 autumn fair, Indian exhibitors had concluded contracts worth Rs. 3.9 crores with the foreign trade organisations of the G.D.R. In addition, contracts worth millions of rupees were signed with buyers coming from more than 80 countries of the world.

At the fair, 'Leipziger Messeamt und Deutsches Amt fuer Messwesen und Warenpruefung' will award diplomas and gold medals for the best products. It may be recalled that at the 1963 Leipzig Autumn Fair M/s. Jay Shree Tea Gardens, a Birla concern, was awarded a gold medal for the outstanding quality of its tea.

The first long-term trade and payments agreement between India and the G.D.R. was signed in December, 1959 covering the period 1960-62. The agreement of 1959 was extended twice, for 1963 and 1964. During the course of this long-term agreement, the Indo-GDR trade developed to the advance of both the countries, the turnover increasing from Rs. 11.2 crores in 1959 to Rs. 23.2 crores in 1963. The turnover in 1964 is likely to increase further to about Rs. 35 crores. A twelve-member trade delegation from G.D.R., led by Mr. Kurt Epperlein, Deputy Minister of Foreign Trade, is currently in India, negotiating a new long-term trade and payments agreement which is expected to be signed in New Delhi before the end of September, 1964. Mr. Hans-Joachim Lemnitzer, Commercial Counsellor and Trade Representative of G.D.R. in India, while addressing a press conference in New Delhi recently said that if India established a trade representation in his country, it would be in a position to sell more of its non-traditional goods.

TOBACCO DELEGATION

A four-man delegation, led by Mr. S. Hamid, Joint Secretary, Union Ministry of Commerce, has left on a three-week tour of East European countries for exploring markets for Indian tobacco. The delegation, which consists of Mr. M. J. Oza, Joint Divisional Manager of the State Trading Corporation, Mr. K. Ramakrishnamurthy and Mr. B. Subbarao, tobacco

exporters of Guntur, will visit the USSR, Poland, German Democratic Republic, Hungary, Czechoslovakia and Yugoslavia. It will hold talks with the authorities in these countries about the sale of the accumulated stocks in Andhra Pradesh of about 25 million pounds of high grade virginia tobacco. Of the total crop of 225 million pounds, the bulk has already been sold and only a stock of 25 million pounds is left. The delegation will also explore possibilities in these countries for larger markets of Indian tobacco of all grades on the basis of long-term trade contracts. A delegation had recently visited West European countries to explore larger markets for Indian tobacco. Another delegation on the same mission is to go to Africa in the near future.

JAPAN'S SHIPPING INDUSTRY

Japan's shipping industry is making a new start after 18 years of post-war doldrums. Before the war, Japan ranked third in the world in shipping, after the United States and the United Kingdom. Japan's mercantile fleet, which had totalled 4,090,000 tons in 1935, was reduced to approximately 1,000,000 tons by the end of the World War II in 1945. Till 1949, the occupation forces prohibited Japan from constructing large-type vessels. Coupled with the belated start in the reconstruction of the shipping industry, the Special Measures Law on War Compensation, passed in 1946, cut Government compensation to shipping firms which had lost ships during the war. The volume of ships to be built by Government funds under the planned programme of shipbuilding was limited, and due to the increased amount of interest which the industry had to pay for funds borrowed from banks, shipping firms were plunged into a critical financial crisis. On the other hand, shipping continued to be bearish after the war due to the world-wide surplus of ships. Notwithstanding this unfavourable situation, Japan's merchant marine fleet regained its pre-war tonnage in 1958 and now in 1964, the volume is approximately double that of the pre-war years.

At the beginning of 1963, the Japanese Government decided to help the deficit ridden shipbuilding industry by encouraging the shipping firms to merge for more efficient operation. As a result, a total of 94 shipping firms possessing ships with a total capacity of 9.4 million DWT (ranking fifth in the world after the USA, the UK, Norway and Liberia), were reorganized into the following six groups in April, 1964:

Name of the Group	Capital (in million)	No. of firms	No. of Ships	Capacity in '000 DWT
Osaka Shosen-				
Mitsui Senpaku	13,100	31	200	2,329
Nippon Yusen	14,600	16	156	2,278
Kawasaki Kisen	9,000	17	105	1,566
Yamashita-Shin				
Nippon Kisen	5,270	15	85	1,113
Japan Line	11,800	6	69	1,072
Showa Kaiun	4,500	9	54	1,016

As a result of this reorganization, the Osaka Shosen-Mitsui Senpaku group has become the second largest owner of ships in the world after Peninsular and Oriental Steam Navigation Company, (P & O Line). Nippon Yusen ranks third in the world, Kawasaki fifth and Yamashita-Shin Nippon Kisen tenth.

The Japanese Transportation Ministry is planning to expand the country's mercantile fleet during the coming years in an effort to solve the perennial deficit in the invisible trade balance which is one of the biggest problems facing the Japanese economy today. Japan's maritime deficit in the fiscal year 1963 was \$212 million. This was largely due to the fact that the Japanese ships carried less than 50 per cent of Japan's total imports, which are 10 times the volume of Japan's exports.

Japan is importing increasing quantities of such goods as iron ore, oil and other raw materials as requisites for the continuing expansion of her heavy industries. At the same time, Japan is exporting more machinery and chemical products than before. In 1962, the volume of Japanese exports weighed 13,189,000 tons but her imports registered 120,673,000 tons. According to estimates made by the Transportation Ministry of Japan, if the present plan of constructing 800,000 tons of new ships a year is continued without any alteration, the increase in trade volume will result in a deficit of \$650 million a year in the maritime freight balance in 1967. The Ministry, in an attempt to eliminate the deficit in the freight balance, has prepared a plan to construct 1,800,000 tons of new ships a year.

FOOTWEAR EXPORTS

The State Trading Corporation has decided to enter the footwear export trade in a big way. Its plan is to achieve, by 1970, an export target of two million pairs of footwear annually, earning Rs. 4.5 crores in foreign exchange. During the current year the STC hopes to export seven lakh pairs, mostly to East European countries. The STC also proposes to take over the footwear production and designing departments from the National Small Industries Corporation. This will enable the STC to export footwear of desired specifications and thus meet the requirements of the importers. The STC, however, has no plans to take to the manufacture of footwear for export. It will continue to buy footwear from the existing manufacturer-exporters who will be required to make shoes according to STC specifications.

LAND REFORM STUDY

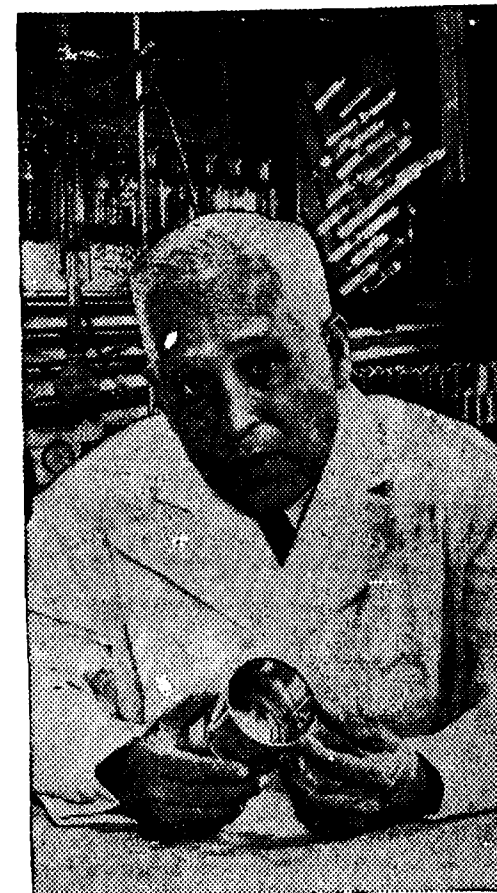
A three-year study project on land reform, to be conducted by Prof. M. L. Dantwala of Bombay University, will be financed by a grant of Rs. 236,500 from the U.S. rupee-fund generated by the Food for Peace Programme in India. The proposed study will evaluate the impact of land reforms in the Western region of India, on the structure of land holdings and farm production potential. It will involve the study of the principal social and economic issues, of the impact on responses of farmers in regard to long-term investment and adoption of improved farming techniques.

PEAK EXPORTS OF HANDICRAFTS

As against exports worth Rs. 19.3 crores in 1961-62 and Rs. 21.5 crores in 1962-63, handicrafts worth Rs. 30.7 crores were exported during 1963-64. The main items of export were jewellery (Rs. 12.89 crores); carpets (Rs. 5.16 crore.); art brassware (Rs. 1.78 crores) and hand-printed textiles (Rs. 1.19 crores). The United Kingdom, the USA, the USSR, Canada, West Germany and Australia were the main countries to which these goods were exported.

ATLAS COPCO

Mr. Finn Andresen, General Sales Manager, Atlas Copco (Great Britain), has been appointed as Managing Director of the Atlas Copco (India) Pvt. Ltd., which has, on the Bombay-Poona Road, a medium-sized, modern factory manufacturing compressed air equipment for construction, mining and manufacturing industries. The equipment being supplied by Atlas Copco includes: stationary compressors, air tools, air hoists, winches, air motors, spray painting equipment, vacuum pumps, high and low pressure compressors; portable compressors (rotary screw and reciprocating), skid mounted compressors, jeep and tractor mounted compressors, rock drills, wagon drills, sandvik coromant drill steels and extension drill steel equipment, benchers, concrete breakers, tie tampers, hammers, grinders and sump pumps; and rock drills, trac rigs, wagon drills, loaders, grinders, winches, sandvik coromant integral drill steels and extension equipment.



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Yet it would be wrong to think that Metal Box scientists are concerned only with basic developments in packaging. They work all the time with customers to solve individual packaging problems... help suppliers to develop improved materials.

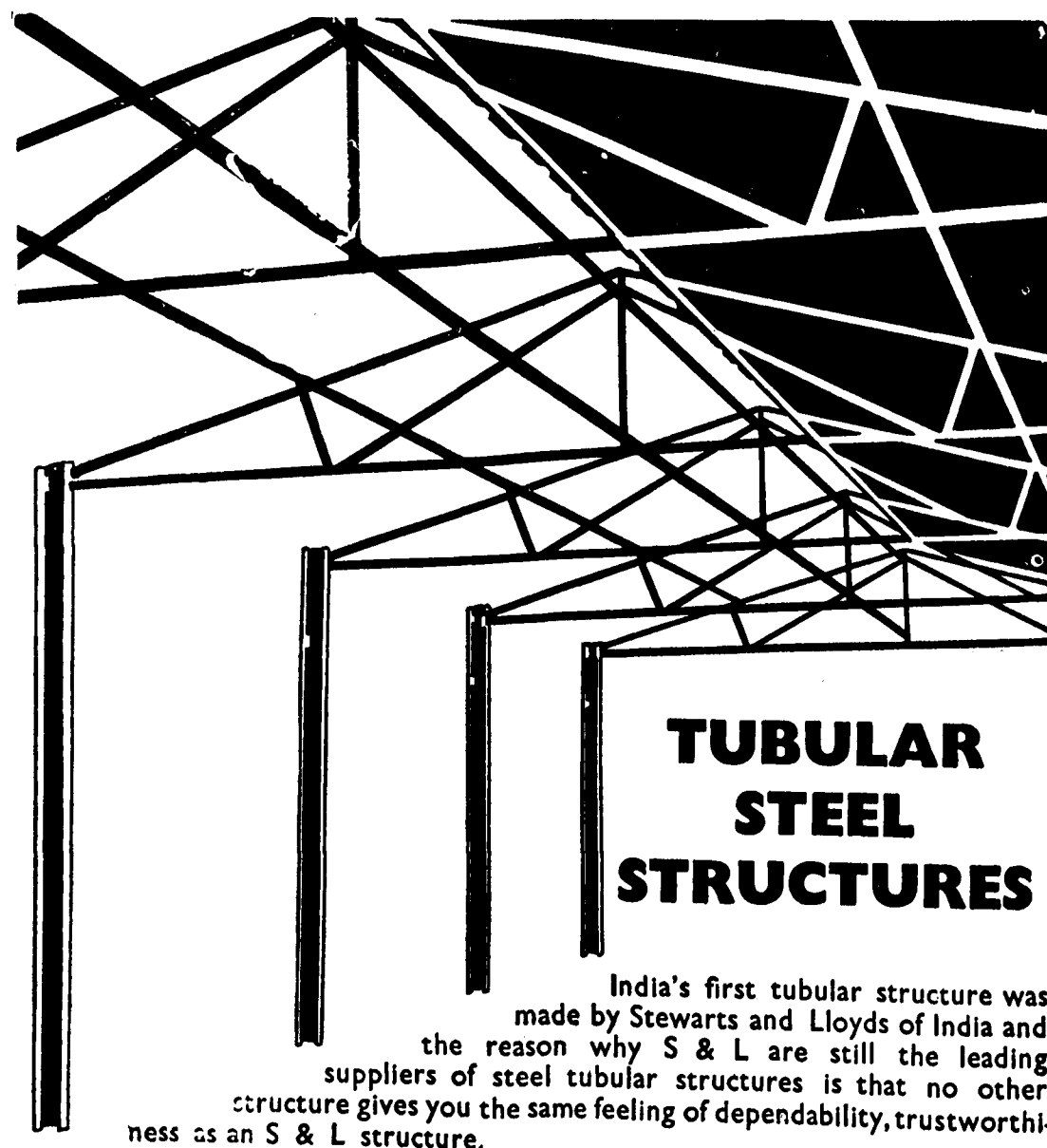
And their discovery of many indigenous substitutes for imported raw materials helps save valuable foreign exchange. As does the work of the Metal Box Technical Development Division. Metal Box have designed and built in India can-closing and bottle-sealing machinery that used to be imported and cost the country a pretty penny.

Metal Box spend about Rs 10 lakhs every year on Research and Technical Development. That's a lot of money—but it pays rich dividends to the Company as well as the nation. Take just one instance. Enterprising packers in Kerala have won growing export markets for canned prawns in recent years. Metal Box know-how and the world-wide acceptability of Metal Box containers have helped to make this export success possible.

Yes, research is at the root of all progress.



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Company Affairs

LARSEN AND TOUBRO

CAREFUL PLANNING, judicious investment and efficient execution of development plans have yielded excellent working results for Larsen and Toubro Ltd. for the year ended March 31, 1964. A new record was set in sales during the year at Rs. 8.21 crores, an increase of more than 40 per cent over the previous year. This was largely due to significant rise in production which has more than trebled in the last three years. During the year under review, the output by the company's workshops at Powai increased by about 62 per cent over the preceding year. All the manufacturing units are working efficiently and they have either reached or exceeded their production targets. The general workshop was fully occupied with fabrication and assembly of plant and equipment for the chemical, pharmaceutical and food processing industries and cooling towers. The switchgear factory increased the production of switchgears, motor starters, control and instrument panels and kerbside petrol dispensing and metering pumps. Production of switchgear equipment exceeded the target and the factory needs a further expansion to meet the rising demand.

The company's subsidiaries are also making satisfactory progress. Alu Capsules L'd., a wholly owned subsidiary, which initially manufactured bottle capsules from aluminium foil, has extended its activities and is currently manufacturing press tools, jigs, fixtures, plastic and bakelite moulds and dies in collaboration with Interfonda Ltd., Switzerland. Christensen-Longyear (India) Ltd. — another subsidiary of the company — is manufacturing drilling equipment and diamond drill bits in collaboration with E.J. Longyear Company, USA and Christensen Diamond Products Company, USA. The Engineering Construction Corporation Ltd. and Indian Crown Cork Company Ltd. — the other two subsidiaries of the company — recorded substantial improvements in their respective lines of business. The associate companies are also progressing according to expectations.

The expansion activities of the company, during the three-year period ended 1963-64, has resulted in more than doubling of the company's equity capital from Rs. 80 lakhs to Rs. 165 lakhs, whereas production, sales and profits before tax have almost trebled. The forecast of production and sales for the following three years also shows an encouraging rise. To meet the financial requirements, the company has prepared a comprehensive three year plan. A beginning has already been made by the proposed issue of 660,000 equity shares of Rs. 10 each at a premium of Rs. 2 a share which will fetch a sum of Rs. 79.20 lakhs.

The profit for the year before providing for depreciation, development rebate and taxation amounted to Rs. 1.11 crores as compared to Rs. 0.66 crore in the preceding year. Appropriations include Rs. 18.46 lakhs for depreciation (Rs. 14.64 lakhs), Rs. 4.46 lakhs for development rebate reserve (Rs. 3.23 lakhs), Rs. 9.08 lakhs for general reserve (Rs. 4.06 lakhs), Rs. 25.73 lakhs for dividend reserve (Rs. 20.23 lakhs), Rs. 3.00 lakhs for dividend equalisation reserve (Rs. 1.00 lakh) and Rs. 50.50 lakhs (Rs. 24.40 lakhs) for taxation.

CIMMCO

The Central India Machinery Manufacturing Co. Ltd. has done exceedingly well during the year ended March 31, 1964. Thanks to the encouraging rise in earnings and profits, the directors have stepped up the dividend from 7.5 per cent taxable to 10 per cent taxable. The turnover has risen sharply from Rs. 3.42 crores to Rs. 4.94 crores. The Cimmco-Sakamoto automatic looms manufactured by the company in collaboration with Enshu Ltd. of Japan are well received in the market and they compare very favourably with the imported looms. But the demand has fallen short of expectations owing to

stringency of funds with textile mills and due to the continued restrictions imposed by the Government on the installation of automatic looms. The production capacity of the Gwalior factory is, therefore, being under-utilized and this has adversely affected the profits of the Gwalior Unit.

The order position in respect of plain looms is also discouraging on account of the restrictive policy followed by the Government. The progress, however, is encouraging in the case of the calender bowl plant at Gwalior, and the shuttle factory at Bombay. The output by the Wagon and Structural Shop Division at Bharatpur is maintained at a satisfactory level. The high speed winding machines manufactured by the company in collaboration with a reputed German firm continues to find a ready market. The construction work of the steel casting factory is progressing well and production is expected to commence some time during the current year.

The gross profits, before providing for depreciation showed a substantial improvement from Rs. 35.60 lakhs to Rs. 64.12 lakhs. Appropriations include Rs. 21.66 lakhs for depreciation (Rs. 16.67 lakhs), Rs. 2.94 lakhs for development rebate reserve (Rs. 5.37 lakhs), Rs. 18 lakhs for general reserve (Rs. 17.50 lakhs), Rs. 15 lakhs for dividend reserve (Rs. 15.50 lakhs) and Rs. 6.50 (nil) for taxation.

KESORAM INDUSTRIES

The efficient working by the various units of the Kesoram Industries and Cotton Mills Ltd. has resulted in a substantial improvement in the working results of the company for the year ended March 31, 1964. The modernisation and expansion of the textile unit are proceeding according to schedule. A sum of Rs. 11.23 lakhs has been spent for adding a number of modern processing machines. The company proposes to expand its installed capacity to the extent of 7½ per cent in respect of spindles and 10 per cent in terms of looms by setting up a separate unit. The new unit is to be located at Budge Budge near Calcutta.

Despite a sharp rise in electricity rates, excise duty, and frequent power failures, both units of the rayon plant have made steady progress. The transparent paper plant has also shown slightly better results but continues to experience difficulties in competing with the similar products manufactured by other processes which enjoy a lower excise duty. Moisture-proof printing and bag making plants have started working recently and sales are expected to rise further when these plants start full production.

A factory to manufacture spun pipes and fittings is being constructed at Bansberia, near Calcutta. More than 50 per cent of the imported machinery has already arrived at the factory site and the balance is expected shortly.

The trading profit has recorded a smart improvement from Rs. 1.98 crores to Rs. 2.53 crores while sales showed a handsome rise from 14.41 crores to Rs. 15.77 crores. Appropriations include Rs. 95.28 lakhs for depreciation (Rs. 82.49 lakhs), Rs. 11.81 lakhs for managing agents' commission (Rs. 8.39 lakhs), Rs. 53 lakhs for taxation (Rs. 3 lakhs), Rs. 4.78 lakhs for development rebate reserve (Rs. 39.21 lakhs), Rs. 55 lakhs for general reserve (Rs. 22 lakhs) and Rs. 37.50 lakhs (Rs. 40 lakhs) for dividend reserve.

CAPITAL ISSUES

Five companies have been authorised by the Controller of Capital Issues to raise fresh capital exceeding Rs. 15.45 crores. The consent is valid for 12 months in all cases.

Tata Oil Mills Company Limited, Bombay, is to issue Rs. 35,03,750 bonus capital in 1,40,150 equity shares of Rs. 25 each, to be issued as bonus shares on capitalisation of share premium account. The bonus shares will be issued in the proportion of one for every 3 equity shares held.

National Organic Chemical Industries Limited, Bombay,

is to issue share capital of Rs. 10 crores in equity shares of Rs. 100 each for cash at par. Of this, shares of the value of Rs. 3.34 crores will be subscribed in Sterling by Shell International Chemical Company Limited, UK and out of the balance, Rs. 3.40 crores approximately will be subscribed by the Mafatlal group, their friends and associates and the balance of Rs. 3.26 crores will be offered to the public by prospectus.

Polyolefins Industries Limited, Bombay, will be issuing capital of Rs. 3.60 crores in equity shares of Rs. 100. All the shares will be issued for cash at par and Rs. 1.20 crores will be subscribed in DM Currency by Farbwerke Hoechst A.G. West Germany; Rs. 1,17,60,000 will be offered to the public by prospectus and the balance Rs. 1,22,40,000 will be subscribed privately.

Chowgule Steamships Limited, Goa, is to issue further capital of Rs. 1 crore divided into 1,00,000 equity shares of Rs. 100 each to be issued privately for cash at par. The capital will be utilised in meeting the company's commitments in acquiring ships.

Tractors and Bulldozers Limited, Baroda (a private company converted into public one on January 19, 1964), engaged in the manufacture of Zetor Diesel Agricultural Tractors, is to issue further capital of Rs. 50,00,000 in equity shares of Rs. 100 each, for cash at par. Out of this issue, approximately Rs. 35 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 week ended 8th August, 1964. The list contains the names and addresses of the licensees, the items of manufacture and annual installed capacity.

ELECTRICAL MOTORS

Jay Engineering Works Ltd., P.O. Box No. 2185, Calcutta (Sanatnagar, Andhra Pradesh) — Universal 230 volts, 1/20 HP Motors for export. Shifting from Bansdroni (West Bengal) to Sanatnagar, Andhra Pradesh.

AUTOMOBILES

Guest, Keen, Williams Ltd., Sankey Division, Wakefield House, Sprott Road, Ballard Estate, Bombay-1 (Mysore) — Filter inserts 1,50,000 sets per annum; Pneumatic Governor diaphragms — 24,000 sets per annum. (Shifting from Maharashtra to Mysore).

MACHINE TOOLS

Shri M. Basavarajappa, Ravi Metalloids, H.M.T. Estate, Jalahalli Post Office, Bangalore-13 (Bengalore, Mysore) — Universal Drilling and Boring Machine, Milling and Drilling Machines — 240 Nos. per annum.

DRUGS AND PHARMACEUTICALS

Alembic Chemicals Works Co. Ltd., Baroda-3 (Gujarat) — Kanamycin Sulphate injections 18,750 vials — 1 gm. base; 37,500 vials — 0.5 gm. base; Kanamycin Sulphate Capsules 46,875 bottles of 4 capsules each. Kanamycin Sulphate Syrup 48,750 bottles of 10 million each; Kanamycin + Tetracycline Capsules — 16,875 bottles of 4 capsules each containing Kanamycin and tetracycline hydrochloride 0.125 gm. each. 16,875 bottles of 4 capsules each containing Kanamycin base 0.125 gm. and tetracycline hydrochloride 0.195 gm.; Kanamycin + Chloramphenicol Capsules 33,750 bottles of 4 capsules each.

SYNTHETIC ARTIFICIAL FIBRES

Central Weaving & Manufacturing Co., Swastik Mills' Compound, Ferguson Road, Lower Parel, Bombay-13. (Bombay, Maharashtra) — Art silk fabrics — 40 power looms after expansion.

LETTERS OF INTENT

The following is the statement showing letters of intent issued during the week ending 8th August, 1964, to parties who have applied for licences under the Industries (Development

and Regulation) Act, 1951.

Shri Gobinddeo Glass Works Limited, 9, Ezra Street, Calcutta-1 (West Bengal) — Various items of Ceramic machines — worth Rs. 106.36 lakhs per annum. M/s. Ciba of India Ltd., Royal Insurance Building, 14, J. Tata Road, Bombay-1 (Maharashtra) — Lynestrenol — 199.2 kgs. per annum. Mestrenol — 6 kgs. per annum. Sandoz (India) Ltd., 3, Wittet Road, Ballard Estate, Bombay-1 (Maharashtra) — Digoxin B.P. — capacity to be fixed. M/s. Textile Machinery Corporation Ltd., Belgharia, 24, Parganas, Distt. (West Bengal) — Ring Spinning Frames 1,080 per annum. Carding Engines 450 per annum. M/s. Indeng Corporation (P) Ltd., 29, Mahakali Chawl, Pydhonie, Bombay-3. (Maharashtra) — Various items of Ceramic Machinery, 1st year Rs. 70 lakh worth; 2nd year Rs. 155 lakh worth; 3rd year Rs. 250 lakh worth. M/s. Shalimar Industries (P) Ltd., 25, Ganesh Chandra Avenue, Calcutta-13. (Shalimar, Howrah, West Bengal) — Grooved insertmail eyes 120 lakh pieces per annum. Shri R. N. Bose, 228, Jor Bagh, New Delhi-3. (Thana, Maharashtra) — Taps and dies 360,000 nos. per annum; Chasers — 144,000 nos. per annum; Milling cutters — 36,000 nos. per annum. M/s. The Indian Aluminium Co. Ltd., 31, Chowringhee Road, Calcutta-16 (Mysore) — Aluminium smelter — 30,000 tonnes per annum (N.U.). M/s. The Indian Aluminium Co. Ltd., 31, Chowringhee Road, Calcutta (Maharashtra) — Aluminium rolling mill 13,000 tonnes per annum (N.U.). M/s. Bharat Steel Tubes Ltd., 14-15F, Connaught Place, New Delhi-1 (Punjab) — Steel strips 40,000 tonnes per annum. M/s. Universal Cables Limited, Satna (Madhya Pradesh) — Signalling Cables 300 miles per annum. M/s. N. K. Kerr & Co., 82, Hastings Street, 3rd Floor, Calcutta-1 (Orissa) — Paper and pulp 25,000 tonnes per annum. M/s. Hind Construction and Engineering Co. Ltd., 9, Brabourne Road, Calcutta-1 (Dehra Dun, U.P.) — Portland cement 200,000 tonnes per annum. M/s. India Paper Pu'p Co. Ltd., 8, Clive Row, Calcutta-1 (Hazinagar, Naihati, West Bengal) — Paper and pulp 4,000 tonnes per annum. M/s. E. I. D. Parry Limited, Dare House, P.O. Box No. 12, Madras-1 — Soda ash, Ammonium chloride. M/s. Elpro International Ltd., 20, Graham Road, Ballard Estate, Bombay-1 (Maharashtra) — X-Ray equipment Rs. 30 lakhs worth per annum. M/s. Godrej & Boyce Mfg. Co. (P) Ltd., Lalbaug, Parel, Bombay-12 (Maharashtra) — Standard Typewriters. M/s. Apeejay Structurals Ltd., 47, Hide Road, Calcutta 27 (Rajbandh, Burdwan Distt. West Bengal) — Wharf cranes (capacity to be determined). M/s. Escort Ltd., 11, Scindia House, Connaught Circus, New Delhi-1 (Punjab) — X-Ray equipments — 400 units per annum. Shri H. K. Nathani, 11, Circus Market Place, Calcutta-17. (Orissa) — Rolls on cast iron and cast steel base — 5,040 tons per annum.

CHANGE IN NAMES (Owners or Undertakings)

During the week ended August 8, 1964.

(Information pertains to particular licences).

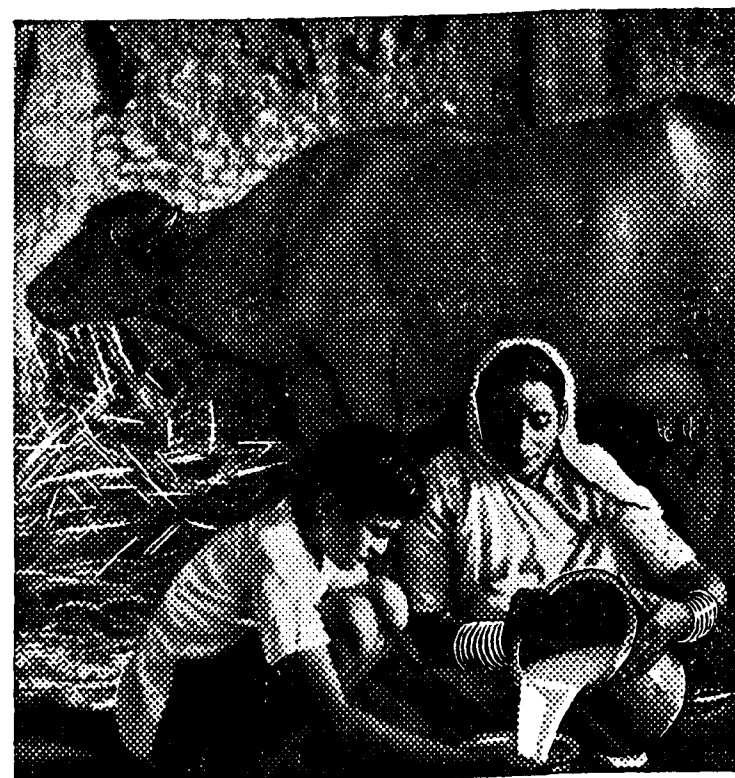
From M/s. North Bihar Rolling Mills Ltd., Bihta, Distt. Patna (Bihar) to M/s. South Behar Sugar Mills Ltd., Bihta, Distt. Patna (Bihar); From M/s. Gujarat Electrodes Private Ltd., Baroda to M/s. Cema Private Ltd., Baroda; From M/s. Frick India Ltd., New Delhi to M/s. Frick India (Private) Ltd., New Delhi; From M/s. Geo Salter India Ltd., Calcutta to M/s. George Salter India Ltd., Calcutta; From M/s. New Era Hindustan Woollen Mills, Ludhiana to M/s. Himachal Shoddy Mills Ltd., Paonta; From Mrs. Parvathi Arjunan, Pallayakottai P.O. to M/s. Mallikeswari Textiles Private Ltd., Pallayakottai P.O.

LICENCES REVOKED OR SURRENDERED

During the week ended August 8, 1964.

(Information pertains to particular licences).

Mr. Satya Paul, Julundur — Water meters; M/s. Tekhatpur Powerloom Weavers' Co-operative Society Ltd., P.O. Bari-pada, Distt. Mayurbhanj, Orissa — Cotton yarn; M/s. Berhanpur Powerloom Weaver's Co-operative Society Ltd., Berhanpur, Distt. Ganjam, Orissa — Cotton yarn.



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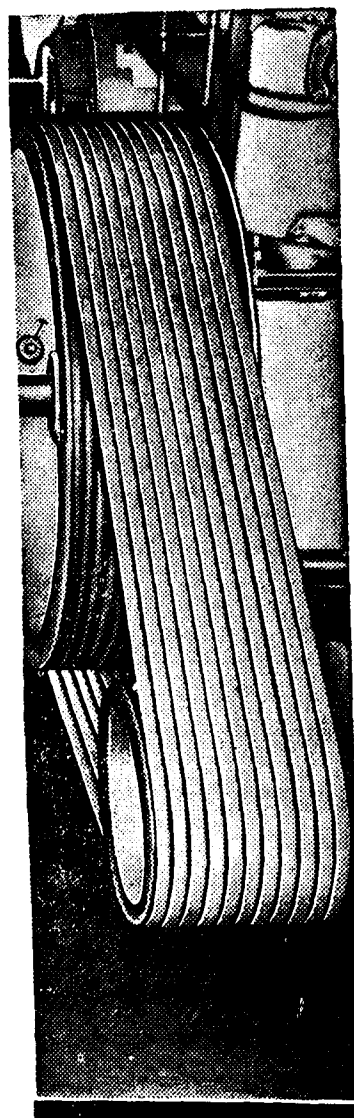
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Readers' Roundtable

HIGH PRICES—A CRISIS OF CONFIDENCE

Sir, — According to the Government estimate the total crop for 1963-64 is 77.8 million tons. Another 5 million tons were available from imports, thus making a total of 82.8 million tons.

Even if we take the Government figure to be inflated by, say, 10 per cent and also permitting 7.5 per cent for wastage in handling and storing, there remains available for distribution 70 million tons of food grains which are enough to provide 1 lb. of food grains per day for 45 crores of population. This population includes children, women and aged and also people living in urban areas. All these consume less, therefore leaving a larger quantity for the population living in the rural areas. Thus enough food grains are available.

If we look at the cost index figures we find that the index of cereals in January 1963 was 103 and it started rising from April 1963 and in May 1964 went up to 128 — a rise of nearly 25 per cent in about 14 months. The same has been the trend in pulses. From an index of 104 in January 1963 it went up to 136 in May 1964 which is a rise of nearly 32 per cent. In oilseeds again there was a steep rise with the result that the price of edible oil has shown a rise of 25 per cent during this period. Against this, the prices of meat, fish and eggs have not risen to the same extent. There is only a sympathetic rise of about 10 per cent in these products. The rise in the price of milk and milk products has again been to the tune of 17½ per cent because of the higher cost of feeding the cattle. Thus, it seems that there was some reason during this period to inflate the prices to this extent in spite of the fact that there was enough food to go round for the whole of the population.

We have to consider therefore what happened to all these food grains. In spite of the raids in Delhi, Calcutta and all other places, not much stock has been found with the traders, whether wholesalers or retailers. It therefore appears that the grains are still lying in large quantities with the farmers who are the primary producers. The farmer sells according to his needs. As he needs cloth and other essential commodities, he sells grains. Therefore he has to be induced to sell grains by buying something else so that the shortage may not persist.

Old Days

In the old days he had the alternative of buying gold. Today gold is available but resale of gold has become difficult. The Gold Control Order came into effect on January 9, 1963. Therefore he has lost confidence in gold purchases. If he converts his grain into money then there is the difficulty first, of money being stolen and secondly, currency notes being eaten by white ants. The gold he purchased used to be converted into ornaments which were all the 24 hours either on the body of his wife or in some shape or other on himself. Therefore, he was not afraid of theft and at the time of adversity he could sell it.

It may be worthwhile therefore to re-establish gold as a medium of inducing the farmer to part with the grain or to be given some alternative which will induce him to sell grain and keep the alternative as a safety measure to be used in adversities.

In addition to the loss of confidence which he has undergone in gold, the Government has also through rural credit agencies extended a credit of nearly Rs. 150 to Rs. 175 crores which has further aggravated the position. The more a watch has to be kept on the expansion of rural credit also, so that it may not induce the farmer to hoard grains. It is really speaking a crisis of confidence which has resulted in high prices.

In addition to the hoarding with farmers, there is some amount of hoarding with consumers also. This fact has been stated by the Union Food Minister. To prevent consumer hoarding, action should be taken by the Centre to sell imported grains at selected centres in large quantities to push down the prices so that the consumer may feel confident about the food situation and he may not keep larger stocks. Of course, unproductive expenses should also be curtailed all round.

Simultaneously with the short-term action to be taken for dehoarding and making enough supplies available, action is also necessary for increasing agricultural production.

— A CORRESPONDENT.

Calcutta.

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BOOKS BRIEFLY

Monetary Semantics

Clarification of the Monetary Standard: By Will E. Mason; The Pennsylvania State University Press; 1963; Pp. xii+253; Price \$7.50.

Reviewed by D. KRISHNASWAMI RAO

THIS BOOK centres round a particular and limited thesis, namely, that the confusion of monetary policies and objectives in our time has been the "inevitable result" of the absence of a precise definition of the "monetary standard," and that "what the 'money muddle' cries out for is a concept of a monetary standard sufficiently precise, reasonable, and realistic to permit isolation of the phenomenon and identification of its species".

In the introductory chapter Professor Mason poses his problem, which is that current monetary problems are not well enough understood because of the "mounting confusion" in the terminology of monetary theory and that the substantive issues in monetary policy cannot be resolved until the terminological obstacles have been eliminated. In the next chapter he makes a minute survey of the literature to examine the various concepts of a monetary standard that have prevailed from time to time and to show how they have little applicability to the monetary arrangements that have figured in contemporary discussions. Much of this chapter is in the nature of a difficult exercise in logic but at some points new light is thrown on recent controversies: for example, when the author points out the basic inconsistency of innovations to secure price stability within the framework of a gold (or silver) standard. It is exceedingly doubtful however whether at the present time monetary analysis is as dominated by the persistence of thinking appropriate to older monetary standards as he makes it out to be.

The next two chapters are devoted to a discussion of the way in which economists continued to apply classical monetary terminology to situations and developments that had outmoded it, and of the reasons for the persistence of a static termino-

logy in the analysis of a monetary system that was constantly changing. Then follows a chapter on the 'Result of the Confusion,' the burden of which is: "Terms for alleged standards have come to mean everything; therefore they mean nothing. Substantive issues have been sucked into the quicksand of a spreading terminological swamp. The swamp must be drained".

While all this reasoning may be good as an intellectual exercise, one might still question whether in any other than the physical sciences terminology has kept pace with changes in phenomena and whether the inaptness of terminology can be such a big bar to the correct analysis of practical situations.

Dr. Mason then presents his own concept of a monetary standard as the criterion "guiding the monetary authorities in their choices among alternative monetary policies for the attainment of social goals". As this is an adjustment of the concept to the fact that money is no longer a commodity with an intrinsic value of its own, he feels that it would resolve terminological obscurities and lay bare the substantive issues in monetary policy. He also claims that if such a concept of a monetary standard had been an accepted doctrine in the first quarter of this century, some of the gross currency muddles of the time could have been avoided. Continuing in this vein, he writes: "Hence, the international financial debacle of 1931-1933 might never have happened. If so, the great depression would have been more moderate, and the world might have been saved from some of its catastrophic consequences".

Such is the theme that Dr. Mason has developed in the 120 pages of the text, supported by 103 pages of Notes in which are cited more than a thousand writings in proof of the argument of the book. There is no doubt that enormous research has gone into its writing. But the theme can only be of interest to a small and esoteric circle of students of monetary theory, as the battle of the monetary standards was for all practical purposes abandoned about twenty-five years ago, and other and more challenging issues have come to the fore in the monetary controversies of the present day.

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RECORDS AND STATISTICS

Forecasting Export Trends Till 1970-71

AT A meeting of the Board of Trade held in New Delhi last week, the export targets for the fourth five-year Plan were finalised. The general consensus of opinion was that export earnings of Rs. 5,100 crores for the five years of the fourth

Plan period with the last year of the Plan ending on earnings of Rs. 1,110 crores, were both possible and reasonable. The table below gives figures regarding commodity-wise exports in 1960-61 with targets for 1965-66 and 1970-71:

EXPORTS ESTIMATES FOR THE FOURTH PLAN (Along with Figures of Exports for the Third Plan)

(Rs. crores)

Commodities	ACTUALS				ESTIMATES			
	1961-62		1963-64		1965-66		1970-71	
	Qty.	Val.	Qty.	Val.	Qty.	Val.	Qty.	Val.
A-Agriculture and Allied Products:								
1. Oilseeds nuts & kernels (Value) ..	—	4.5	—	4.3	—	5.0	—	6.4
(a) Groundnuts ('000 tonnes) ..	38	4.0	37	3.9	45.9	4.5	60	6.1
2. Vegetable Oils (Non-essential) ('000 tonnes) ..	39	5.8	145	19.9	115.0	16.0	—	19.5
(a) Castor Oil ('000 tonnes) ..	25	4.0	36	4.8	40.0	5.5	45	6.5
(b) Groundnut oil ('000 tonnes) ..	7	1.0	97	13.5	65.0	9.0	90	12.0
(c) Others ('000 tonnes) ..	7	0.8	12	1.6	10.0	1.5	9	1.0
3. Oil Cakes ('000 tonnes) ..	506	17.3	955	35.4	1100.0	40.0	1225	45.0
4. Tobacco unmanufactured ('000 tonnes) ..	44	14.1	64	21.1	65.0	21.0	75	23.0
5. Spices ('000 tonnes) ..	64.4	17.5	54.7	16.0	66.0	18.5	80	23.0
(a) Pepper ('000 tonnes) ..	21.7	8.1	18.9	5.9	22.0	6.5	26	7.5
(b) Cardamoms ('000 tonnes) ..	2.4	3.6	2.3	3.2	3.0	3.5	3	3.5
(c) Ginger ('000 tonnes) ..	7.6	1.1	4.9	1.4	8.0	2.5	11	3.0
(d) Chillies ('000 tonnes) ..	11.5	2.2	12.1	2.8	15.0	3.0	17	4.0
(e) Turmeric and others ('000 tonnes) ..	21.2	2.5	16.5	2.7	18.0	3.0	23	5.0
6. Raw cotton ('000 tonnes) ..	62.0	14.3	56.0	12.1	57.0	12.5	60	13.3
7. Raw Jute ('000 tonnes) ..	—	—	26.0	2.9	30.0	3.0	12	1.3
8. Sugar ('000 tonnes) ..	373.0	15.3	528.0	27.3	500.0	20.0	500	25.0
9. Fruits and Vegetables (Value) ..	—	25.5	—	29.9	—	35.0	—	45.0
(a) Cashew kernel ('000 tonnes) ..	42.0	18.2	51.0	21.4	56.0	23.0	65	27.0
(b) Bananas (A) ('000 tonnes) ..	7.0	0.2	11.0	0.4	40.0	1.0	40	1.0
(c) Pulses ('000 tonnes) ..	7.0	0.6	19.0	1.5	24.0	2.0	50	4.3
(d) Onions ('000 tonnes) ..	114	2.9	103	2.9	160.0	4.0	200	5.0
(e) Other fruits and vegetables (Value) ..	—	3.6	—	3.9	—	5.0	—	7.7
10. Gums and Resins ('000 tonnes) ..	12	2.0	22	3.0	30.0	4.0	40	3.5
11. Lac ('000 tonnes) ..	21	4.6	21	4.6	25.0	5.0	25	4.8
12. Essential oils ('000 tonnes) ..	—	4.5	—	2.8	—	3.0	—	3.0
(a) Lemongrass oil ('000 tonnes) ..	0.9	2.4	0.8	1.3	0.9	1.5	1.0	1.5
(b) Sandalwood oil ('000 tonnes) ..	0.1	1.9	0.1	1.2	0.1	1.0	0.1	1.0
(c) Others ('000 tonnes) ..	—	0.2	—	0.3	0.2	0.5	0.2	0.5
13. Meat & allied products (Value) ..	—	0.4	—	0.4	—	1.0	—	1.0
14. Animal casings (Value) ..	—	0.8	—	1.2	—	1.5	—	2.0
15. Rice ('000 tonnes) ..	—	—	2.6	0.3	3.0	0.4	—	0.5
16. Raw wool ('000 tonnes) ..	14.5	8.4	9.9	6.1	12.0	7.5	11.0	6.1
17. Fish ('000 tonnes) ..	15.7	3.9	18.4	5.7	30.0	8.5	55.0	20.0
B-Plantations:								
18. Tea (mill. kg.) ..	207.0	122.3	209.0	123.4	225.0	130.0	275.0	160.0
19. Coffee (B) ('000 tonnes) ..	29.7	9.0	23.3	8.3	32.0	9.0	45.0	15.0
C-Ores, Minerals and Scrap								
20. Iron ore (mill. tonnes) ..	9.9	35.4	9.9	36.4	13.0	49.4	25.0	95.0
21. Manganese ore ('000 tonnes) ..	995	10.7	954	8.3	1000	10.0	1200	12.0
22. Mica (mill. kg.) ..	28	9.7	30	9.2	34	10.0	34	10.0
23. Ores and minerals other than iron ore, manganese ore and mica (Value) ..	—	4.7	—	4.3	—	5.0	—	5.0
24. Iron & steel scrap ('000 tonnes) ..	272	6.3	384	4.9	500	6.0	?	?

EXPORTS ESTIMATES FOR THE FOURTH PLAN (Contd.) (Along with Figures of Exports for the Third Plan)

(Rs. crores)

Commodities	ACTUALS				ESTIMATES			
	1961-62		1963-64		1965-66		1970-71	
	Qty.	Val.	Qty.	Val.	Qty.	Val.	Qty.	Val.
Textile fabrics and manufactures (excluding coir and jute) (Value) ..								
(a) Textile Fabrics:	—	66.6	—	85.5	—	97.5	—	128.0
25. Cotton fabrics (mill. met.) ..	513	48.3	567	54.4	595	59.0	665	67.0
(i) mill-made (mill. met.) ..	487	43.3	536	47.5	550	50.0	600	55.0
(ii) handloom (mill. met.) ..	26	5.0	31	6.9	45	9.0	65	12.0
26. Fabrics of artsilk and synthetic fibre and spun glass (D) mill. met.) ..	81	7.6	88	10.6	120	12.0	150	15.0
(i) mill-made (mill. met.) ..	72	5.8	78	7.9	105	9.0	125	11.0
(ii) handloom (mill. met.) ..	9	1.8	10	2.7	15	3.0	25	4.0
27. Natural silk fabrics (handloom) (Value) ..	—	1.2	—	2.2	—	3.0	—	4.5
28. Woollen fabrics (Value) ..	—	0.2	—	1.5	—	2.0	—	3.0
(b) Other Textile Manufactures:	—	—	—	—	—	—	—	—
29. Cotton yarn (mill. kg.) ..	9	4.9	14	6.7	15	7.0	21	10.0
30. Machine-made carpets (E) (Value) ..	—	—	—	—	—	—	—	5.0
31. Clothing (Value) ..	—	0.7	—	4.5	—	7.0	—	13.0
i) Ready-made garments (Value) ..	—	0.5	—	3.8	—	6.0	—	(10.0 to 11.0)
(ii) Knittedware (Value) ..	—	0.2	—	0.7	—	1.0	—	2.0
32. Miscellaneous textile manufactures (Value) ..	—	3.7	—	5.6	—	7.5	—	10.5
E-Manufactures of Coir and Jute:								
33. Coir yarn and manufactures ('000 tonnes) ..	74.6	11.2	76.2	11.6	85.0	13.0	100.0	16.0
34. Jute manufactures (lakh tonnes) ..	8.0	144.8	9.1	157.5	9.8	165.0	11.0	(175.0 to 180.0)
F-Leather and Leather Manufactures (Value) ..								
35. Skin raw (Value) ..	—	36.7	—	40.5	—	43.5	—	50.0
36. Footwear leather and Canvas etc. (mill. pairs) ..	—	8.8	—	10.5	—	9.5	—	9.0
37. Leather and leather manufactures excluding footwear (Value) ..	—	25.5	—	26.4	—	28.0	—	32.0
(a) Leather undressed (mill. kg.) ..	19.3	23.3	18.5	24.1	20.0	25.0	23.0	28.0
(b) Leather misc. (Value) ..	—	1.2	—	2.3	—	3.0	—	4.0
G-Engineering Goods:								
38. Engineering goods (Value) ..	—	7.6	—	13.5	—	19.0	—	50.0
(a) Metal manufactures (Value) ..	—	3.4	—	7.2	—	8.5	—	21.0
(b) Machinery other than electric (Value) ..	—	2.4	—	2.8	—	4.0	—	9.0
(c) Machinery electric and instruments and appliances (Value) ..	—	1.1	—	1.6	—	3.0	—	9.0
(d) Transport equipment (Value) ..	—	0.5	—	1.6	—	2.5	—	4.0
(e) Other engineering goods (Value) ..	—	0.2	—	0.3	—	1.0	—	7.0
H-Handicrafts:								
39. Handicrafts (Value) ..	—	19.3	—	30.7	—	32.5	—	41.0
(a) Handmade carpets and druggets (Value) ..	—	4.4	—	5.4	—	6.0	—	7.5
(b) Artware-metal (brass and copper) (Value) ..	—	1.5	—	1.8	—	2.2	—	3.0
(c) Precious and semi-precious stones, pearls etc. (Value) ..	—	8.0(G)	—	12.9	—	15.0	—	17.0
(d) Zari goods (Value) ..	—	0.7	—	4.8	—	1.5	—	2.0
(e) Textiles handprinted (Value) ..	—	1.1	—	1.2	—	1.5	—	2.0
(f) Woodware (Value) ..	—	0.3	—	0.5	—	0.7	—	1.0
(g) Woollen shawls, lohies, travellings and artware (Value) ..	—	0.1	—	0.6	—	1.0	—	1.5
(h) Other handicrafts (Value) ..	—	3.2	—	3.5	—	4.6	—	7.0

EXPORTS ESTIMATES FOR THE FOURTH PLAN (Contd.)
(Along with Figures of Exports for the Third Plan)

(Rs. crores)

Commodities	ACTUALS				ESTIMATES			
	1961-62		1963-64		1965-66		1970-71	
	Qty.	Val.	Qty.	Val.	Qty.	Val.	Qty.	Val.
I — Other Manufactures:								
40. Iron and steel (F) (Value)	—	4.7	—	1.9	—	—	—	—
41. Ferro-manganese and ferro-alloys ('000 tonne)	210	5.6	22	1.7	75	5.0	100	6.3
42. Minerals, fuels, lubricants and related materials including coal and coke (Value)	—	5.9	—	7.7	—	8.0	—	10.0
43. Chemical and allied products excluding essential oil (Value)	—	3.3	—	3.7	—	5.0	—	(15.0 to 20.0)
44. Plastic and plastic manufactures (Value)	—	0.1	—	0.3	—	1.0	—	5.0
45. Cotton waste ('000 tonnes)	42	5.3	42	4.4	45	4.5	50	5.0
46. Tobacco Mftrs. (Mill. kg.)	2	0.9	1	1.4	—	1.5	—	2.0
47. Rubber Mftrs. including crude rubber (Value)	—	0.4	—	0.9	—	3.0	—	5.0
48. Paper, paperboard and manufactures (Value)	—	0.8	—	0.7	—	1.0	—	2.0
49. Cement ('000 tonnes)	98	0.9	81	0.8	—	1.0	—	1.0
50. Glass and Ceramics (Value)	—	0.3	—	0.3	—	1.0	—	2.0
51. Wood, lumber and cork and manufactured excluding furniture (Value)	—	2.9	—	2.9	—	3.0	—	4.0
52. Miscellaneous items including re-exports (Value)	—	33.4	—	40.4	—	44.2	—	55.0
Total:		679.7		794.2		870.0		1110.7

- (A) Exports of bananas are very risky and so far have not been very successful. If present efforts succeed in modernising our plantation, transport and packing, we may be able to achieve more. Along with this, it will also be necessary to cultivate public opinion in favour of exports of bananas which today are falsely described as "poor man's fruit and as such should not be exported".
- (B) Export of coffee at the end of the fourth five-year Plan can reach such a large value only if (a) the plantations are intensely developed and more lands made available and (b) the international coffee agreement is amended to at least double our present quota. Under the present agreement, we are restricted to very small quantity of export of coffee to quota countries. Regarding non-quota countries, which are few, the possibility is that most of these countries may join the agreement, thus making us lose the exports of these outside the present quota.
- (C) The export of iron and steel scrap in the fourth Plan faces great risk. The Ministry of Iron and Steel, which controls this industry, is of the opinion that there will be no substantial quantities of iron and steel scrap in the fourth Plan period because most of it will be consumed by the new coming up scrap smelting furnaces in the country. Unless all efforts are geared to collect as much scrap as possible through suitable policies and incentives and the stipulated quantities are allowed to be exported, we might lose these exports and the Japanese market in future.
- (D) The exports of fabrics of art silk and synthetic fibres could only be possible if present incentive scheme is left undisturbed and the attractive feature of import of synthetic yarn, fibre, rayon, nylon, etc. is continued to be allowed. If, any further major interference is done in the incentive scheme, we might face the risk of losing these exports.
- (E) This will be a new item for machine made carpets. For this we have taken recent decisions to promote some machine carpet units. If we succeed in this venture, we may be able to export about Rs. 5 crores worth of machine-made carpets annually by the end of the fourth Plan. This is a field in which work and experience gained in the fourth Plan may open up a much larger vista of exports in the fifth five-year Plan.
- (F) The exports of prime steel are very promising provided, in the fourth five-year Plan, about 5 lakh tons of prime steel of different categories and product mix are made available for exports every year to countries of South-East Asia, West Asia, Africa and Persian Gulf. Larger inputs specially for production of iron and steel for exports could help us to earn about Rs. 20 crores per year.
- It has not been possible to indicate export estimates for prime steel during the last year of the third Plan and in the duration of the fourth Plan as firm indications of availability for export are not yet available.
- (G) In the year 1961-62, the figures of post parcels were not being tallied comprehensively by the DGCI & S and, therefore, these figures are not reflected in the total exports of 1961-62.

General Note: Item 52 — "Miscellaneous items including re-exports". Out of the miscellaneous items, those individual items whose exports reach an annual figure of Rs. 1 crore and more are continuously brought up as separate individual items and the balance of small items having their individual exports of less than Rs. 1 crore are classified under this head — Item 52 "Miscellaneous Items including re-exports"

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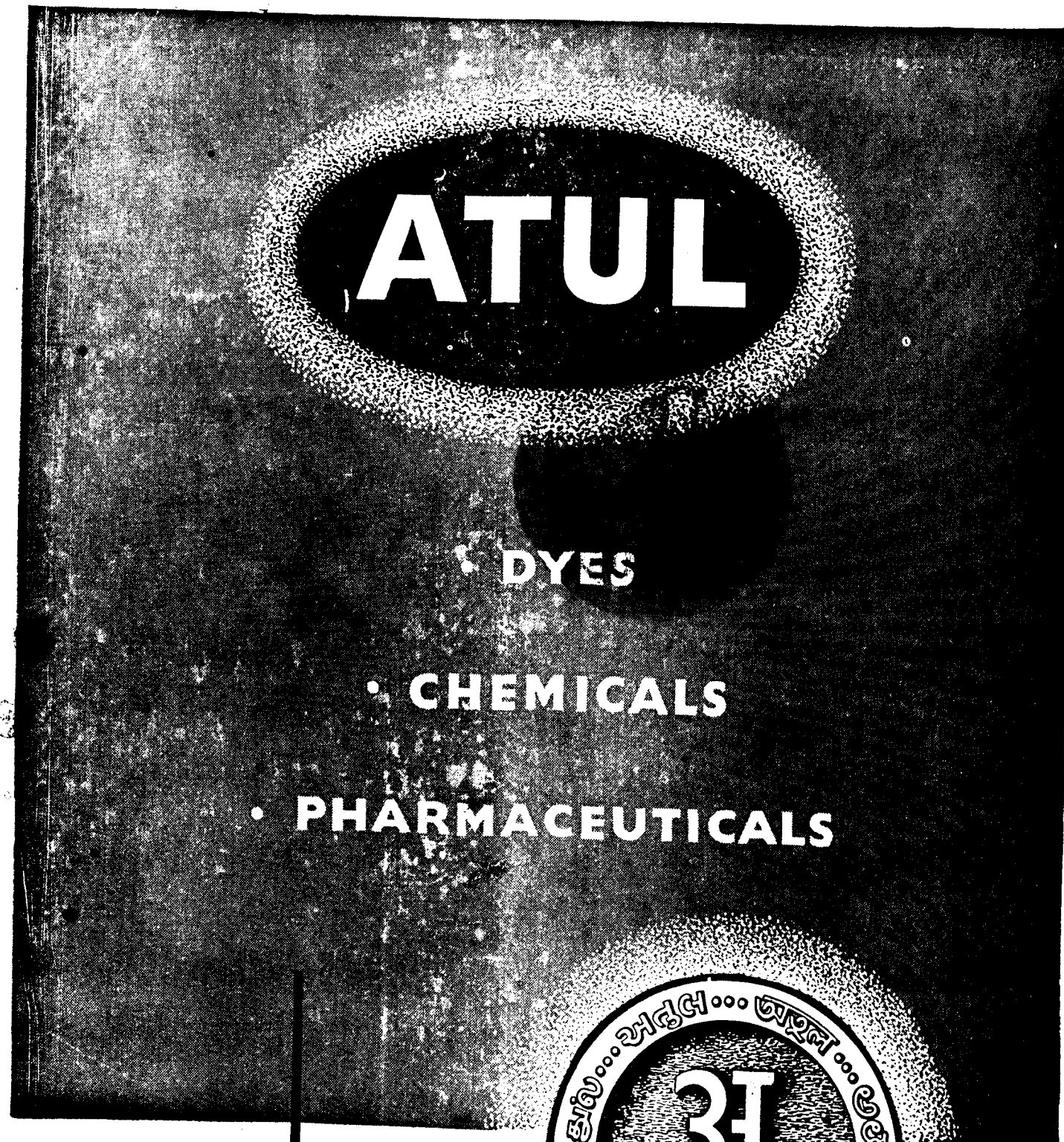
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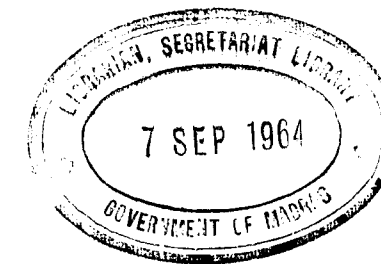
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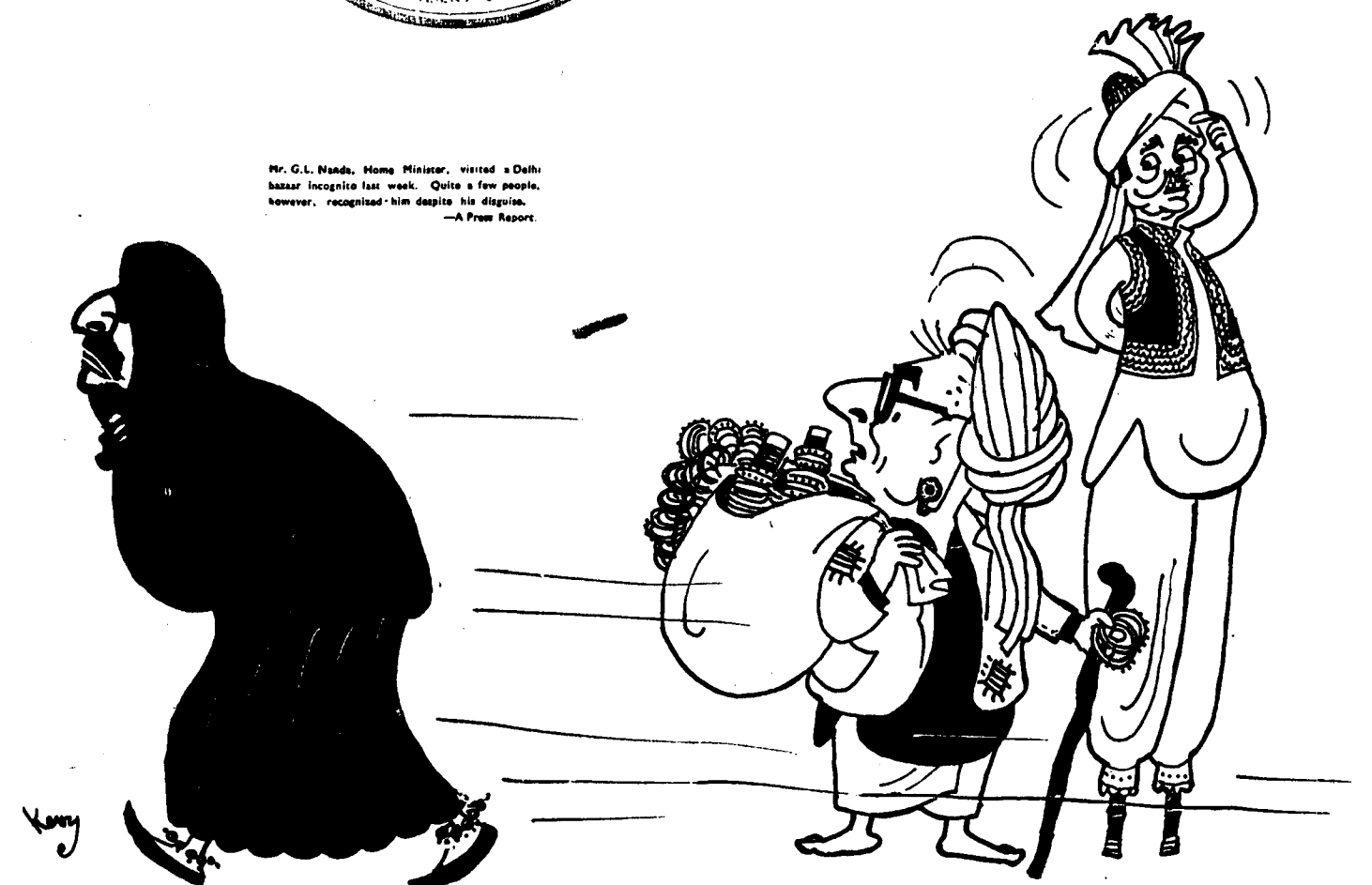
VOL. 43

10

EASTERN ECONOMIST



Mr. G.L. Nanda, Home Minister, visited a Delhi bazaar incognito last week. Quite a few people, however, recognised him despite his disguise.
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EASTERN ECONOMIST

SEPTEMBER 4, 1964.

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To Parliament with Confidence

BY NEXT Monday, when the monsoon session of Parliament meets, the monsoon itself would have virtually run its course. The clouds of political controversies, however, will be crowding into the skies over Parliament House. Over the past some weeks, opposition groups of various hues and views had been trying to keep alive a clamorous agitation over food prices. Unfortunately, they had been aided and abetted in their campaigns by the Government itself, which had quite needlessly thrown itself into a panic. There was never at any time any danger of food famines in any part of the country, apart of course from the scarcity conditions seen in the desert districts of Rajasthan last summer — which, curiously enough, seemed to attract but little political or public attention at that time. There was and there is certainly a lean period until the *kharif* harvests begin to arrive. But the problems of this phase could and should have been anticipated through a proper scheduling of food imports and their deployment.

There was in all this a certain element of miscalculation in that Mr. Swaran Singh, as Minister for Food and Agriculture, had been quite generous in releasing stocks of imported grain to State Governments, but had omitted to take steps simultaneously for restocking. Shipments from the United States under PL 480 could have been stepped up as well as speeded up in anticipation of difficulties rather than, as now, in alleviation of them. In any case, it certainly reflected no credit on Mr. Subramaniam's predecessors in the Food portfolio that the bottleneck in grain handling at the ports was never seriously dealt with, so much so it became an urgent responsibility of the present Minister for Food and Agriculture to resolve this difficulty at a time when the internal food situation had been blown up into a problem of monstrous proportions. That the Government has been made to pay for all this fecklessness is true enough. It was surely the guilty thought that, despite bold talk of buffer stocks on the part of its spokesmen from time to time, it had allowed official grain holdings or reserves to dwindle to meagre quantities which prompted the Government to indulge in as well as encourage rumours of large-scale hoarding, thereby demoralizing the public, dislocating the trade and lending false substance to the slogans of the opposition. Fortunately, the Government appears to have seen the error of its ways and realized the need for keeping its head rather than seeing red. Hence perhaps Mr. Subramaniam's emphatic statements last week that the worst phase of the food difficulties was over and that the public might expect supplies to ease in the coming weeks. This reassurance has come not a day too soon and must certainly strengthen the hands of the Government in dealing with opposition groups which may be expected to exploit fully their parliamentary opportunities for intensifying their agitation over food.

This is not to say that there is no food problem at all. While there is certainly no serious overall shortage of food in the country, the fact remains that food prices have gone up. This is essentially due to a very definite emergence of inflationary pressures in the economy. These pressures have sent up not only food prices but also most other prices. What is distinctive about the increase in food prices is that a substantial part of it has occurred abruptly whereas other prices have been rising more gradually and, therefore, less obtrusively. If the national economy is to be properly managed in the future it is important that the Government should squarely face up to this challenge of inflation. That it is preparing to do

so need not be denied. The cut intended in government expenditure — about Rs. 70 crores on Central Government account and about Rs. 50 crores perhaps on account of State Governments—is no doubt in the nature of a token, but it is still significant as an admission that ingrained attitudes are at last being revised. We hope that the Government has really been converted to the view that the mere level of public spending is not an index, and certainly no guarantee, of development.

The course of the convert, however, is not likely to run smooth. There are, for instance, quite a few academic economists who seem to have persuaded themselves that in the case of development expenditure what matters is not quality but quantity. Their uncritical readiness to equate investment with growth could lead to misleading advice being given to those in the Planning Commission or the Government. While, however, theirs might only be a role of unwisdom, there are others whose motives must surely be suspect. Voices have already been raised in the Communist Party in denunciation of the Government's alleged retreat from big industrialization in general and the rapid promotion of heavy industries in the public sector, in particular. With targets for the fourth Plan currently under discussion, it is to be expected that this particular debate will be kept going not only by Communist onslaughts but also by the ideological fervour of "Keep Left" Congressmen. In the circumstances it is, indeed, most heartening to find the Prime Minister having taken a clear and considered view of rational priorities in planning and development. In an admirable rejoinder to Mr. Bhupesh Gupta, Mr. Lal Bahadur has exposed the absurdity of the contention that there could be any contradiction between an immediate programme of strengthening the social and economic base of the community by providing for the greater production of the essentials of life and the objective of promoting heavy industries and thereby advancing the industrialization of the country. Both Communists and arm-chair economists would do well to remember that a nation does not become rich or strong merely by putting up a large number of imposing plants producing heavy machinery and the like. The essence of mother industries is that they must, in fact, mother other industries and it follows that unless investments in capital goods industries are integrated with the larger economic and industrial activity around, they could become nearly as irrelevant to the economic development of the country as the pyramids were to food and farming in the Nile Valley.

Paying Guests

IN TOURISM, as in much else, this country is in the position of a poor relation at a rich man's table. The year 1963 was a good year for the international tourist trade. Tourist traffic, according to the International Union of Official Travel Organizations, was some 13 per cent more than in 1962 with the number of tourist

We, therefore, unhesitatingly applaud the Prime Minister for the rare courage of his down-to-earth statement that "what India needs is socialism in action". In a message to the *Congress Forum*, official organ of the Congress Forum for Socialist Action, Mr. Lal Bahadur has further said: "What we do to our masses to make them self-sufficient in regard to their food, clothing, shelter, medical aid and employment is the real essential. The more we can do to bring these to our people the nearer would we be to the goal of socialism. The standard of living of the common man must be raised." It may be confidently predicted that, in the coming session of Parliament, the sound position taken by the Prime Minister would be assailed, both openly and obliquely, not only from the opposition benches but even from his own side of the House. The Government, however, may rest assured that responsible and enlightened public opinion in the country will support solidly an enlightened approach to economic development as affirmed in the Prime Minister's recent statements.

A new approach, realistic and resilient, to old problems will certainly be even more warmly welcomed in friendly foreign countries which have been contributing considerably in men, money, machines and materials to the industrialization and economic development of this country for the last 15 years or more. While it should be duly noted that assisting governments and institutions have been careful to avoid creating an impression that they want to guide or influence our domestic economic policies, it still remains true that their willingness to continue to provide assistance will depend on the visible results of its utilization by and in this country. The recent visit, brief sojourn, official consultations and public statements of the President of the World Bank, a man who, both as an individual and by virtue of his office, has been taking a large-hearted — but hard-headed — interest in this country's five-year Plans, is evidence enough of a keen international desire to continue to give support and sustenance to India's development programmes until its lop-sided economy assumes a reasonably rounded shape. At the same time, it would be imprudent on our part either to take for granted foreign assistance of the order that may be needed for some time to come or to be lulled into a false sense of security that what we cannot justify by performance we could still manage to wangle through alibis, arguments or excuses. It is surely of no little significance that the Prime Minister's emphasis on pragmatism and prompt results has been greeted abroad with an enthusiasm amounting to excitement.

arrivals rising from 81.3 million to 91 million. The improvement in tourist receipts from \$8,114 million in 1962 to \$9,250 million in 1963 was even slightly better at 14 per cent. Indian statistics, however, show only marginal gains, with tourist arrivals showing an increase of 6,461 and foreign exchange

earnings going up by about a crore of rupees to about Rs. 22 crores. How far behind India is in tapping the potentialities of international tourism is brought out forcefully by the spectacular advances scored elsewhere. Spain, for instance, had 11 million foreign visitors in 1963 as against 8.5 million in 1962 and, in the current year, is geared to playing host profitably to an even larger number anticipated to be about 13 million. Currently, about 42 per cent of the foreign exchange receipts of Spain are earned through tourism. Incidentally, it is not certainly a coincidence that Spain's tourist boom has come at a time when foreign investment interest in Spain's business opportunities is running strong. In the course of 1963, the value of those investments increased by 73 per cent, American companies being foremost in this investment activity.

It seems to us that, although tourism is described as a by-product of affluence and is essentially an exercise in pleasurable travel and sight-seeing, it is also becoming a concomitant of the international traffic in trade, industry and finance. The current tendency, in other words, seems to be to combine business with pleasure (and *vice versa*). It follows that India could hope to attract more and more of the international tourist traffic as it succeeds in offering more and more business opportunities for foreign investors and entrepreneurs. Thus, any step taken to promote the inflow of foreign capital and know-how could be expected to build up India's tourist trade and earnings. In the same manner, any increase in international tourist interest in India could also have the effect of bringing to the knowledge of foreign investors and business men opportunities for doing business with or in this country. These are some of the points which the Government of India will do well to bear in mind as weighing in favour of progressively liberalizing the climate for foreign investments in this country.

It would be useful, again, to know that tourism is to some extent a two-way traffic. More people are apt to visit our country if more of us were to be seen and heard abroad. Advertisement posters alone are not good enough. Live contacts are also needed. While it is true that scarcity of foreign exchange must limit foreign travel for the citizens of this country, it would still be possible for the Finance Ministry to allow itself some prudent liberality in the matter of 'P' forms.

Tourism needs to be promoted and pampered. It must, in fact, be offered the world at its feet. Interesting places to visit or historic monuments to see are of course a prime condition. Of key significance too are the existence of modern amenities. The tourist is out to enjoy himself and no country may hope to see much of him so long as it has not equipped itself to take the most tender care of his right to a good time. This country and its Government have long been blamed for their neglect of tourists as well as tourism. It is, however, only fair to say that there has been a progressive im-

provement in attitudes. Procedures for landing permits, visas and customs clearance have been liberalized; baggage restrictions have been waived to some extent and concessions with regard to import duty have been made; local liquor laws have been modified to the advantage of tourists from abroad. More important still, the Government itself is putting forth a big effort to expand modern hotel facilities. At present the country has a total of 11,750 hotel beds of international standard. Another 1,500 beds would be added over the next 18 months. This, however, would still leave hotel facilities far short of the needs of the tourist trade. It has therefore been decided to set up a hotel corporation in the public sector with a programme for the construction of about 35 new hotels dispersed over centres of tourist interest, currently ill-served in the matter of hotel facilities.

Next to good hotel facilities comes travel, not merely comfortable but pleasurable, in winning tourist goodwill. Travel is of particular importance in this country where the climate is far from hospitable during the greater part of the year. India, again, is a vast and sprawling land with places of tourist attraction separated often by hundreds of miles from one another. Hence the great importance of modes of travel which are quick, comfortable and inexpensive. Currently much of the international tourist traffic is air-bound and air transport, consequently, is of special relevance to tourism. It follows that there must be a constant search for new ways and means of extending or improving the services of the Indian Airlines Corporation, particularly on flights and routes serving tourist traffic. The rail services too must play their part and here again both imagination and ingenuity should be pressed into service for continually adding to tourist comforts and attractions. The special tourist train service which is proposed to be run between Delhi and Agra provides an instance of the kind of enterprise which the railways should not hesitate to go in for in a big way. It is also worth examining whether the railways and the Indian Airlines Corporation could not offer, separately or jointly, package travel deals for tourists at concessional rates of fares. It is possible that there will have to be an element of government subsidy on travel, accommodation or other services or amenities for foreign tourists, but expenditure of this kind might well be regarded as an investment. It has been estimated that if tourism is properly developed it might earn for this country in foreign exchange more than Rs. 60 crores annually in about 10 years' time. Prospects of this order should surely justify bold and forward planning — and investment.

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Highlights of the Week

BONUS OR WAGE INCREASE?

THE DECISION of the Union Government to accept, with some modifications, the recommendations of the Bonus Commission, has satisfied neither the employers nor the union leaders. The employers feel that the provision for the payment of a minimum bonus — irrespective of the fact whether a unit had a profit or a loss — amounted to a straight increase in wages which, in fact, is the rightful jurisdiction of the Wage Boards appointed for the various industries. The union leaders are furious because the Government has "tampered with" the recommendations of the Bonus Commission which, they say, they would not "take lying down". An objective appraisal of the recommendations as accepted by the Government would indicate that there is a definite improvement over the recommendations of the Commission, though "bonus" has been robbed of its true meaning as a share in profits and has become a compulsory charge.

The Bonus Commission had recommended that 60 per cent of the "available surplus" should be distributed as bonus subject to a minimum equivalent of 4 per cent of the annual basic wages and dearness allowance or Rs. 40 whichever was higher and a maximum equivalent of 20 per cent of the annual basic wages and dearness allowance. The Commission's formula for computing the "available surplus" was to deduct from the gross profits the following prior charges:

- Depreciation as admissible under the Income-Tax Act.
- Income-tax and Super-tax, and
- Return at the actual rate payable on the preference share capital at 7 per cent on ordinary capital and at 4 per cent on reserves.

The Commission had also recommended that the payment of bonus should be made in cash. Where the amount allocatable as bonus exceeded the maximum of 20 per cent of the earnings, the excess up to a further limit of 20 per cent was recommended to be carried forward to be "set on" in the succeeding years upto a period of the following four years. Similarly, where there was no "available surplus" or the amount of the "available surplus" allocatable as bonus was a sum less than 4 per cent of the annual earnings, the whole of the quantum of 4 per cent or the amount necessary to make up 4 per cent was to be carried forward and "set off" in the succeeding years up to a period of four years.

The Government has made three major changes in the recommendations of the Commission. In the first place, in computing the "available surplus" all direct taxes for the time being in force will be deducted as prior charges. Tax concessions given to industry to provide resources for development will also be accepted as prior charges. This is the additional deduction allowed by the Government which was to be excluded according to the Commission's recommendations. Steps are also to be taken to ensure by law that the amounts involved for such concessions are used for the purposes for which they are meant. The second modification relates to the rate of return on capital to be allowed as a prior charge. Amongst the deductions to be made before calculating available surplus are: (a) the actual rate payable on preference share capital; (b) 8.5 per cent taxable on paid-up equity capital but in the case of banks, 7.5 per cent only, and (c) 6 per cent on reserves and in the case of banks 5 per cent only. It is clear that the Government has taken a realistic line in allowing deductions for computation of rate of return on capital and the Bonus Commission's formula for computing the available surplus has been shorn of its sting. Lastly, the Government has stipulated that payment beyond a certain maximum of bonus should be paid in the form of securities or investments instead of being paid in cash. The

level beyond which the bonus should be paid in securities will be decided by negotiations with the parties concerned.

The Government has also announced that suitable legislation to give effect to these proposals will be presented to Parliament shortly.

The recommendations as accepted by the Government will apply in all cases to the calendar year 1963. In those cases where any retrospection has been settled through agreement or by a decision having been given, the matter would not be re-opened. In disputed cases, it will be related to the accounting year ending on any date in the calendar year 1962.

It may be stated that the public sector units have not escaped the clutches of these new proposals. The new bonus formula will apply to all those public sector undertakings which are not run departmentally and which compete with the establishments in the private sector. Competition with the private sector will be measured in terms of that portion of the sales which competes with the sales or services in the private sector. If 20 per cent or more of the gross aggregate sale or turnover of a public sector undertaking competes with the sales or turnover of units in the private sector, it will be deemed as competing with the private sector and will be liable to payment of bonus according to the new regulations. The formula will not, however, apply to new concerns until they have recovered all earlier losses including all arrears of normal depreciation admissible under the Income Tax Act subject to a time limit of six years.

GOODWILL GALORE

THE MINISTER for External Affairs, Mr. Swaran Singh, has taken his new assignment in a serious manner and has embarked upon what might be described as a series of goodwill visits to our neighbouring countries. He has made a start with Kathmandu and Kabul where, during the past week, he strengthened India's bonds of friendship through personal discussions relating to problems of mutual interest. Both Nepal and Afghanistan share much in common not only politically but in their present state of economic development. While, as Mr. Swaran Singh reiterated both at Kathmandu and Kabul, India stands for non-alignment and peaceful coexistence and respects the sovereignty of the two countries, it would certainly like to lend a hand, in however limited a manner, in their economic development.

While this country has enjoyed an impeccable record of friendship with Afghanistan, there had appeared, for some time, an unfortunate cloud of suspicion and misunderstanding on the horizon of friendship between this country and Nepal. That phase, however, was transient and Mr. Lal Bahadur's visit to Kathmandu in March last year proved effective in eliminating misunderstandings. Mr. Swaran Singh's visit has further consolidated these good-neighbourly relations. This country has been taking keen interest in Nepal's economic progress since 1952, and it has so far pledged to that country aid amounting to Rs. 39 crores, nearly half of which has already been spent. Among the landmarks may be counted the Tribhuvan Raj Path, the first modern highway in the kingdom, and the Rs. 52-crore Gandak barrage project, work on which started in May last. The major outcome of the visit of the Minister for External Affairs was the signing of the agreement for the execution by this country of the Rs. 9.11-crore Sonauli-Pokhra road project. But keeping in view India's own defence and development requirements, the raising of Nepal's yearly steel quota by 40 per cent, and increasing the monthly supply of trucks from five to 20, are not insignificant gestures of the goodwill and sincerity that India has for that country. This country fully appreciates Nepal's anxiety for the rapid implementation of India-aided projects, and the new agreement between the two countries that these projects should be

periodically reviewed to remove bottlenecks might well be viewed in that perspective. Mr. Swaran Singh has also promised that the Government of India will do its best to encourage Indian industrialists to set up plants in Nepal. That India has no intention of standing in the way of a diversification of Nepalese trade is evident from the fact that the two countries have agreed to review the transit facilities for Nepal's trade with other countries, especially with Pakistan.

The Kabul visit of the Minister for External Affairs has been equally fruitful. India and Afghanistan have been very good trading partners, and it is only because of Pakistan's recent restrictions on transit facilities to Afghanistan that, being limited to air transport, the volume of trade between the two countries has been substantially reduced. Mr. Swaran Singh could not naturally explore avenues of improving the Indo-Afghanistan trade relations. India, however, has offered to collaborate with Afghanistan in her economic development, especially in the fields of agriculture, small-scale industries and training facilities.

The next two countries on Mr. Swaran Singh's itinerary are Ceylon and Burma. The tasks that Mr. Swaran Singh will be facing there are somewhat difficult. The question of compensation to the evacuees from Burma will be discussed in Rangoon, and in Colombo a solution to the problem of 700,000 Indian nationals will have to be hammered out in a manner which should satisfy not only both the countries, but also the Indian nationals whose future is involved. With the abundance of goodwill which exists in these countries towards India, amicable solutions will not be difficult to find.

A MILD LEAP

THE QUICK estimates of national income for 1963-64 released last week by the Central Statistical Organisation indicated that for the first time since the third Plan commenced, a reasonable rate of growth of 4.3 per cent. over the preceding year, was attained. The rates of rise in the first two years of the Plan were 2.6 per cent and 2.4 per cent respectively, taking the total rise in the three years to 9.5 per cent as against the total targeted rise of more than 30 per cent in

the five years of the Plan. It means if the target in the third Plan is to be realised, the increase which must be recorded in the remaining two years of the Plan is a little more than 20 per cent which, for obvious reasons, is beyond reasonable expectations unless the agricultural production of the country shows a fortuitous increase as in the years 1952-53 to 1954-55. The table below sets out national income and per capita income for 1950-51, 1955-56, 1960-61 and for the first three years of the third Plan at 1948-49 prices. It shows that at constant prices, the per capita income has just crossed the Rs. 300-mark. It highlights the fact that per capita income has been almost stagnant for the three years 1960-61 to 1962-63 and a moderate jump has been recorded in the year under reference.

Year	National income at 1948-49 prices (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
1960-61	127.3	293.2
1961-62	130.6	294.3
1962-63	133.7	294.7
1963-64	139.4	300.4

Out of the total rise of 4.3 per cent, the increase through agriculture is 0.5 per cent only. The fastest moving sector in the economy has been "mining and factory establishments" which recorded a rise of 9.1 per cent in 1963-64 over 1962-63 and made a contribution of 0.9 per cent — the highest by any single sector — to the total contribution of 4.3 per cent. While the official communique has stated that the improved performance is due to the larger growth in the agricultural sector, the figures indicate that the credit for this happy performance goes "to mining and factory establishments" alone.

Profitability of British Capital Abroad

ANALYST

NOTWITHSTANDING the growing interest shown by US industrialists in investments in this country, the United Kingdom, which accounts for the bulk of foreign investments in India is likely to continue its commanding position at least for some years to come. It would, therefore, be of interest to analyse the structure and profitability of British investments overseas in recent times from the statistical data contained in the UK Board of Trade Journal of November 1963. The statistical data excludes oil, insurance and banking business in so far as the value of net assets of overseas investments is concerned, and oil and insurance business in so far as the profitability of investment is concerned. The inclusion of the banks "would probably have added little to the global total because banks' direct investments abroad tend to be in branches whose net asset values are likely to be small".

The value of United Kingdom companies' private investment abroad in 1962 covering 80 per cent of the earnings of United Kingdom companies abroad may be seen in Table I. It will be seen that of the total net investment of £2853 million, India accounts for £171 million only. It is in Canada that the UK has the largest stake having over one-fifth of the total investments. This is followed by Australia and the United States which have about a seventh and a tenth of the total investment respectively. India's share of £171 million forms only 6 per cent of the total investment abroad of the UK. It would be further seen from the table that in Canada British investments in fixed assets exceed investments in current assets, suggesting that British investments are larger in capital intensive industries there. In Australia investments in fixed and current assets are almost equal, whereas in the United States, South Africa and India investments in current assets are greater than in fixed assets. Another important fact that emerges from the table is that British companies in India have current liabilities to the tune of £105 million,

compared to only £163 million in Canada, although British investment in fixed assets in Canada is four times that of India. British companies in India have financed their assets to a greater extent from current liabilities in India, compared to the other countries, wherein they have greater volume of fixed asset investment, such as Canada, Australia, United States and South Africa. A comparison of columns (3) and (4) of Table I would indicate that whereas in Canada, current liabilities formed only slightly more than a fourth of British investment, in India it formed more than a half. Not only is British investment in fixed asset requiring industries lower in India, but the amount of short-term borrowings is also relatively higher. It would be interesting to see whether this kind of operations secured higher earnings for the UK.

Profitability

Table II shows the earnings of British investments other than in oil and insurance in 1962 in the five countries in which it had substantial investments.

A comparison of column (8) of Table I and column (5) of Table II would show that the rate of earnings of the UK investments in India is much higher than in Canada, Australia and the United States which had earning rates of 3 per cent, 7 per cent and 7 per cent respectively. The rate of earnings on Indian investments of 9 per cent was exceeded only by South Africa which had a rate of 13 per cent. It can also be seen in Table II that although in 1962 the rate of earnings in South Africa was higher than in India, during 1959 to 1961, the margin of difference between the rate of earnings in South Africa and in India was lower than in 1962.

In view of the higher rate of earnings in India than in Canada or the United States, it may be expected that the increase in British investments would be higher in India. Table III

TABLE I.
U.K. INVESTMENTS ABROAD: 1962

Country	Overseas subsidiaries and branches of U.K.					Value of trade investments in associated companies overseas	Total net asset value of direct investment overseas
	Fixed assets after provision for depreciation	Current assets	Current liabilities	Total net assets (1+2)-(3)	Value of net assets of overseas companies which are attributable to non-U.K. shareholders	Total net assets of U.K. companies (4)-(5)	(6)+(7)
	(1)	(2)	(3)	(4)	(5)	(6)	(8)
Canada	453.5	326.8	163.1	617.2	49.8	567.4	607.0
Australia	287.4	236.0	140.7	425.8	55.8	370.0	401.3
United States	116.3	305.3	134.9	286.7	18.3	268.4	276.1
South Africa	128.9	217.2	110.2	235.9	36.3	199.6	219.3
India	115.3	173.3	104.6	184.0	25.9	158.1	170.7
Total (including others)	1857.1	2273.5	1233.6	2897.1	267.4	2629.7	2853.1

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shows the increase of British investments in total and also for five leading countries separately. This increase includes unremitted profits of subsidiaries, net acquisitions of share and loan capital, change in branch indebtedness and change in inter-company accounts.

TABLE II.
EARNINGS OF U.K. INVESTMENTS 1959-62
(£ million)

Country	1959	1960	1961	1962	Total
(1)	(2)	(3)	(4)	(5)	(6)
Canada	20.7	18.2	18.4	18.3	75.6
Australia	28.6	32.4	24.8	28.5	114.3
United States	19.9	18.0	18.0	20.1	76.0
South Africa	21.1	26.3	25.0	28.7	101.1
India	17.1	19.3	20.2	16.1	72.7
Total (including others)	225.3	247.9	235.2	221.1	929.5

*Under 'Earnings' are included both remitted dividends and retained profits.

A comparison of Table III with Table II would show whether the increase in the UK investments has been more or less than their earnings abroad. It would be observed that during 1959-62 in Canada and Australia, the increase in British direct investment exceeded the earnings in these countries; whereas in the United States, South Africa and India, it fell short of the earned profits. Thus the net outflow of British capital to India, South Africa and the United States was negative although the rate of earnings in these countries was

much higher than in Canada, which had a net increase in the flow of British capital. Thus, in spite of the fact that British investments in India are earning a higher rate of profit and are also able to secure a larger amount of current liabilities, there has been, of late, a net outflow of British capital from India. This contrasts strangely with Canada wherein the rate of earnings on British investment is only about one-third of that in India and there has been an increase in the flow of British investments there. Since our need for foreign capital is greater than that of Canada and Britain is an important country on whom we have to rely for capital, this raises an important question as to what other steps must we take to increase the flow of British capital to India since the higher rate of profit by itself does not seem to be an adequate incentive.

TABLE III.
INCREASE OF U.K. INVESTMENTS 1959-62
(£ million)

Country	1959	1960	1961	1962	Total
(1)	(2)	(3)	(4)	(5)	(6)
Canada	35.7	27.5	16.4	6.7	86.3
Australia	27.3	59.5	32.6	35.7	155.1
United States	15.7	15.3	19.6	7.3	57.9
South Africa	11.3	18.9	8.0	13.5	51.7
India	12.4	13.5	13.1	9.1	48.1
Total (including others)	189.6	241.1	211.6	156.9	799.2



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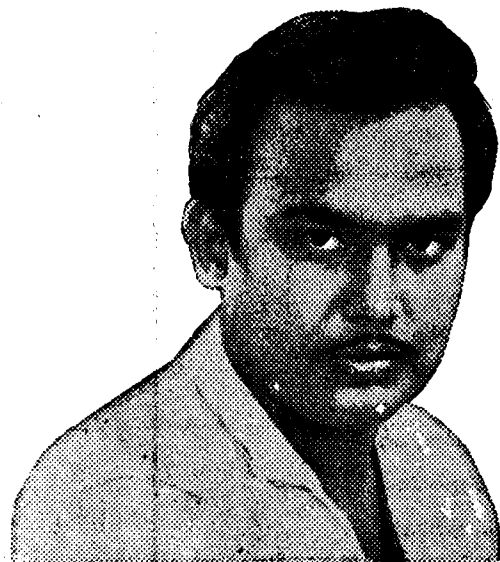
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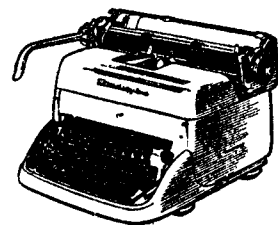
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WINDOW ON THE WORLD

An Outsider's Look at Britain

PAUL BAREAU

ECONOMIC JUDGMENTS in Britain are in these days so immersed in and often distorted by political considerations that an objective outsider's view is doubly welcome. The general election is approaching fast and there can be no doubt that in the present mood of the electorate, economic issues will be paramount in the coming battle. In the circumstances there must be a natural and understandable predisposition on the part of the Opposition to paint the situation in as dark colours as they can muster and thereby explaining and justifying in advance the unpleasant measures they may have to take when they are called upon to exercise responsibility and to discover all the skeletons in the cupboards handed to them. Conversely, spokesmen for the Government are inevitably compelled to argue that all is for the best in the best of all possible worlds, to suggest that economic expansion has now been brought back to a rate that can be sustained, to define the present undeniable prosperity as something that can be maintained and thus to exhort the electors in a phrase which is becoming familiar in Conservative propaganda but has a decidedly non-upper class ring "Don't Chuck it Away".

In the circumstances it is refreshing to have the experts of the Organisation for Economic Co-operation and Development in Paris focussing their unbiased microscope and telescope on the economy of the United Kingdom. They are at one and the same time complimentary and apprehensive. They heap a great deal of praise for the reappraisal of economic policy making which has been under way in the United Kingdom, and in particular for the arrangements that have been made through the National Economic Development Council, representing both sides of industry, to adopt a growth target. The evocation of a target does not in itself achieve anything but the work of NEDC has brought into sharp focus certain obstacles to faster growth and has provided a spur to the search for means of overcoming them.

Upswing in Economy

This reappraisal played its part in unleashing the sharp upswing of the economy during the year 1963. By the beginning of 1964 the rate of expansion had, according to this OECD survey, reached the giddy figure of six per cent per annum. This was made impossible without dire inflationary consequences because there was a good deal of slack in the economy. When this was taken up the rate of expansion could not be sustained and it is now being brought back. The question is whether it is being reduced sufficiently for safety. There are some developments in the economic situation which suggest that it is not. One of them is the deterioration in the balance of payments. Another, obviously allied phenomenon, is the strain on sterling and the loss of gold which, albeit modest, persists. Yet another is the evidence of real strain on certain industries, notably in building where both skilled labour and materials are in cryingly short supply.

The OECD experts share these doubts. They question whether the modestly deflationary budget and the rise in Bank rate from 4 to 5 per cent earlier this year, are adequate counters and they suggest to the authorities that they should be prepared, if necessary, to make prompt use of the weapons it has at its disposal in order to decrease the level of demand.

Political considerations make it very unlikely that this advice will be followed in the immediate future. In fact, there is at the moment little call for it. The economy has recently shown signs of coming off the boil. One reason for this is the approach of the General Election and the uncertainties which this conjures up. It follows that when the election is over the

need for remedial action may be all the greater. It certainly would be in the event — at present unlikely — of a Conservative victory, since this would unleash an inevitable Stock Exchange and private investment boom. Paradoxically, remedial measures might also have to be applied in the more likely event of a Labour victory, since this would in all probability be followed by a run on sterling and either an appreciable loss of reserves or recourse to borrowing from other central banks or from the International Monetary Fund. The present position, therefore, is one of an economy which is at virtually full stretch, which is prevented from drifting into open inflationary waters by the election uncertainties, but which, failing other measures, would almost certainly move into such waters once that uncertainty was resolved and whatever the result of the election.

The OECD survey in its advice and criticism goes far deeper than a mere discussion of these relatively short term problems. It points to the fact that British industry has lost some of its competitive virtues and it finds the explanation of this in the measure of protection which all too many segments of British trade and industry now receive. For many years prices over a large range of consumer goods have been controlled and maintained by producers and retailers. That fortunately is on the way out with the enactment of the legislation outlawing resale price maintenance. Large parts of British industry are now protected by tariffs and the OECD survey points by way of emulation to the fact that "in a number of Continental countries, a useful shock tactic for bringing pressure to bear on producers in sectors where it is felt that prices are rising unduly or where competition is inadequate, has been selective reductions in import tariffs, either temporarily or on a permanent basis. There have been no examples of similar cuts in the United Kingdom".

Equally fundamental is the OECD's criticism of the re-

Eastern Economist 20 Years Ago

SEPTEMBER 1, 1944

THE DECISION of the Bretton Woods Conference to exclude India's sterling balances from the scope of the Monetary Fund was hardly conducive to inspire confidence in dependent people's that the foundation was being laid for an equitable international economic order. But the slender hope of a reasonable deal on the sterling assets based on the British Chancellor's promise of orderly liquidation and Lord Keynes' assurance of non-repudiation is being effectively dispelled by the first-hand evidence of the returned non-official delegates of this country. The essence of India's claim in regard to sterling assets is not only that they should be available, but they should be available in the five or ten years immediately after the war when they will be urgently needed to meet worn-out and stunted demands and at a rate equal to her needs. The second joint statement issued by Sir R. K. Shanmukham and Mr. A. D. Shroff makes it clear beyond doubt, and their interpretation has the authority of the British delegation, that precisely in those years, viz., the years of 'transition' mentioned in the Fund, sterling will not be multilaterally convertible. We are surprised that the delegates had reserved to the last this bitter pill for public consumption.

presentation of unions and employers in wage negotiations. The employers are represented by three different groups which overlap and impede one another. The trade unions are divided in a multiplicity of organisations which leads not only to ruinous demarcation disputes between them but chaos in industrial wage negotiations where employers in one industry have on occasion to deal with twelve or more different unions.

The plea which this OECD survey makes is, therefore, aimed at improving the flexibility of the British economy. It

is a plea which is based not only out of regard for Britain itself but for the sake of other countries. This is how the OECD experts put it: "It is important, in particular for countries in the sterling area, which are among Britain's major suppliers of imports, that the economy of the UK should be expanded. A period of sustained growth should help to strengthen the economy and thus permit an increase in capital exports." Let us hope, for the sake of all concerned, that the good advice provided by the OECD will be heeded and followed.

The Case of the Missing Exports

As Told by Dr. Watson to
JOSSLEYN HENNESSY

LONDON:

HOLMES AND I were in our rooms in Baker Street. My friend had had no case of interest for several minutes and he had just given himself his sixth injection of cocaine, strychnine, and Vitamin B — his usual recipe against boredom — when a ring at the front door bell awoke me from a snooze and caused Holmes to leap to his feet. His nostrils quivered like a war horse scenting whatever it is that makes war horses' nostrils quiver.

"Ah! The Prime Minister", he murmured.

"Holmes!" I cried. "How did you know?"

"You know my methods, my dear Watson", he retorted. "Whenever the front door bell rings I look out of the window to see who is there."

Mrs. Hudson opened the door. The P.M. rushed in.

"Mr. Holmes, thank God!" the PM. said. "I've come to ask you to trace —"

"The missing £500 million in the 1964 balance of payments," Holmes put in keenly. (I could see that he was interested because he had allowed all but one of the half dozen pipes, four cigarettes, and three cigars, that he had lit on the P.M.'s entrance, to go out).

"How did you know?" gasped the P.M.

"I read the financial press," Holmes said. "Pray give me the facts."

Mopping the perspiration from his brow, the P.M. sank into a chair. This was his story.

National Institute Estimate

On August 19, the National Institute of Economic Research (a private body) said that, contrary to widespread expectations that the Chancellor's budget restrictions had been insufficient to prevent the economy from over-heating, it was back on the four per cent growth rate, which was the government's aim. Unfortunately, however, this was because exports had been rising too slowly. The slower domestic growth rate had been at the expense of a balance of payments deficit, which the Institute estimated would reach £500 million by the end of 1964 and would be over £300 million in 1965. This meant that by the end of 1965, the U.K. would have used a credit as large as the gold reserve and would have nothing in hand to repay it. That, at least, was the National Institute's estimate.

On August 20, the Board of Trade announced that the trade gap in July was £87 million against £114 million in June, but this was due to a fall in imports, not to a rise in exports. For the past eight months UK exports have been stationary, whereas world trade has been growing at 10 per cent, and German, USA, and Japanese exports have risen around 20 per cent.

"In short", concluded the P.M., "we want you to find out what has happened to British exports."

"Have Scotland Yard or the FBI any theory?" Holmes asked.

"The FBI distrust the official figures," replied the P.M. "The FBI says that they are inconsistent with their own recent surveys and with actual business activity."

"What do the financial commentators say?" asked Holmes, handing the distraught P.M. a stiff lemonade and coca-cola.

"One group hints at a floating £, import controls —"

"Ha!" interposed Holmes swiftly. "We can eliminate that group. This country lives by exports. Import controls would ultimately end in foreign retaliation on our exports. A floating £? If the UK is exporting enough to pay for her imports and other overseas expenditure, she does not need a floating rate, and if she is not exporting enough to pay her way, a floating £ — given the £'s position in world trade and the interdependence of the main world currencies — would undermine confidence in all currencies and collapse the structure of exchange rates."

Holmes looked at the P.M. "What else?", he asked

"Other commentators say that the statistics mean that in some markets for some products — many important ones — the UK's competitive power is weak. One reason is that UK prices are too high (as in Australia when we compete with Japan) or yield so small margins of profits that there is no incentive to promote sales. Besides all this, the UK has clung to the manufacture of too many traditional or obsolescent types and has not switched to technologically advanced manufactures, for which world demand is expanding."

"That states the facts. It does not explain them," interrupted Holmes. "Why should our manufactures stick to traditional products instead of launching out into new ones?"

"Holmes, you're marvellous!" cried the P.M. You've put your finger on the key to the mystery. What is the answer?"

Holmes smiled sardonically. "Neither you, nor large numbers of the electorate, will like it," he warned. "Can you face the truth?"

"What is it?" the P.M. asked hoarsely.

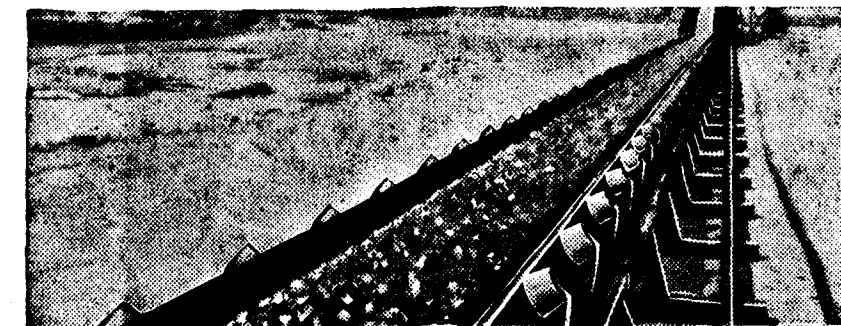
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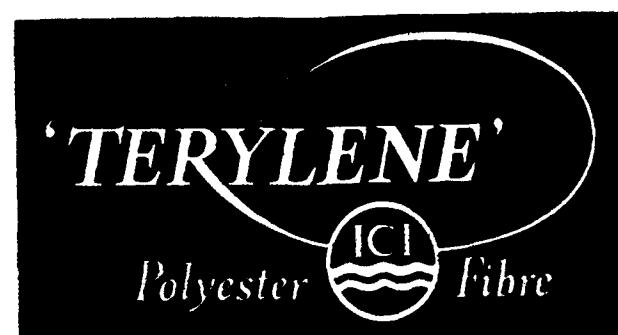
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from productive enterprise. Finally, nobody undertakes the risks of investment in untried technologies for the sake of a moderate profit. In 1961, seven leading German companies averaged net profits of 17 per cent, whereas eight leading UK companies averaged 5 per cent."

The Prime Minister raised clenched fists.

"Holmes," he cried, "if I publicised what you've just revealed to me, I'd lose the election."

Holmes smiled. "Don't worry. You won't," he said.

Tariff Cuts to Assist Developing Nations

GUY SIMS FITCH

WASHINGTON:

THE MOST immediate promise for the large-scale reduction of tariffs and other barriers to the trade of less developed countries lies in successful prosecution of Kennedy Round negotiations under the General Agreement on Tariffs and Trade (GATT). This Round, on which work is already under way, envisions special advantages for developing nations, chief among them the prospect that these nations will not have to grant full reciprocity to the developed nations in the exchange of concessions. It is well to remember, however, that this by no means marks the beginning of GATT concentration on this subject. Outside the context of the Kennedy Round 'per se', there have been important GATT activities relating to the special trade problems of developing countries. In fact, the principle that developed countries should make every effort to reduce their barriers to developing nations' trade without expectation of receiving equivalent concessions is basic to GATT operations in general.

Elimination of Barriers

In addition, in May, 1963, a meeting of Ministers of GATT nations, in response to a proposal by 20 less developed countries, adopted a comprehensive action programme to expand the trade of developing nations. The United States and other developed nations in GATT have committed themselves to implement this programme in their national policies. While the six-nation European Economic Community (EEC), or Common Market, did not agree to the programme, members of the group declared themselves ready to contribute to it. In general, the programme calls for a standstill on tariff and non-tariff barriers, particularly those of a discriminatory nature, against products of less developed countries. Beyond that, it calls for the progressive reduction and eventual elimination of such barriers, and for urgent consideration of other appropriate measures which help developing lands diversify their economies, strengthen their export capacity and increase their earnings from overseas sales.

To foster and co-ordinate implementation of this programme, a special Working Committee was set up in GATT in September 1963. One year is a rather short time in which to judge the effectiveness of such a far-ranging programme. Nevertheless, it is clear that progress is being made. There has been substantial adherence to the principle of no new restrictions against developing nations' trade, and the number

of restrictions in effect has been decreasing. Those that remain are to be found for the most part in Western Europe, which has a generally higher level of restrictions against developing countries exports than does the United States. Opportunities for the United States to implement the programme on a large scale outside the Kennedy Round are few, in view of the low level of US restrictions against products important to less developed countries. Most of these products already enter the United States duty free or are assessed at very low rates. Only a very few are subject to quantitative restrictions, and special internal charges against developing countries' products are non-existent.

The bulk of the US effort in pursuing the objectives of the GATT action programme for less developed countries thus centres on preparations for the Kennedy Round. In this Round, the United States neither asks for nor expects full reciprocity from the less developed countries; it hopes rather, to use the Round to make major tariff cuts and reduce non tariff barriers. In addition to the goals of its action programme, GATT has been working on the export problems of less developed countries generally. For example, new GATT provisions on special trade problems of less developed nations are being studied; countrywise development plans and export market potentials are being analyzed; and trade information and promotion advisory services have been set up. While some notable concrete achievements have been realized under the programme, there admittedly is still much to be done. If results to date are not all that developing countries and other free nations hope for, it should be remembered that much of this work is still in its early stages, and the fruits of that Kennedy Round are yet to be fully tasted.

Also, it is in the nature of this action programme and the many complex problems it faces that there should be a sense of impatience with the scope and pace of the progress made — an impatience the United States shares. It should be recognized, however, that the dismantling of trade restrictions is always a difficult and time-consuming task, and cannot be accomplished overnight. The United States has been a strong supporter of the action programme and its objectives, and has done much to urge other industrial countries in that direction. This is in keeping with the support the United States historically has given the aspirations of less developed countries, in aid as well as in trade, in the building of a secure and more prosperous community of nations.



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Kamarajed Ministers: No Return to Office?

By Our Special Correspondent

NEW DELHI:

WHAT WAS significant about the resolution which Mr. Trikamdas Jamunadas Patel moved at the session of the All-India Congress Committee held over the week-end demanding the withdrawal of the Kamaraj Plan was not that it was ultimately withdrawn by the mover but that it had effectively served its purpose of raising a debate in the course of which quite a few home truths were freely expressed or exchanged. It has been suggested that the real purpose of the debate was to bring pressure on the Congress High Command to restore certain Kamarajed Ministers to office at the Centre or in the States. If that were so, those who sponsored or sympathized with the resolution were certainly being over-optimistic. It is unlikely that either Congress President or the Prime Minister will yield to such tactics. If the purpose was, as was more likely, to give voice to a certain amount of genuine dissatisfaction which does exist in Congress circles with failures so far of the Central leadership to create real unity or an atmosphere of unreserved co-operation among top leaders, whether in or out of office, the debate certainly helped in that aim being effectively realized. Mr. Kamaraj and Mr. Lal Bahadur have indeed been given notice that eternal vigilance would be the price the "syndicate" must pay for its monopoly of political power.

★★

A certain diplomat in New Delhi is reported to have gone to pieces over the mere possibility of Mr. Barry Goldwater at the White House. Whether the story is true or not, it is obvious enough that the Johnson-Humphrey ticket is certainly a very popular one in the capital. Mr. Hubert Humphrey's nomination as candidate for the Vice-Presidency has been warmly welcomed since his record as a progressive and liberal senator is known and appreciated in political circles here. In contrast, his Republican counterpart, Mr. William E. Miller, is a little known quantity in the Indian capital — with the added point that the great deal that is undoubtedly known of the views of the leader of the Republican ticket in the areas of foreign affairs or international economic assistance or co-operation has most definitely not been reassuring.

★★

Mr. George Woods, President of the World Bank, who was on a brief visit to New Delhi while on his way to Fund-Bank meeting in Tokyo, had some meaningful talks with the Prime Minister, the Finance Minister, the Deputy Chairman of the Planning Commission and other officials. In these talks he discussed the various problems created by economic development in India and assured continued assistance by the World Bank and 'Aid-India' Consortium of which he is the Chairman. He agreed that India had made perceptible progress and had also built up considerable know-how but indicated that the extent of progress made was not appreciated abroad. He was of the opinion that private investors in Western countries had to be induced to invest in India in preference to other developing countries. Mr. T. T. Krishnamachari explained to the World Bank Chief the significance of foreign exchange shortage which was the most serious hurdle in the way of a faster rate of growth. He is understood to have indicated that an increase in the overall assistance from the member countries of the 'Aid-India' Consortium and a larger share of non-project aid will considerably increase the tempo of industrialization.

Mr. Woods confirmed that a number of World Bank

experts would be visiting India during the next nine months to study the state of the economy and gather information on the fourth Plan. The result of these studies would be made available to all nations interested in further development of this country, apart from the members of the Consortium. The leader of the Bank team, along with some of his associates, would be arriving here in the third week of September. Mr. Woods indicated that Mr. Krishnamachari and Mr. Asoka Mehta had welcomed the idea of the Bank team. The study would include subjects like utilisation of foreign aid, foreign exchange requirements for the fourth Plan and problems of the private sector. He denied reports that the amendments to the Companies Act relating to the conversion of Government loans into equity shares of recipient companies has dampened the Bank's enthusiasm to help such parties. The Bank, on the contrary, he stated, was discussing the grant of further loans to private sector steel companies and he was confident that talks would prove successful.

Mr. Woods indicated that the World Bank meeting at Tokyo will consider a proposal to the effect that \$50 million should be given by the Bank as a grant to the International Development Association. This would enlarge the funds at the disposal of the IDA which was giving loans on comparatively easy terms — no interest but only a service charge of one per cent and repayment spread over 50 years — to underdeveloped and developing countries for economic progress. He hoped that the giving of such grants by the Bank to the IDA would become an annual feature. He added that some "far reaching and significant" proposals which would involve additional subscription to the capital of the International Monetary Fund would also be considered at Tokyo by the Board of Governors of the Fund.

★★

Mr. C. Subramaniam, Union Minister for Food and Agriculture, while inaugurating the Conference on Agricultural Development and Economic Progress organized by the Federation of Indian Chambers of Commerce and Industry, tried to clarify some of the controversial points regarding the present state of food and agriculture. Whereas he admitted that the failure of Indian agriculture was mainly due to shortfalls in the implementation of official policies and programmes and the agricultural administration was responsible for this, he strongly refuted the plea that traders had been blamed unjustifiably for the present rise and that it was the producer who had acquired a substantial holding power due to large amounts of co-operative credits.

While the Union Food and Agriculture Minister condemned the attitude of the foodgrain traders at this Conference, he rejected the demand for a complete take over of trading in foodgrains by the State, made at the All-India Congress Committee meeting he'd last week. He put up a strong defence of the policy of the strategic control over the foodgrains trade to be vested in the proposed State Trading Corporation, which is to be a realistic via-media between the two extremes. In this manner, he blunted an attack from the extremists, like Mr. N. V. Gadgil and Mr. K. D. Malaviya, who demanded that the State should take over the entire foodgrain distribution system. He remarked that the organisation of the State Trading Corporation for foodgrains had to be built up step by step. He wanted to organise the Corporation into an efficient and

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Subscriptions will be received in cash or by cheques at the branches of the Reserve Bank of India at Bombay, Calcutta, Madras, New Delhi, Nagpur and Bangalore from Tuesday, the 15th September, 1964 but the list will be closed without notice as soon as the total subscriptions amount to Rs. 6 crores and in any case not later than the close of business on Monday, the 21st September, 1964. The Corporation reserves the right to retain subscriptions received up to 10% in excess of the sum of Rs. 6 crores.

Copies of the prospectus and application forms can be had from the offices of the Reserve Bank of India as also from the Head Office of the Corporation at Reserve Bank Building, 6, Parliament Street, New Delhi and its Branches at Liberty Building, 8, Marine Lines, Bombay-1, 23, Rajendranath Mukherjee Road, Calcutta-1 and Keshav Bagh, 38, Whites Road, Royapettah, Madras-14.

Arrangements will be made for listing of these Bonds at the Bombay, Calcutta and Madras Stock Exchanges.

Brokerage will be paid at the rate of 6 Paise per Rs. 100/- to recognised banks and brokers on allotments made in respect of applications for the Bonds bearing their stamp.

NEW DELHI,
Dated: 24th August, 1964.
DA-43(203)/64.

A. BAKSI
CHAIRMAN

THE BRITISH INDIA CORPORATION LIMITED, KANPUR

BRANCHES DIVISION

Cawnpore Woollen Mills Branch
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modern business machine to handle purchase and movement of stocks with speed and foresight. He did not think proper that it should be run by the bureaucratic personnels.

Mr. Subramaniam rejected the suggestion that zonal restrictions should be removed immediately. This would lead to a dislocation of the other arrangements. Surplus production of foodgrains, he indicated, should not be regarded by the surplus States as a special privilege for themselves as the deficit States were also contributing to the country's development through cash crops. There has to be a national policy with regard to foodgrains and not a series of State policies. He indicated, however, that the zonal restrictions on movement of wheat will go after the next harvest.

At the Conference organised by the Federation, the Food Minister urged the organised sector of industry to play a substantial part in energising agricultural production. No administration, even if it may be run by best business brains, could be equal to the task of a centralised management of the total foodgrains trade from the producers to the consumers in every part of the country. "It would be foolhardy to expect that any movement for modernising Indian agriculture on the 60 million farms can be handled exclusively by the Government". He believed that there was a need for mass movement in which all agencies of the Government and the public attempted to achieve the desired objective. If this was not done, Mr. Subramaniam warned, Indian agriculture would never get into a self-sustained stage.

Earlier, in his address welcoming the Minister and other delegates, Mr. S. L. Kirloskar, Vice-President of the Federation, indicated that agriculture had not been given that careful and critical importance it deserved. It was time for purposive policies that would secure without conflict the short as well as the long-term objectives. Mr. Kirloskar was of the opinion that the present rise in foodgrain prices was unrelated to the stock with the trade. The supplies in the market were not adequate and the question of holding stocks beyond the permitted levels, therefore, did not arise.

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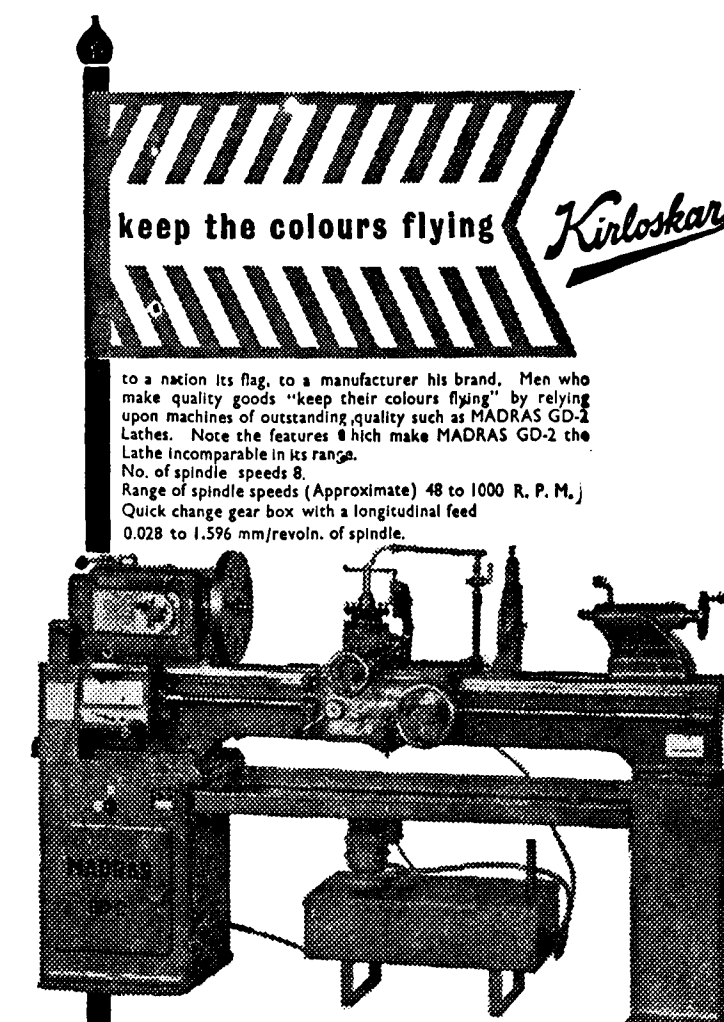
A high-power delegation of the Railway Board will leave for Washington next month to negotiate a loan of \$60 million with the World Bank. Mr. S. K. Patil, Minister for Railways, indicated at his press conference last week that the World Bank has shown its willingness to extend this loan to the Indian railways for the purchase of components of diesel and electric locomotives and other rolling stocks of special steels. The World Bank, it may be noted, has already given the railways three loans totalling \$187.5 million. The railways have also received assistance from the USAID and Export-Import Bank.

The Railway Minister also pointed out that the 130-mile Hassan-Mangalore link has been sanctioned by the Railway Board which has been a controversial project, as doubt was expressed on its utility in the immediate future. It has now been decided that it will be a metre gauge track and will be completed along with the expansion of the Mangalore port for handling exports of iron and manganese ore from Mysore. The project is estimated to cost Rs. 23 crores and preliminary work has already started.

It was indicated by the Minister that 62 new passenger trains will be introduced in various sections of the Indian railways from October 1. Since April last a number of new trains have been introduced and together with the proposed additions the total number of new trains introduced will be 163. It has been possible to increase the passenger trains as a result of a comparative fall in freight traffic in recent

months. The Railway Minister claimed that owing to inadequate demand for goods train capacity there has been a substantial number of unutilised wagons which on an average came to 20,000 on the broad gauge and 3,000 on the metre-gauge every day. The railways created an additional capacity of 17.3 million tonnes during the current year but the traffic offering has not been up to the expectations. In fact during the first four months of the current year there has been a fall of 3.24 million tonnes in the movement of coal and steel plant traffic as compared to the corresponding period of last year. There has, however, been a significant increase in iron ore traffic even though it is slightly less than the target of increase.

Included in the new trains to be started from this October is the proposed 'Taj-Express' between Delhi and Agra intended mainly for tourists, and will take 3 hours and 10 minutes and will halt at Mathura. Other important new trains would be the Assam Mail between Delhi and Barauni; the Cochin-



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Bangalore Express; the Brindaban Express between Bangalore and Madras; and Chandigarh Express between Ferozepur and Kalka. The frequency of the present Southern Express between New Delhi and Madras will be increased to five days in the week. New trains will be introduced also on Saharanpur-Moradabad and Asansol-Dhanbad Sections. The Railway Minister also referred to the programme of modernisation which included automatic train control which provides the driver with audio-visual information on track conditions in such a way that there is automatic application of breaks to stop the train even if a danger signal is ignored by the driver.

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The Ministry of Commerce sent a trade delegation under the leadership of Mr. G. J. Malik, Regional Director of Foreign Trade, to explore the possibilities of exports to Latin America. It has just returned with the impression that there are considerable possibilities of a larger trade although this area is remote both for reasons of distance and language. The delegation, that visited Brazil, Argentina, Chile, Peru, Bolivia, Colombia and Venezuela, is of the opinion that the commodities that can be exported are jute textiles, handicrafts, sports goods, super fine textiles, domestic electrical appliances and fruit concentrates. In fact these countries are buying large quantities of Indian goods re-exported from other countries. For instance Colombia imports Indian spices from Argentina which in turn imports them from England. Similarly Bolivia buys Indian jute bags from Japan and West Germany. India, again, is handicapped in the furtherance of export of light engineering goods because workshops and representatives are necessary to follow up the after-sale service. The leader of the delegation indicated that some of these countries were interested in acquiring machinery and capital goods from India and wanted to study the techniques of jute textiles, cotton textiles and tea production. He was of the opinion that this opportunity should not be missed because otherwise it would be utilised by others.

The delegation also looked into the question of imports from these countries and found that India could meet a part of her requirements of non-ferrous metals from these countries, especially Bolivia and Peru. But the hindrance in the way of proper imports from this area is the language. The delegation found that only at three places — Brazil, Argentina and Chile — had our representatives established their offices but even at these places no commercial counsellors existed. To meet the demand of people to operate in this area the Indian Institute of Foreign Trade has undertaken a programme of teaching Spanish to as many people as possible.

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The Planning Commission is understood to have favoured concentration of governmental activities in the fourth Plan on basic industries necessary for building the infra-structure of the economy. At the same time it has considered it necessary to allow private initiative and enterprise a greater free play than hitherto in industries other than those set apart for governmental operation. These views were expressed by the Planning Commission in a discussion with a group of M.P.s belonging to various shades of political opinion. In a brief introduction, the Deputy Chairman of the Planning Commission, Mr. Asoka Mehta, indicated that tentative thinking on industrial development in the fourth Plan was to provide for an investment of Rs. 7,500 crores in public and private sectors. The public sector outlay for the industry and minerals has been placed at Rs. 4,000 crores and this estimate does not provide adequately for any significant price increase in the case of capital goods. It is also believed that unless a very substantial support by way of institutional finance is available for the private sector, it may not be possible to raise an investment programme at a level higher than that of about Rs.

1,700 crores for the programmes under organised industry in the private sector.

The Planning Commission is believed to have accorded top priority to armaments, atomic energy, fertilisers and other needs of agricultural development, steel, non-ferrous metals, heavy machinery manufacturing industry and heavy and intermediate chemicals, particularly petro-chemicals. In addition, it has proposed crash programmes for the public sector for the development of power, irrigation, transport, road-building and technical education.

The fourth Plan targets for various industries came up for discussion in the context of the probable shape of industrial expansion towards 1970-71. Aluminium was considered to be the only non-ferrous metal for the manufacture of which adequate raw material resources were available in India. The target of capacity and production by the end of the third Plan was placed at 87,500 tonnes and 80,000 tonnes respectively. Apart from the present 53,000 tonnes capacity (Hirakud 20,000 tonnes; Rihand 20,000 tonnes; J.K. 7,500 tonnes; Alwaye 5,600 tonnes), the remaining period of the third Plan will see the completion of Mettur unit of 10,000 tonnes and the Alwaye expansion of 10,000 tonnes. The Hindustan Aluminium unit at Rihand is expected to raise its capacity from 20,000 tonnes to 60,000 tonnes and a part of it may be achieved by 1965-66. To the extent this is achieved, the capacity in operation as well as production may be higher than the target for 1965-66.

Tentative targets for production and capacity for 1970-71 were placed by the Working Group at 280,000 tonnes and 240,000 tonnes respectively. In their latest assessment, however, the Working Group for non-ferrous metals, only a few days ago, placed the demand, including 20,000 tonnes for export, at about 230,000 tonnes and the capacity to meet it at 250,000 tonnes. Taking into account the recovery from scrap to the extent of 20,000 tonnes, actual production to be secured by 1970-71 will work out to around 210,000 tonnes.

The proposed expansion scheme of additional 40,000 tonnes at Rihand, the Koyna project of 25,000 tonnes and the expansion of Mettur Works by 10,000 tonnes will add another 75,000 tonnes to the present total of 73,000 tonnes capacity. A unit to be established at Sharavathy with 30,000 tonnes capacity by the Indian Aluminium Company and a public sector unit to be set up at Korba in M.P. with 25,000 tonnes capacity will add another 55,000 tonnes. The capacity for aluminium in the fourth Plan, therefore, will go beyond 200,000 tonnes.

It was indicated that units of less than 25,000 tonnes capacity could not secure economic production of aluminium. The J.K. unit of 7,500 tonnes at Asansol, therefore has been pro-

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posed to be expanded by 5,000 tonnes. They have also come up with a proposal to put up a new unit of 25,000 tonnes in Kerala which is still to be considered after further information regarding sources of bauxite is received.

The Koyna unit is expected to start with 25,000 tonnes capacity and it is proposed to be expanded to 50,000 tonnes, taking advantage of bulk power available from Koyna as well as resources of bauxite in that area. It is also understood that the Hindustan Aluminium has proposed to step up its capacity from 60,000 tonnes to 120,000 tonnes. This proposal is likely to be considered on merit in due course as it ensures

Enough Jute to Go Round

From Our Correspondent

CALCUTTA:

THE DEVELOPMENTS in the jute industry and trade have been so rapid over the past few weeks that it is necessary to return to the subject once again. Alarmed by the sharp fall in sacking exports and the rise in mill stocks of gunnies at the end of July, the industry made an urgent appeal for official help; the Government, considering the current adverse developments as well as the appeal for aid, promptly announced the appointment of two important official bodies — the 12-member Jute Textiles Consultative Board with the Union Minister and Deputy Minister of Commerce as its chairman and vice-chairman respectively, and with the Jute Commissioner as member-secretary; and the Jute Export Promotion Advisory Committee with the Jute Commissioner as chairman, and with all sections of the jute industry and trade duly represented — which the industry has greatly welcomed. The Jute Textiles Consultative Board will also look after the industry's export promotion problems, but its functions will be much wider in scope in the overall context of improving the economic basis of jute mills' operations. A particular point of satisfaction for the industry is that hereafter it will have full opportunity of making its voice heard promptly and effectively. In the meanwhile, a sudden spurt in raw jute prices (from Rs. 30 per maund to Rs. 47 per maund) gave the industry a violent jolt, and but for the timely and effective intervention of the Jute Commissioner to stabilise raw jute prices, it would have been continuing to be the industry's main headache.

Panicky Buying

The rise in the jute fibre market was the least expected. The crop in India during the current year is good, estimated at about 7.2 million bales. There is, therefore, no reason why any one should resort to panicky buying so early in the jute year (June-July). The average quality of the fibre too is reported to have improved. With the carryover from the previous season with the mills and a sizable buffer stock, the Indian mills need have no fear of a shortage developing later this year. But the recent floods in Assam and reports (mostly unsubstantiated) of a serious fall in the Pakistani crop have apparently done the trick. Speculators used these rumours to push up fibre prices high, and many mills, it is reported, made heavy purchases without exercising better judgment. As prices kept rising from day to day, the industry moved the Government to intervene, and New Delhi, with unaccustomed promptness, asked the Jute Commissioner to take firmest possible measures to bring down fibre prices and maintain a reasonable measure of stability in the market.

This the Jute Commissioner did through a series of measures. He released the entire buffer stock with the mills amounting to some 7.75 million maunds and according to an

considerable economy through reduction in costs.

It may be observed that investment for the establishment of nearly 140,000 tonnes of aluminium capacity will be required during the fourth Plan period. In fact in order to provide for another 30,000 tonnes capacity, arrangements may have to be made for a capacity of 170,000 tonnes during the fourth Plan period which would require an investment of nearly Rs. 170 crores. On the basis of maximum utilisation of indigenous equipment, it appears that nearly 40 per cent of the investment or nearly Rs. 65 to 70 crores would be required in the form of foreign exchange for plant and equipment.

IJMA source, the released quantity will not be replaced in November but in February next year. Fibre arrivals in Calcutta too have now steadied around 100,000 maunds daily and mill purchases during the past three months have been satisfactory. The Jute Commissioner has now asked the mills not to buy jute in the speculative market, and he is reported to be considering measures to fix purchase quota for each month for them. The steep margin fixed by the East India Jute and Hessian Exchange on futures transactions has also helped; it discouraged buyers from entering into transactions. As a result of all these measures, raw jute prices have fallen to Rs. 38 per maund and the market has become so dull that further falls are on the cards.

Talking to Pressmen the other day about the present conditions in the raw jute market, the Jute Commissioner, Mr. Joneja, gave some interesting information. The speculative rise in the fibre market apparently originated at a cocktail party where some jute traders from Pakistan (who had slipped into Calcutta on a different pretext) circulated the rumour that there was a serious fall in Pakistani raw jute crop, and on account of this, the fibre price in that country's market had risen to Rs. 56 per maund. The increasing political tension in the world also contributed to the rise. He then proceeded to analyse that country's raw jute production statistics. Assuming a lower figure of 5.5 million bales this year, Mr. Joneja argued, the total stocks of raw jute in Pakistan should, with last year's carryover, be not less than 6.6 million bales. Pakistan's own consumption is not more than 2.2 million bales, and this would leave 4.4 million bales for export. Last year, that country exported only 3.8 million bales to various countries including India, yet it had no upsetting effect on Indian fibre prices. This is sound argument. Even if the Pakistani crop eventually turns out to be lower than what Mr. Joneja conservatively estimates, Indian mills need not really worry on that account, for this country's dependence on Pakistan for raw jute is indeed marginal, confined to a few superior grades and cuttings. The danger now is not that Pakistani fibre prices may remain high throughout the year — they have already started falling just as fast as they had risen a few weeks ago — but that sizable quantities of Indian jute may be smuggled across the border, if this has not started already. In fact, there were persistent reports recently that smuggling had started on a big scale and the Jute Commissioner had to approach the authorities concerned to take steps against it.

Keeping in mind the possibility of large smuggling of jute after the monsoon, the Jute Commissioner may indeed have to fix ceiling prices for fibre this season, rather than worry about fixing a minimum as he had to do last year. It may be argued that fixing a ceiling price may actually encourage smuggling, but it is not from this point of view that a ceiling price will be necessary. Its function would be to curb excessive specula-

tion in the Indian market, leaving the border police to take care of the smugglers when they are detected. But when maximum prices are fixed, the authorities necessarily have the obligation to ensure adequate supplies. There is, fortunately, no likelihood of a serious dislocation on that account if the prices are realistically fixed. Since millions of farmers and middle men are engaged in raw jute production and trade, and the stock position with the mills is going to remain comfortable, large-scale cornering operations will not prove profitable. State trading may appear as an attractive alternative, but considering the huge sum (something like Rs. 120 crores) involved and the diffused character of the raw jute market, State trading or even buying through the ill-organised co-operatives will be found seriously wanting for the task. Therefore, the key to stabilising prices would lie in an intelligent and imaginative regulation of the market. As for determining a minimum, which is necessary as an incentive for the farmer, the Jute Commissioner should take into account not only the farmer's need, but also the economics of the jute manufacturing industry which is peculiarly vulnerable to international competition. It will be interesting to see how the two new official bodies approach this question when they meet in Calcutta on September 9.

♦♦

On the occasion of the formal opening of the new Head Office building of the United Commercial Bank, Mr. G. D. Birla announced his retirement from the Chairmanship of the Bank. He said that during the past 21 years of his association with the Bank, it had taken rapid strides and had at present no less than 200 branches, including one in London. It also owned eight buildings, including the one at New Delhi. Its working capital was Rs. 13 crores. Investment in buildings alone was to the tune of Rs. two crores.

Talking about banking in the country, Mr. Birla said that it was not a mere money-lending business; it was much more sacred than that. The banking institutions, he said, should have service and security as their motto. There can be no security without service and no service without security. They must also look to the interests of the society. Mr. Birla also stated that the banks occupied a much bigger position than industry in the economy of a country. "Industry does produce but it can produce only with the help of the banks. Therefore, banks occupied a much bigger position than industry itself", he declared.

While discussing his retirement from the Chairmanship of the Bank, Mr. Birla said that in India there was a tendency among the people to stick to their jobs and when they were no more on the scene, they left the jobs in a mess. He was of the opinion that old people must leave their jobs at the appropriate time "so that younger people take charge of them and run them efficiently". He expressed the hope that the new management would be more enterprising. Mr. Ishwari Pershad Goenka is the new Chairman of the Bank.

Recalling his own personal experience of banking for the past 21 years, Mr. Birla said that he had been orthodox and conservative in his outlook. May be, it was the right policy for the years which are gone. But, a change must come and the most important thing for the new Board is to look to the interests of the society.

Mr. Birla also referred to the changes which have taken place in India and the world during the last two decades. Just before the Bank started functioning in 1943, he and some other industrialists, including Mr. J. R. D. Tata, had prepared the Bombay Plan which had laid the foundation for future planning in the country. Even at that time, he had seen that the country would surge ahead after the war came to an end. His dream regarding the progress

of the economy had come true and for this, he paid a tribute to the fighters of India's freedom, making a particular mention of Gandhiji, Sardar Patel and Jawaharlal Nehru.

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The presidential address of Mr. Sookamal Ghosh, who successfully combines the role of a newspaper editor with that of a business man, at the first quarterly meeting of the Indian Chamber of Commerce last week, provided a comprehensive review of the country's economic outlook. In the context of the current inflationary danger, Mr. Ghosh emphasised the need to give agriculture the importance it deserves in the country's scheme of economic planning. Analysing the nature of the price increase, he pointed out that while food articles index rose by 12.8 per cent between May 1963 and May 1964, the index for manufactures went up by about 2 per cent only in the same period. A moderate increase in prices is usually good for a developing economy, but the sharp rise in food prices is disturbing. The fundamental reason for the current inflation, Mr. Ghosh said, is the failure to grow the food the rising population needed. The population has been increasing at a much faster rate than what had been envisaged at the start of the third Plan, while there has been no corresponding increase in food production. Rice production in 1963-64 has gone up to 36.5 million tons against 32 million in the previous year, but wheat production has fallen to 10.2 million tons from 11 million tons and that of pulses to 11.4 million tons from 11.8 million tons. If the figures for a longer period are examined, it is found that the total production of food has practically stood still at around 80 million tons, the actual output being 81 million tons both in 1960-61 and 1961-62, 78.8 million tons in 1962-63 and 79.1 million tons in 1963-64.

Stagnation in Agriculture

From these, it would be obvious that it is the stagnation in agriculture which is responsible, more than anything else, for the rise in prices. The per capita availability of foodgrains in 1962-63 was only 5.3 ounces per day — the same as in 1953-54. In the meantime, Government expenditure has continued to increase to a very large extent and the pressure of demand has grown while the supply has stagnated. After nearly 15 years of planning the country is not anywhere near self-sufficiency in foodgrains. "It is all right to think in terms of controls or rationing in foodgrains and other commodities which sometimes may become necessary. But controls by themselves are indicative of the failure of Government policies," Mr. Ghosh observed.

If agricultural production is to increase, Mr. Ghosh suggested, the present policies and approach to it must be changed. Agriculture should be treated as an industry, and the farmer must be given the incentive to produce more. There should be no inhibition against large-scale production. At the same time, the emphasis should be to see that he produces not only food but runs a viable unit to supplement his earnings. Secondly, the emphasis on the limitation of land holdings has weakened the farming sector. This has caused a lot of uncertainty and the most progressive and resourceful among farmers do not feel encouraged to improve the basis, or increase the scale, of their operations. In most agricultural commodities, the Indian yield is low, which is affecting the competitive capacity of many export products. Domestically also, the entire price structure of industrial goods is influenced by agricultural output and prices. The fourth Plan must, therefore, be geared mainly to the needs of agriculture, in order to revitalise farming in India, and thereby strengthen the economy in a real way.

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The reorganisation of the DVC — dismemberment is perhaps the right word — having already been decided upon by the Union Government, Mr. T. Sivashankar, who has been

appointed as the Special Officer for the purpose, is now engaged in drawing up a suitable scheme for the consideration of the three Governments concerned — the Centre, West Bengal and Bihar. According to the policy announced some time ago by Dr. K. L. Rao, Minister for Irrigation and Power of the Union Government, the future set-up of the Corporation will be mainly as a power generating authority, its other functions of flood control and irrigation being given over to West Bengal, and the residuary assets to Bihar. Later, the West Bengal Government made some suggestions as to how the future earnings and profits of the DVC should be distributed among the

three Governments after the proposed reorganisation has taken place. The suggestions, it is reported, have been accepted in principle by New Delhi. Meanwhile, the DVC authorities are vigorously proceeding with their power production schemes, and the work on the large thermal station at Chandrapura (Bihar) is considerably advanced. The power station is designed to have an ultimate installed capacity of six units of 125 MW each. The first unit will be commissioned in October, and the second some time in 1965. Other units will follow according to plan, but an effort is now being made to complete the power station as a whole as early as possible.

Seeds of Discord

From Our Correspondent

MADRAS :

THE GOOD neighbourly relations that exist between the four Southern States are in danger of being spoiled if immediate steps were not taken to understand in an objective manner the problems confronting the different States and prevent purely parochial considerations from gaining the upper hand. The controversy over the utilisation of the waters of Krishna and Godavari, the location of a new steel plant and the movement of rice from Andhra Pradesh to Madras, Mysore and Kerala might well result in heart-burning if the needs of individual States were not understood properly. In respect of the utilisation of river waters a satisfactory agreement will naturally take time to be reached. But the execution of the projects on hand and those contemplated will not be impeded in any way. As regards the movement of rice from Andhra Pradesh to the other three States in the Southern Zone and from Madras to Kerala, it is needless to say that the best use should be made of available resources and that the Central Government should undertake the responsibility for meeting the deficit of this zone, if any. There is understandably a desire on the part of the surplus States to get the maximum prices for exports and at the same time keep down prices of rice for consumption by the local population. These are necessarily conflicting objectives and some difficulty has been experienced in permitting exports from the principal rice-growing centres particularly in Andhra Pradesh. The cancellation of railway wagon bookings and the insistence on the fulfilment of certain conditions by millers in the delta areas in Andhra Pradesh, before exporting rice to Kerala, has given rise to the feeling that the State Government authorities are not being helpful in meeting the requirements of the deficit States and that the present difficult food situation is being exploited by traders. Actually, it has been complained that there is a wide divergence between the estimates made by the Government and independent sources and the surplus available for export from Andhra Pradesh is much larger than what has been officially indicated.

Cautious Approach

In Madras State, it is accepted that the last crop has been good and the current crop also will be satisfactory and that exports of about 3 lakh tons can be permitted if the needs of Madras and adjoining areas, of Nellore rice amounting to about 75,000 tons annually, can be met by Andhra Pradesh. The problems involved are difficult of solution and with the general discontent about the rising prices of foodgrains and over governmental policies, there is a disposition to err on the cautious side when estimating availability for export purposes. But it must be generally accepted that the needs of the Southern Zone should be taken into consideration as a whole and releases from Central stocks should be effected promptly in order to make a success of the scheme for making available the requirements of rice to the population within the maximum price fixed recently.

It has also been complained that the absence of any price regulation regarding purchases of paddy has had a defeating

effect and traders have been unable to function effectively as prices at origin are out of parity with those at the retail end and no large sales have been effected to the consumers. This question is being examined by the Centre, but there would seem to be some reluctance to proceed hastily in this matter as there is no desire to hurt the interests of growers in the process. The Union Food Minister has to steer clear of many obstacles, and safeguard the interests of growers and consumers alike. Only when the large sales of rice and wheat effected from Central stocks begin to make an impression and the kharif crops also prove to be satisfactory, will it be possible to have a clear picture of the food situation.

For a time, it was feared that the cut in the wheat quota for the rice-eating population would create new problems. However, it has since been announced that the cut in wheat quotas would be restored and wheat supplies would be available more freely. This might relieve to a certain extent pressure of demand on rice. But the whole situation will have to be carefully watched for some week.

Meantime, prices for pulses and gram have been continuously rising and there is an acute shortage of ready stocks. (Only latterly there has been a softening of prices for greengram and blackgram due to the expectations of new crop arrivals from Andhra Pradesh). The ban imposed by the Punjab Government on the movement of pulses and gram from that region and reduced arrivals from the north have encouraged traders in this part of the country to put up prices for these products. The fixed income groups are experiencing considerable hardship on account of the sharp increase in the cost of living in the past few months. There is anxiety to know whether after the next harvest at least there will be a return to more normal conditions.

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The rivalry between the States of Mysore, Madras and Andhra Pradesh for locating the fifth steel plant in their respective territories has also been responsible for causing some conflict in thinking between the three States. Madras State is very keen that the Salem steel plant should be erected without delay as the report of the technical consultants has established beyond doubt the technical and economic feasibility of the project. The main details relating to the technical feasibility of the project have been made available and it has been emphasised that the capital cost will compare very favourably with that of the existing steel plants in the public sector and that the most satisfactory feature relates to the availability of raw materials from a compact area. Besides, Neyveli lignite and Salem iron ore will be eminently suitable for the manufacture of alloy steel and pig iron for malleable castings. As there will be a considerable saving in transport costs and in capital expenditure on the creation of new transport facilities, it is urged that the steel plant should be constructed without delay.

Mr. Sanjiva Reddy has, however, been stating that a decision would be taken only after the feasibility studies of the Hospet and Vizag projects had been prepared. Since it

will take two to three years for completing these studies, it is argued that the fifth steel plant in the South cannot be delayed if the decision were to be taken only after the data of the remaining projects had been collected. As there is the prospect of an Anglo-American Consortium lending financial assistance to a fifth steel plant, it would be advisable if the construction of the Salem project were allowed to be taken up at an early date on the basis that a greater proportion of the output would consist of alloy steel. Even now it is presumed that about one-third of the output of half a million tonnes would be alloy and special steels. As the base of the industry has to be considerably broadened and the remaining two projects would, in any case, have to be taken up, there is really no reason for misunderstanding between the three concerned States. The problem will, of course, relate to the availability of resources but if some part of the quota reserved for the alloy steel projects is diverted to the Salem plant, the aspirations of the three States can easily be satisfied without appearing to succumb to parochial considerations.

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The loans of the four State Governments have been successfully floated. Against the total of Rs. 36 crores asked for applications amounted to Rs. 39.5 crores while the amount accepted was Rs. 37.79 crores. Unlike on previous occasions, the Madras loan got fully subscribed only after the Andhra Pradesh loan had been oversubscribed and the list was closed. The absence of an enthusiastic response for the Madras loan was probably due to its size and the unwillingness of holders of the maturing loan to take advantage of the conversion offer. Conversion applications amounted to only Rs. 1.09 crores while the outstanding amount of the maturing loan was Rs. 5.25 crores. As redemption fell due on August 1 many probably elected to receive payment in cash. Thus, against the notified amount of Rs. 11 crores in the case of Andhra Pradesh, applications were for Rs. 13.31 crores while subscriptions against the Madras loan totalled only Rs. 14.29 crores against the notified amount of Rs. 14 crores. The Mysore loan, too, got only fully subscribed, applications amounting to Rs. 7.01 crores against the loan amount of Rs. 7 crores. Similarly, in the case of Kerala subscriptions were Rs. 4.39 crores against the loan amount of Rs. 4 crores. The rather warm response for Andhra Pradesh loan is significant. It is not known whether the agricultural income groups, which have benefited by higher prices for agricultural products, extended liberal support to this loan. But it can be said that individual investors have been, as usual, keen to dispose of their allotments as it was reported that there were sellers in the market at a discount of 1½ per cent over the issue price. There were sellers also for the Madras loan at a discount of 1 per cent over the issue price. It is known that Government officials were busy collecting subscriptions from individual investors in order to make a success of the loan.

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With the improvement in general sentiment in Stock Markets and the signs of revival in the capital market, promoters of new companies are busy finalising their schemes for raising the required funds from the open market. Several big new flotations are on the way. The finishing touches are being given to a new shipping company which will be acquiring five bulk carriers having a capacity of about 38,000 tons g.r.t. The new company has been formed by an influential group consisting of industrialists belonging to the India Cement's Group, Mr. A. D. Shroff from Bombay and a well-known British shipping magnate. The British shipping interests, and possibly some other Continental interests, will be participating in the paid-up capital of the new company to the extent of 40 per cent. The issued capital will be Rs. 2 crores in equity shares of Rs. 100 each. The Indian interests will be taking on their account shares for Rs. 50 lakhs while the Madras Industrial Investment Corporation will be subscribing for shares amounting to Rs. 50 lakhs. The foreign participants

will, for their part, take up Rs. 50 lakhs worth of shares while the balance is proposed to be offered for public subscription. The company will be taking advantage of the credit provided by West Germany and build the bulk carriers in a shipyard in that country. The total outlay including interest charges will amount to about Rs. 18 crores and the loan will have to be repaid over a period of 10 years. The new company will be styled South India Shipping Corporation Limited and will be the second new big entrant in the field in the past three years. The promoters feel confident that the ships could be operated on a profitable basis and the assistance provided by the foreign collaborators would be helpful in maintaining a high level of efficiency and securing a satisfactory volume of cargo.

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The moving finger writes

ON THE EVE of another session of Parliament there is some speculation about possible additions to the Central Cabinet. Much of the inspiration for this talk stems from a fairly general feeling that the present Cabinet needs to be reinforced for strength and stability. This is the argument, for instance, of those who would like to see Mr. Morarji Desai in. Their number is not inconsiderable, but even in their circles there is a view that the way the Kamaraj Plan was debated during the recent session of the AICC has not been helpful to their cause. Meanwhile, there is an interesting rumour that Mr. Jaya Prakash Narayan is now inclined to consider a position of responsibility in the Central Government. Since the Prime Minister is keeping his own counsel, there are precious few indications whether there will be any wedding bells for our Mr. Barkis. In any case, it is not easy to imagine Mr. Jaya Prakash Narayan being asked to relieve Mr. Swaran Singh at the EA Ministry.

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The raids on the lockers, lofts and locked almshouses of some prominent film personalities in Bombay last week is in the nature of a dramatic announcement that the Government's plans for calling unaccounted money to account have now entered the operational stage. It is possible that the men and women whose properties of cash, gold or jewellery were seized in Bombay, could adequately account for their possessions, but the fact that about Rs. 40 lakhs were found to be stored away in currency notes by only three or four people is ample vindication of the programme of search, seizure and scrutiny which the Finance Ministry has now evidently embarked on with the aim of verifying what Mr. T. T. Krishnamachari has described for the benefit of newsmen in Hyderabad as the "iceberg theory" of hidden wealth.

Incidentally, the Bombay raids do not exactly indicate a new policy. This is not the first time that searches of the kind were conducted, nor is it the case that the film world has been brought into them only now. What is of significance about the present investigations is their effectiveness. This is to be attributed to two factors; first, the legal authority recently taken by the Government to search lockers; and, secondly, the offer of liberal rewards for information regarding unaccounted money. It is more or less apparent that investigating officers are now acting on information and not, as before, largely on mere suspicion. Incidentally, while the present practice seems to be to give relatively small amounts to informers, the Government may hereafter offer a fixed percentage of unaccounted money (located or ultimately confiscated) as reward for information leading to its discovery and seizure. The argument is that while it is not possible for any person to come into or be in possession of unaccounted money without some other person or persons being in the know; it is usually the case that the other person or persons have strong reasons of some kind or the other — such as personal loyalties, professional associations or employer-employee relationships — for keeping their own counsel. Their silence, it is said, can only be broken by the golden hammer of a big money reward and the authorities, therefore, should not be chary of wielding that hammer. This may be a cynical view of government, but it is claimed to be a realistic view of human nature.

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In "The Statesman" of August 26, Dr. Amar'ya Kumar Sen makes an impassioned plea for a new, big and bold pro-

gramme of universal elementary education for the country-side, while discussing the role of the three R's in economic growth generally and agricultural growth in particular. His main recommendation is that the salary of elementary school teachers should be raised "several times" their present level so that men and women with secondary or higher education (of whom we have a large number available for employment) may be tempted to go and work in villages. Now, "several times" is too vague a phrase to serve as a firm pointer to any clear programme. Apart from the fact that the availability of resources (for which there are competing demands) is apt to exercise, whether we like it or not, a fairly rigorous discipline, it is evident that in any reasonable scheme of relating salaries to job requirements or the supply of the relevant skills, there is bound to be a limit to what the State or any other employer may be able to pay or should pay to various categories of workers, professional or other, including elementary school teachers.

This apart, there are bound to be practical difficulties, surely, in offering a higher salary to a teacher in a village school than to his counterpart in the urban areas. If the former could demand to be compensated for the absence or remoteness of urban amenities, such as cinemas or restaurants, the latter could and do plead to be compensated for the higher cost of living or the extra expenditure on keeping up appearances in towns or cities. The argument that the salaries of all elementary school teachers, whether in villages or towns, should be raised to a considerably higher level than at present would not meet this difficulty, since the point which Dr. Sen is attempting to make is that teachers should be attracted to remote areas by offering them a premium for their services there. May I suggest, at this stage, that he may perhaps view the question of "incentives" from a rather different angle? It seems to me that what matters (or ought to matter) is that a school teacher in a village should be paid slightly better than those with comparable qualifications who are employed in what might be regarded as less essential callings. The problem, in other words, is not to draw elementary school teachers away from the urban areas and into the rural areas, but to create an interest in teaching jobs in villages among a large number of men and women with higher secondary and high school education who may now be looking for white collar jobs, often unsuccessfully, in towns or cities. I suggest that this could be done without exactly raising the salaries of teachers "several times" their present level.

Before I leave this subject, I would recall what a senior officer in the West Bengal Secretariat told me recently. Not long ago this man was doing a stint in the districts and one of his responsibilities was elementary education. According to him, although his department was employing a sufficient number of teachers for imparting primary education to every child in the relevant age group in that area and incurring expenses on the teachers' salaries and their school establishments, he found that actually not even a fraction of those children was receiving any regular schooling, for the excellent reason that most of the alleged schools existed not even on paper, but only in the teachers' imagination. When I asked him whether he did or tried to do anything about it, he shrugged his shoulders and said simply that the teachers' jobs were in the patronage of the local political bosses. I should like to have Dr. Sen's comments, if any, on this, because it has a bearing on his advocacy of larger allotments of the tax-payer's money for elementary education in the rural areas.

V.B.

Trade Winds

COAL PRIORITIES

DURING THE last one year, the demand for coal has not picked up in the manner it had been anticipated in the third Plan with the result that the industry's programmes of expansion have been thrown out of gear. Another element which has entered the coal picture is the official view which at least for the remaining two years of the third Plan is for an expansion in the output of non-coking coal of superior variety. A few weeks back, a meeting was held in Calcutta between the representatives of the Union Ministry of Steel and Mines and the coal industry where it was given out that an additional requirement of 9 million tonnes of non-coking coal — mostly of grade 1 — would have to be met during the remaining years of the Plan. This bias towards the higher grades of coal, has been motivated by the immediate exigencies of the situation while the long-term aspect has been completely ignored. The view-point of the Indian Colliery Owners' Association has not received sufficient attention as they had put in a plea for proper allocation to mines of low grades of coal for which there was no dearth in the country. The case made out by the Indian Colliery Owners' Association was that the demand for low-grade coal had not dried up and that, in fact, for any future expansion plans, the low grade coal is likely to occupy a place of pride. To be guided, therefore, by the immediate needs is certainly not in the larger interests of the mining industry. The Government must bear in mind the long-term trends; otherwise the producers of low-grade coal will face hardships resulting in slow extinction, though it seems that the Government has no intention of forcing the low-grade coal mines to be shut down.

Only two years ago, the production of lower grades, namely, III-A and III-B, was not more than 10 per cent of the total production. Coal was in sharp demand and the Government had concentrated all its efforts on increasing the output of this vital commodity, regardless of the quality of coal. This sharp vacillation in the approach to the problem, again, is against the long-term interests of both the industry and the country.

U.S. EXIM BANK CREDIT

A US credit of \$25 million (Rs. 11.9 crores) in favour of India was signed in Washington on August 25, 1964. The credit which is being extended by the US Export-Import Bank will be used to finance the purchase of American capital equipment and services required by the public or private sector engaged in development programmes in India. The loan is repayable over a period of 12 years commencing in 1967, and bears an interest charge of 5½ per cent. Three earlier credits for similar purposes had been authorised by the bank in favour of the Government of India, for a total of \$225 million (Rs. 107 crores). These credits also financed capital goods such as mining and construction equipment, transportation and earth-moving equipment, communications equipment and machinery for the textile, aluminium, chemical and automobile industries. The first line of credit for \$150 million was extended in February 1958, the second for \$50 million in December, 1960, and the third for \$25 million in August, 1962. In addition to these non-project loans, the bank extended credits to a number of Indian enterprises engaged in the manufacture of diesel locomotives, fertilizers, aluminium, rayon, chemicals, plastics and forgings. The US Export-Import Bank credits have been used by Air-India to purchase its all-jet fleet. The total amount of assistance extended by the bank to India now exceeds \$379.3 million (Rs. 180.6 crores). The bank's assis-

tance is a part of the US Government aid programme to India, which now totals \$5,348 million (Rs. 2,547 crores).

TEXTILES COMMITTEE

A 30-member Textiles Committee has been appointed by the Government of India for ensuring the quality of textiles and textile machinery and for allied matters. Mr. R. G. Saraiya will be the Chairman of the Committee while the Textile Commissioner will be its Vice-Chairman. By issuing notifications on August 2, 1964, the Government brought into force the Textiles Committee Act, 1963, and under its provisions, appointed the Textiles Committee to carry out the purposes of the Act. The Textiles Committee Act, 1963, replaces the Cotton Textiles Fund Ordinance of 1944, which provided for the establishment of a Cotton Textiles Fund and the constitution of a Committee to administer the Fund. The Textiles Committee now set up is a body corporate vested with large statutory powers to ensure the quality of all textiles whether made wholly or partly of cotton, wool, silk, artificial silk or fibre. The work of inspection of indigenous textile machinery and stores is also entrusted to the Committee. The Committee will generally function to ensure standard qualities of textiles for internal marketing and export purposes and the manufacture and use of standard type of textile machinery. The Committee may also, among other things, undertake, assist and encourage, scientific, technological and economic research in textile industry and textile machinery; promote export of textiles and textile machinery and carry on propaganda for that purpose. It may also establish, adopt or recognise standard specifications for textiles for the purposes of export and for internal consumption and affix suitable marks on such standardised varieties of textiles; specify the type of quality control or, inspection which will be applied to textiles or textile machinery; and provide for the inspection and examination of textiles and textile machinery at any stage of manufacture and also while it is in use at mill-heads.

The Committee will also have a Fund, to be called the Textiles Fund, to be utilised for carrying out the purposes of the Textiles Committee Act and meeting the pay and allowances of the officers and other employees of the Committee and other administrative expenses of the Committee. Besides the Chairman and the Vice-Chairman, the Committee consists of the Chairman of the Indian Cotton Mills' Federation, the Chairman of the Cotton Textiles Export Promotion Council, the Chairman of each of the Millowners' Associations at Ahmedabad, Bombay, Calcutta, Coimbatore, and Kanpur, the President of the Textile Machinery Manufacturers' Association the President of the Silk and Rayon Textiles Export Promotion Council, the Chairman of the Woollen Development Council, representatives of the indigenous textile machinery manufacturers, exporters of cotton textiles, export trade in silk and rayon textiles, the export trade in woollen textiles, the cotton growers and the handloom industry. The Committee will also include a textile technologist and others having specialised knowledge or practical experience in matters relating to the textile industry and trade or the manufacture of textile machinery.

UTRECHT FAIR

From October 20 to 24, 1964 (both dates inclusive) a new specialised trade fair will be organized jointly by the Royal Netherlands Industries Fair Utrecht, Holland, the VOM (Society for Metal Finishing Techniques) and the Federation of Netherlands Decorating Employers. The Fair will be held in the Irenthal, covering an exhibition area of 70,000 sq. ft. and will present the various modern techniques in the metal finishing field, such as electrodeposition, chemical treatments, hot-dip galvanising, metal spraying, organic and inorganic coatings, anodising and electro-plating, metal colouring, vit-

reous enamelling, shot blasting and further equipment and processes for the finishing of industrial products. It will also cover the products of the paint and varnish industry in the building, maintenance and metalworking branches, and painters' and decorators' requisites, such as spray guns, compressors and lacquering machines.

INDO-YUGOSLAV CO-OPERATION

The economic co-operation between India and Yugoslavia covers a long-term agreement for trade and economic co-operation, protocols with commodity lists, and credit arrangements for the delivery of capital equipment. The commodities imported by Yugoslavia from India include coffee in beans, tea, pepper, oilseed cakes, hides and skins, coconut fibres and yarn, cotton fabrics, synthetic fabrics, "linoleum" floor coverings, iron ore and raw non-alloyed iron. The commodities imported by India from Yugoslavia include cellulose, mercury, calcium carbide, vaccines and various medical drugs, "polyvinyl" plastic materials, aluminium, cement, railway rails, seamless pipes, copper alloy rods, sections, tubing and plate, aluminium rods, wires and sections, steel structures for bridges, horse-shoe nails, hand tools, steel cylinders, steel and iron chains, engines for trucks and buses, ships' diesel engines, wheeled tractors and various other agricultural machinery, machine-tools, metal cutting machines, gantry cranes, stone crushers, bulldozers, self-unloading trucks, electric meters, electric cables for high voltages, electric porcelain, cine-projectors and photographic films.

The credit arrangements for the delivery of Yugoslav Capital equipment to India covers a large number of projects, including building equipment for the Paradeep port, equipment (turbines, generators, etc.) for the Trishuli, Kerala, Jeldhaka, Periyar, Sholazar I and II, Yamuna I and II hydroelectric power plants, hydromechanical equipment for the Matatila hydroelectric power plant and Matatila Dam, equipment for the Kanpur, Kalakot, Kandla, and Barauni thermoelectric power plants, building of steam boilers factories at Basin Bridge and Ramagundam, equipment for the Assam and Cherapunji cement factories, equipment for the filtering of gas for Durgapur project, equipment for the coking plant in Durgapur, overhead travelling cranes for the Panchet Hill and TPS Amarkantak power plants, and equipment for water meters factory.

IMPORT-EXPORT STUDY TEAM

On the recommendation of the Santhanam Committee Report the Ministry of Home Affairs has set up a study team to examine the working of the office of the Chief Controller of Imports and Exports. The idea behind the study is to streamline the administrative procedures by removing loopholes which provide opportunities for corruption. The team, which will submit its first report in about two months' time includes Mr. H. C. Mathur, M.P., Mr. N. J. Kamath, Joint Secretary, Department of Supplies, Mr. N. K. Mukerji, Joint Secretary, Ministry of Home Affairs and Mr. P. Sabanayagan, Chief Controller of Imports and Exports. The recommendations will be sent directly to the departments concerned for immediate action.

EMPLOYMENT TRENDS

According to the quarterly employment review issued by the Directorate-General of Employment and Training, the number of persons employed in non-agricultural activities in the country as a whole increased by 19.5 lakhs during the first three years of the third Plan. This works out to 16.1 per cent increase over the three year period or an annual increase of over 5 per cent. The figures collected are based on about 76,000 returns received from all public and private sector establishments employing 25 or more persons.

Employment in the public sector went up from 70.5 lakhs

in March 1961 to 84.4 lakhs in March, 1964 registering an increase of 19.8 per cent. The increase occurred in all branches of the public sector — 16.4 per cent in the Central Government, 13.6 per cent in State Governments, 41.9 per cent in quasi-Government organisations and 26.9 per cent in local bodies. About half the increase took place as a result of expansion in education, medical and health, and administrative services. Transport and communications, and manufacturing organisations contributed about one-third of the increase. The increase in quasi-Government establishments was mainly due to expansion in industrial undertakings, insurance and banking. In the manufacturing sector, there was a significant increase in iron and steel, chemicals and chemical products, basic metals, machinery manufacture, electronic equipment and motor vehicle repairing and servicing organisations.

Employment in private sector establishments employing 25 or more persons increased from 50.4 lakhs in March, 1961 to 56.0 lakhs in March, 1964 — an increase of 11.1 per cent. Nearly two thirds of this increase took place as a result of expansion in manufacturing establishments, particularly those of cotton, jute and silk textiles, sundry hardware, food processing, tobacco and bricks and tiles.

Employers reported manpower shortages in respect of professional and technical categories of personnel such as engineers, doctors, pharmacists, nurses, accountants, etc., and craftsmen and skilled workers. At the end of March, 1964, nearly 13,000 vacancies remained unfilled in these occupational groups.

Based on the number of persons seeking work at employment exchanges, it has been estimated that non-agricultural unemployment in the country increased from 2.8 million at the beginning of the third Plan to 4.6 million in March, 1964. This is attributed to the large number of new entrants to the labour force as compared with the employment opportunities that could be generated by the Plan.

FOODGRAIN WAREHOUSES

A balloon type plastic warehouse, 66 feet in diameter and 22 feet high, and the first of its type in India, was recently erected and filled with wheat at the Narayana Central Godowns in New Delhi. The plastic warehouse is constructed on the principle of hermetic storage which arrests all biological activity and dispenses with the use of insecticides and fumigants. Another major advantage of the plastic warehouse is that it can be set up in any locality in a port or city area or in the countryside. Capable of holding 500 tons of grain, the plastic warehouse at Narayana Godowns was filled with wheat by means of pneumatic grain-conveying equipment. This warehouse has been loaned to the Union Ministry of Food by the Pest Infestation Laboratory of the Department of Technical Co-operation of the United Kingdom to test its suitability for storing wheat in bulk under the tropical conditions of India. Mr. F. N. Wright of Pest Control Laboratory of U.K. came to India to discuss with food storage technicians in the country the manufacturing process and erection and maintenance of plastic warehouses.

CLOTH AND YARN PRODUCTION

The production of cotton cloth for the six months, January to June, 1964, was 2,262 million metres, showing an increase of 80 million metres over the production during the first six months of 1963. The production of cotton yarn in the period January to June, 1964 was 463 million kgs. compared to 429 million kgs. in the corresponding period of 1963. The production of cotton cloth in June 1964 registered an increase of 18 million metres (at 379 million metres) as compared to the production in June 1963. The production of cotton yarn increased to 72.5 million kgs. in June 1964, as against 69 million kgs in June 1963.

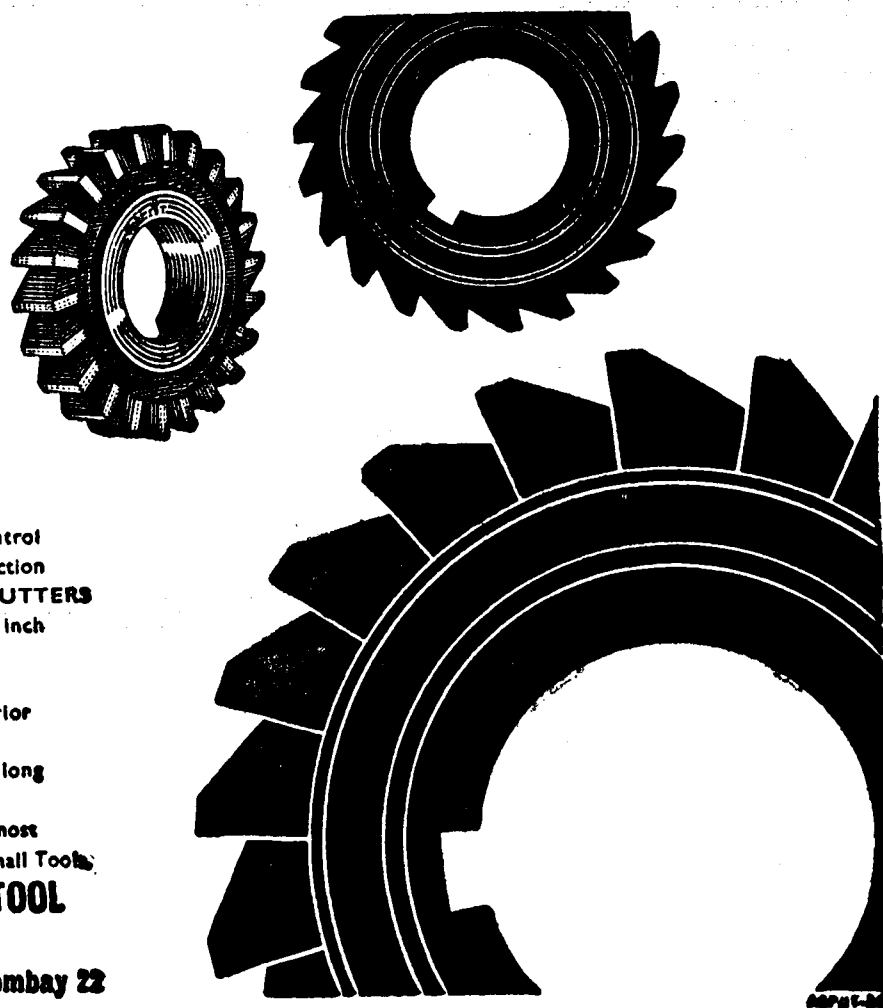


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Company Affairs

POYSHA INDUSTRIAL

WHILE ADDRESSING the shareholders at the annual general meeting held recently Mr. M. R. Ruia, Chairman of the Poysha Industrial Company Ltd., reviewed briefly the performance of the company, its future expansion and modernisation programmes, and the international developments in the field of can manufacturing industry. With all limitations on its resources and existing facilities, the company recorded considerable improvement in production. The output of containers went up by not less than 18 per cent over the preceding year. The profits, even after a steep increase in tax provision from Rs. 2.95 lakhs to Rs. 8.58 lakhs, showed a significant improvement rising from Rs. 2.11 lakhs to Rs. 4.26 lakhs. Better working results are expected during the current year.

The present year and the following, Mr. Ruia stated, will be full of activity for the company involving the construction of four new factories and the installation of up-to-date plant and equipment incorporating the latest American and Continental techniques in each of them. A plot of 33 acres has already been purchased at Thana from the Maharashtra Industrial Development Corporation. Construction is expected to start shortly and the new factory will be ready by the end of 1965. The company is setting up two more new factories one each at Cochin and Ghaziabad and another unit at Anand for the Kaira Can Company, its associate. To finance its ambitious expansion programme, the company intends to raise its capital from Rs. 25 lakhs to Rs. 110 lakhs. Negotiations are in progress with all important financial institutions such as LIC, ICICI, IFC, Kerala State Industrial Development Corporation, U.P. State Industrial Corporation, and banks for securing foreign exchange and rupee loans.

Reviewing the developments in the field of can manufacturing industry, the Chairman stated that to face the formidable challenge from other packing materials like aluminium and plastics, the leading tinplate producers in the world, especially the USA, the UK and Japan, are developing new varieties of tinplate such as thin tinplate and tinplate foils. All tinplate currently produced in the country is hot-dipped which process is outmoded. A beginning is to be made in Rourkela in the manufacture of electrolytic tinplate. Unless the Government takes a long-range view and initiates early steps to manufacture thin tinplates and tinplate foils, the country will be hopelessly outclassed in the not too distant future. He, therefore, urged the Government to incorporate the necessary modifications in the fourth Plan programmes of both the Rourkela and Bokaro Steel plants so as to make an early start in the manufacture of these two new varieties. This will enable the can manufacturing industry to reduce its cost of manufacture of tin cans and will place the industry in a better position to face competition from containers made of other materials.

ASIAN ELECTRONICS

Asian Electronics Ltd. will enter the capital market on September 7 to raise Rs. 15 lakhs from the public. The subscription list will close on September 12 or earlier but not before September 9. The company has an authorised capital of a crore of rupees and an issued subscribed and paid-up capital of Rs. 7.39 lakhs. The present issue is for Rs. 22.62 lakhs, out of which the promoters, directors, their relatives, friends and associates have agreed to subscribe shares worth Rs. 7.62 lakhs. The balance of Rs. 15 lakhs in 15,000 equity shares of Rs. 100 each is now offered for public subscription. The entire public issue has been underwritten.

The company proposes to put up its factory in the Wagle Industrial Estate at Thana, Bombay for which land has already been acquired from the Maharashtra Industrial Development

Corporation. It has entered into a technical collaboration agreement with Messrs. Avtomacija of Ljubljana, Yugoslavia — an associate of the internationally reputed electronic manufacturers ISKRA — for setting up this project. Construction is in progress and production is expected to commence by the middle of 1965. The company will manufacture, in the first phase, basic components such as carbon film resistors, styroflex capacitors, cores etc. and intends to produce various types of electronic instruments in the second phase and ultrasonic instruments in the third phase. Most of the raw materials are indigenously available and dependence on imports for raw materials is hardly 5 to 8 per cent.

The estimated cost of the project is Rs. 50 lakhs. It will be financed by the issued capital of Rs. 30 lakhs, a loan from the Bank of India Ltd. of Rs. 15 lakhs and by short-term loans of Rs. 5 lakhs.

Most of the electronic components are being imported at present and the indigenous production will help the defence instrument manufacturers, radio manufacturers and other instrument manufacturers. Considering the ready market for the products and the easy availability of indigenous raw materials with the latest manufacturing facility, a good response to this issue is assured.

ELECTRIC CONSTRUCTION: RIGHTS ISSUE

Electric Construction & Equipment Co. Ltd., proposes, subject to the sanction of the Controller of Capital Issues, to issue 15,500 redeemable cumulative preference shares of 9.3 per cent of Rs. 100 each at par and 2,55,000 ordinary shares of Rs. 10 each at par. The new preference shares will be offered to the existing preference shareholders in the ratio of one share for every one share held and the new ordinary shares to the existing ordinary shareholders in the ratio of one for every three shares held.

HIND RECTIFIERS

Hind Rectifiers Ltd. reported better working results during the year ended March 31, 1964. A substantial rise in sales was recorded during the year; it rose from Rs. 26.06 lakhs to Rs. 40.08 lakhs. The company expects to maintain satisfactory progress in sales during the current year also. The capacity of the selenium plant is being increased. An import licence under a British credit (K'pping Loan) has been received for the plant required for this purpose.

The company has received an industrial licence for the extension of the range of silicon diodes. Messrs. Westinghouse Brake and Signal Co. Ltd. have agreed in principle to supply the necessary machinery and accept payment in the form of fully paid up equity shares. The company has entered into a technical collaboration agreement with Messrs. English Electric Company Ltd., U.K. for the manufacture of rectifier assemblies required for electric locomotives and suburban trains. This agreement is awaiting the approval of the Government of India.

Gross profit has more than doubled during the year, rising from Rs. 3.10 lakhs to Rs. 7.30 lakhs. Allocations include Rs. 1.65 lakhs for depreciation (Rs. 1.08 lakhs), Rs. 2.56 lakhs for taxation (Rs. 0.55 lakhs) and Rs. 0.70 lakhs (Rs. 0.15 lakhs) for development rebate reserve. Thanks to the better working results the directors have recommended a dividend of 8 per cent on equity shares.

BATALA ENGINEERING

The Batala Engineering Company Ltd., a subsidiary of Mukand Iron and Steel Works Ltd., entered the capital market on August 28 with equity shares of Rs. 7.36 lakhs to finance partially its ambitious expansion programmes. The entire public issue has been underwritten. The company is setting

up a factory on a 60-acre plot at Balabgarh, 23 miles from Delhi, to manufacture open side hydraulic planers and geared-head lathes. The total cost of the expansion scheme is estimated at Rs. 162 lakhs and it is to be met by the present issue of Rs. 7.36 lakhs, further issue of capital of Rs. 22.64 lakhs, a loan from NIDC of Rs. 15 lakhs, another loan from IFC of Rs. 45 lakhs, bank borrowings of Rs. 38 lakhs and retained earnings and temporary loans of Rs. 34 lakhs.

CAPITAL ISSUES

Six companies have been authorised to raise fresh capital aggregating Rs. 5.13 crores. The consent of the Controller of Capital Issues is valid for 12 months in all cases. The following are the details:

Chowgule & Company Limited, Mormugao Harbour, is to issue further capital of Rs. 2 crores divided into 2,00,000 equity shares of Rs. 100 each to be issued for cash at par. The money will be utilised for the payment of advances made by the directors.

Tata Engineering & Locomotive Company Ltd., Bombay, is to issue 2,00,000 equity shares of Rs. 100 each for cash at a premium of Rs. 30 per share. The shares will be offered to the existing equity shareholders of the company in the proportion of one for every five equity shares held. The capital will be utilised on the expansion programme in the manufacture of diesel vehicles.

Tata Mills Ltd., Bombay, is to issue Rs. 81,85,950 capital — Rs. 60 lakhs in 5 per cent 1966 — 71 debenture stock, and Rs. 21,85,950 in equity shares of Rs. 25 each. The money will be utilised for modernisation and renovation programme of the company.

Madanapalle Spg. Mills Ltd., a company incorporated in the State of Andhra Pradesh, will be issuing capital of Rs. 30 lakhs divided into 4,000 equity shares of Rs. 50 each and 10,000 redeemable preference shares of Rs. 100 each, to be issued for cash at par. Of this issue, such number of shares of each kind as would qualify for listing on recognised Stock Exchanges would be offered for public subscription by prospectus. This is in supersession of an earlier consent dated July 26, 1963.

The Gauhati Bank Ltd., Gauhati (Assam) is to issue further capital of Rs. 6,38,100 divided into 1,27,620 shares of Rs. 5 each for cash at par.

Kasturi & Sons Ltd., Madras, is to issue debentures of Rs. 15 lakhs carrying interest at 7 per cent per annum which will rank paripasu to the existing First Mortgage debentures of Rs. 30 lakhs. The capital will be utilised for the purchase of additional rotary printing machine and for working capital.

LICENCES ISSUED

The following licences were issued under the Industries (Development and Regulation) Act, 1951 during the week ended 15th August, 1964. The list contains the names and the addresses of the licensees, articles of manufacture and annual installed capacity.

HOUSEHOLD APPLIANCES

Harbans Lal Malhotra and Sons Private Ltd., Delite Cinema Building, D.A.G., Extension, New Delhi (Calcutta, West Bengal) — Electric Shavers — One million Nos. per annum.

AUTOMOBILES

Ex-Cell-O India Ltd., 78-B, Dr. Annie Besant Road, Bombay-18 (Maharashtra) — Propeller shafts — 2,00,000 Nos. per annum after expansion.

COTTON TEXTILES

The Pioneer Textiles, Peelamedu, P.O., Coimbatore-4 (Coimbatore, Madras) — 12,784 spindles; The Coimbatore Pioneer Mills Ltd., ("B" Mills, Periyanaickenpalayan), P.B. No. 829, Peelamedu P.O., Coimbatore-4 (Coimbatore, Madras)

— 12,680 spindles; Chandra Textiles Pvt. Ltd., Peelamedu P.O., Coimbatore 4 (Coimbatore, Madras) — 12,680 spindles. Sree Saraswathi Mills Ltd., Post Box No. 34, Madurai-2 (Madurai, Madras) — 12,904 spindles; Sree V. Salakshi Mills Ltd., P.B. No. 21, Tallakulam P.O. Madurai-2 (Madurai, Madras) — 4,360 spindles; Selvaraja Mills Pvt. Ltd., Odderpalayam, Ondiputhur Post, Coimbatore (Coimbatore, Madras) — 12,680 spindles. V. Jayeswari Textiles Ltd., Fulampatti (Via) Pailachi, Coimbatore Distt. (Coimbatore, Madras) — 12,820 spindles; Pulliccar Mills Ltd., Tiruchengodu, Salem Distt. (Salem, Madras) — 9,364 spindles; Om Parasakshi Mills Ltd., Krishnarayapuram, Gannapathy Post, Coimbatore-6 (Coimbatore, Madras) — 12,826 spindles; The Radhika Mills Ltd., 5/179, Uppilipalayam P.O. Coimbatore-5 (Coimbatore, Madras) — 12,904 spindles; Indra Cotton Mills Pvt. Ltd., Jagampet Gardens, Caromepet, Chingleput Distt. (Chingleput Distt. Madras — 1,000 spindles.

VEGETABLE OILS

Dulichand Omrao Lal Oil Mills, Hindusthan Buildings, 4, Chittaranjan Avenue, Calcutta-13 (Calcutta, West Bengal) — Vegetable oils — 75 tons per day.

MISCELLANEOUS

Vibhuti Glass Factory, P.O. Ramnagar, Varanasi (Varanasi, Uttar Pradesh) — Glass Shells — 2.4 million pieces per annum.

LETTERS OF INTENT

The following statement shows the letters of intent issued during the week ended 15th August, 1964, to parties who have applied for licences under the Industries (Development and Regulation) Act, 1951.

M/s. The Modi Spg. & Wv. Mills Ltd., Modinagar (Modinagar, U.P.) — Nylon yarn; M/s. National Steel & General Mills, Patel Marg, Ghazabad (Uttar Pradesh) — Steel forgings 6,720 tons per annum; Shri Indrasan Rai, C/o Krimog International P-7, Mission Rao Extension, Calcutta-1 (Calcutta, West Bengal-1) — Steel forgings 6,000 tons per annum; M/s. Hindustan Dowidat Tools Ltd., New Asiatic Building, H Block, Connaught Circus, New Delhi (Punjab) — Steel forgings and stampings 1,800 tons per annum; M/s. Bhartia Electric Steel Co. Ltd., 8, Suinhoe Street, Ballygunge, Calcutta (West Bengal) — Steel forgings 6,000 tons per annum; M/s. Deepak Industries Ltd., 62, Hazra Road, Calcutta-19 (Calcutta, West Bengal) — Speed regulating pulleys 3,000 Nos. (worth Rs. 9 lakhs) per annum. M/s. Asiatic Oxygen Ltd., 8, Dalhousie Square East, Calcutta-1 (Howrah, West Bengal) — Gas welding and cutting equipment 33,350 Nos. (after expansion 50,000 Nos.); M/s. Hindustan Sugar Mills Ltd., 51, Mahatma Gandhi Road, Bombay — Industrial Alcohol (from 15,35,000 gallons to 33,00,000 gallons); M/s. Godrej & Boyce Mfg. Co. (P) Ltd., Lalbaugh, Parel, Bombay (Maharashtra) — Industrial Boilers: (1) Vertical Multi-tubular conventional as well as package type - 120 Nos., (2) Horizontal package oil coal and Gas Fired — 120 Nos.; M/s. Veegal Engines and Engineering Ltd., 31, Chittaranjan Avenue, Calcutta-12 (West Bengal) — Ignition Units — 12,000 Nos. per annum.

CHANGE IN NAMES (Owners or Undertakings)

During the week ended 15th August, 1964.

(Information pertains to particular licences only)

From M/s. Assam Conductors and Tubes Industries, Gauhati to M/s. Assam Conductors and Tubes Private Limited Gauhati; From M/s. Asbestos Magnesite and Friction Materials Ltd., Bombay to M/s. Hindustan Ferrodo Ltd., Bombay.

LICENCES REVOKED OR SURRENDERED

During the week ended 15th August, 1964.

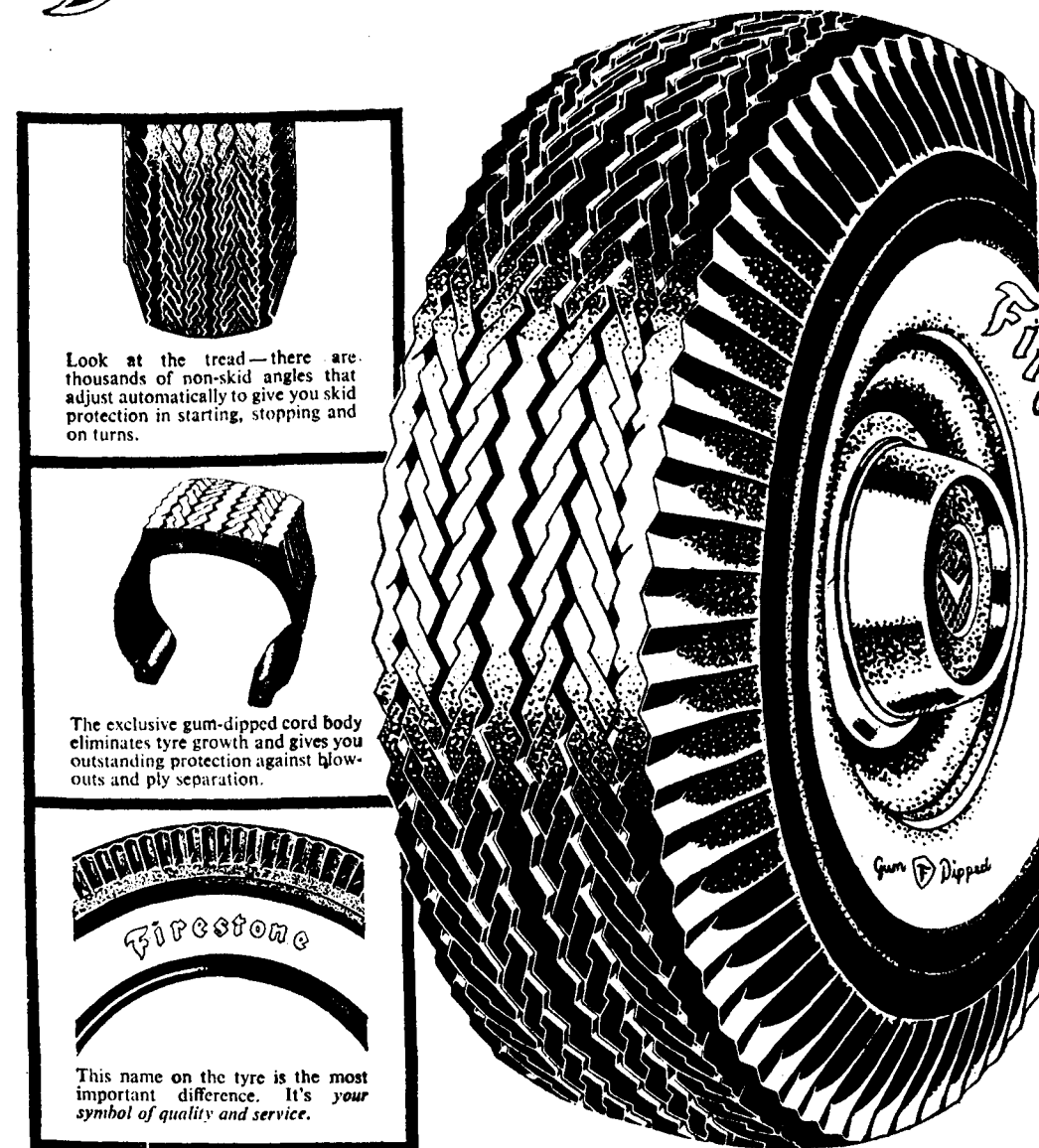
(Information pertains to particular licences only)

(Name of the licensee) Shri Prayag Dutt Sharma, Meerut. (Name of the undertaking) M/s. Bharat Engineering Industries, Ghaziabad — Taps and Reamers; M/s. Surrendra Overseas Limited, New Delhi — Cement.

All tyres may look alike - BUT

there is a difference with

Firestone





Over 100 Years of Banking in India

NATIONAL AND GRINDLAYS BANK LIMITED

(Amalgamating National Bank of India Limited, Grindlays Bank Limited, and the Eastern Branches of Lloyds Bank Limited)

Registered in London under the Companies Act of 1862 on the 23rd March, 1866. The Liability of Members is Limited.

Bankers to the Government in Aden, Kenya, Uganda and Zanzibar.

ISSUED CAPITAL AND RESERVES OVER £ 11 MILLIONS

HEAD OFFICE : 26, BISHOPSGATE, LONDON, E.C.2.

London Branch :

13, ST. JAMES'S SQUARE, S.W.1.

Branches throughout Aden, Ceylon, India, Kenya, Pakistan, Northern and Southern Rhodesia, Somalia, Tanganyika, Uganda and Zanzibar.

The Bank conducts all classes of Banking and Exchange Business throughout the world.

Delhi and New Delhi Branches :

Chandni Chowk ; Chandni Chowk, (Lloyds Branch) ; Bhichha Mal Building, Grand Trunk Road, Kamla Nagar ; Delhi Cloth Mills Premises, Bara Hindu Rao ; 10, Parliament Street, (Lloyds Branch) ; H Block, Connaught Circus ; 10-E Block, Connaught Place ; 1689, Arya Samaj Road, Karol Bagh ; Jeevan Vikas Building, Asaf Ali Road.

NGB/46A

ANNOUNCEMENT REGARDING THE PROPOSED ISSUE OF DEBENTURES

This is NOT a Prospectus. Persons interested in full details may obtain copies of the Prospectus from the Registered Office of the Company or from the Bankers, Underwriters and Brokers named hereinafter.

THE BIRLA JUTE MANUFACTURING CO., LTD.

(Incorporated on 25th August, 1919 under the Indian Companies Act, 1913)

Registered Office: 15, India Exchange Place, CALCUTTA - 1.

EXISTING AND PROPOSED ACTIVITIES OF THE COMPANY

The main activities of the Company consist of the production of Jute goods (including hessian goods, sackings, carpets and carpet backing cloth), Staple Fibre Yarn and the manufacture of Calcium Carbide, Cement, Oxygen Gas and Dissolved Acetylene Gas. The Company commenced its activities with the production of the Jute goods; it commenced production of Staple Fibre Yarn in 1957, Calcium Carbide in 1954 and Cement in 1959. The Oxygen and Dissolved Acetylene Gas Plants of the Company were put into commission in August 1964. In order to increase its production of Cement the Company has taken steps to set up its second Cement Plant in Rajasthan.

LOCATION OF THE FACTORIES

The Company's Jute Mills, Calcium Carbide Factory, Staple Fibre Spinning Plant and Oxygen and Dissolved Acetylene Gas Plants are all situate at Birlapur, Budge Budge, in West Bengal, about 17 miles south of Calcutta. The existing Cement Plant of the Company is located at Satna in Madhya Pradesh.

The Company is setting up its second Cement Plant at Chittorgarh in Rajasthan, where sufficient land for this purpose has been acquired on 99 years' lease from the Rajasthan Government. The construction work of the Plant is in progress and it is expected that this Plant will be put into commission by March, 1966.

BOARD OF DIRECTORS :

1. **Shri Lakshmi Niwas Birla.**
(Ex-Officio)
3/1, Raja Santosh Road,
Alipore, Calcutta.

2. **Shri Hira Lal Somany.**
13, Gurusaday Road,
Calcutta-19.

3. **Shri Girdhardas Kothari.**
41, Ballygunge Circular Road,
Calcutta-19.

4. **Shri Jugmohan Prasad Goenka,**
145, Mukhtar Babu Street,
Calcutta.

5. **Shri Prabhu Dayal Himatsingka,**
11, Queens Park,
Calcutta-19.

6. **Shri Rasiklal Maneklal Dalal,**
Vasant Vilas,
Babulnath Road,
Bombay-7.

7. **Shri Brijratan S. Mohatta,**
"Ratnakar", (4th Floor),
Narayan Dabholkar Road,
Malabar Hill,
Bombay-6

Industrialist.

Managing Director of Birla Brothers Private Ltd.
Director of :

Jiyajeerao Cotton Mills Ltd.

The New Asiatic Insurance Company Ltd.

Central India Coalfields Ltd.

Hind Cycles Ltd.

Hindustan Motors Ltd.

and other companies.

Committee Member of

The Federation of Indian Chambers of Commerce & Industry.

Merchant.

Director of :

Kesoram Industries & Cotton Mills Ltd.

Hindusthan National Glass Manufacturing Co. Ltd.

Longview Tea Co. Ltd.

and other companies.

Merchant.

Director of :

Hind Construction & Engineering Co. Ltd.

The Birla Cotton Spinning & Weaving Mills Ltd.

The United Commercial Bank Ltd.

and other companies.

Merchant.

Director of :

Textile Machinery Corporation Ltd.

Octavius Steel & Co. Ltd.

Central Cotton Mills Ltd.

and other companies.

Solicitor.

Director of :

The Birla Cotton Spinning & Weaving Mills Ltd.

Jaya Shree Textiles & Industries Ltd.

Kesoram Industries & Cotton Mills Ltd.

and other companies.

Share and Stock Broker.

Director of :

The Arvind Mills Ltd.

The Raipur Mfg. Company Ltd.

The Nutan Mills Ltd.

and other companies

Merchant.

Director of :

B.R. Herman and Mohatta (India) Private Ltd.

The Malwa Vanaspati & Chemical Co. Ltd.

Mohatta & Heckel Ltd.

8. **Shri Madhav Prasad Birla**
(Ex-Officio),
18, Gurusaday Road,
Ballygunge,
Calcutta.

SHARE CAPITAL:

Authorised —

20,00,000 Ordinary Shares of Rs. 10 each	Rs. 2,00,00,000
25,000 7½% (subject to Income-tax) Cumulative Preference Shares of Rs. 100 each	Rs. 25,00,000
1,75,000 Second Preference Shares of Rs. 100 each	Rs. 1,75,00,000 Rs. 4,00,00,000

Issued —

16,03,690 Ordinary Shares of Rs. 10 each	Rs. 1,60,36,900
25,000 7½% (subject to Income-tax) Cumulative Preference Shares of Rs. 100 each	Rs. 25,00,000
1,00,000 7.86% Redeemable Cumulative Second Preference Shares of Rs. 100 each	Rs. 1,00,00,000 Rs. 2,85,36,900

Subscribed and Paid-up —

6,98,231 Ordinary Shares of Rs. 10 each fully paid up in cash	Rs. 69,82,310
8,97,390 Ordinary Shares of Rs. 10 each allotted as fully paid up Bonus Shares by Capitalisation of Revenue Reserve	Rs. 89,73,900
23,642 7½% (subject to Income-tax) Cumulative Preference Shares of Rs. 100 each fully paid up in cash	23,64,200
*1,00,000 7.86% Redeemable Cumulative Second Preference Shares of Rs. 100 each fully paid up in cash	Rs. 1,00,00,000 Rs. 2,83,20,410
Add: Forfeited Shares (amount originally paid-up)	Rs. 1,03,850 Rs. 2,84,24,260

*NOTE: Redeemable Cumulative Second Preference Shares are redeemable at par on the expiry of 12 years from the date of issue, or earlier as may be decided by the Directors on giving six calendar months' notice.

PRESENT ISSUE FOR CASH AT PAR:

20,000 Registered DEBENTURES (1975-77) of Rs. 1,000 each, bearing interest at the rate of 7% per annum and payable in full on application (to be secured by a Trust Deed) Rs. 2,00,00,000

TRUSTEES FOR THE DEBENTURES:

1. **Shri K. R. Srinivasan**, Executive Director (Investment), Life Insurance Corporation of India, "Yogakshema", Foreshore Road, Bombay-1.
2. **State Bank of India**, 1, Strand Road, Calcutta-1.

AUDITORS:

Messrs. H. P. Khandelwal & Co., Chartered Accountants, 1/B, Old Post Office Street, Calcutta-1.

BANKERS:

1. **State Bank of India**, 3, Strand Road, Calcutta-1.
2. **The United Commercial Bank Ltd.**, 10, Brabourne Road, Calcutta-1.
3. **The Bank of India Ltd.**, 23B, Netaji Subhas Road, Calcutta-1.

Merchant & Industrialist.
Managing Director of:
Birla Gwalior Private Ltd.
Director of:
Bally Jute Company Ltd.
Universal Cables Ltd.
Hindustan Aluminium Corporation Ltd.
The United Commercial Bank Ltd.
Rameshwara Jute Mills Ltd.
and other companies.

SOLICITORS TO THE ISSUE:

Messrs. Orr, Dignam & Co. 29, Netaji Subhas Road, Calcutta-1.

UNDERWRITERS:

1. **Life Insurance Corporation of India**, "Yogakshema", Foreshore Road, Bombay-1.
2. **The Oriental Fire & General Insurance Co. Ltd.**, Oriental Buildings, Mahatma Gandhi Road, Bombay-1.
3. **Indian Guarantee & General Insurance Co. Ltd.**, Gresham Assurance House, P.M. Road, Bombay-1.
4. **Messrs. Harkisondass Lukhmidass**, Stock Exchange Building (5th Floor), Apollo Street, Fort, Bombay-1.
5. **Messrs. G. M. Pyne**, Allahabad Bank Buildings, 14, India Exchange Place, Calcutta-1.
6. **Messrs. Chimanlal J. Dalal & Co.**, Stock Exchange New Building, Dalal Street, Bombay-1.
7. **Place Siddons & Gough (Private) Ltd.**, 6, Lyons Range, Calcutta-1.

N.B. The whole issue has been fully underwritten.

BROKERS:

1. **Messrs. G.M. Pyne**, Allahabad Bank Buildings, 14, India Exchange Place, Calcutta-1.
2. **Place Siddons & Gough (Private) Ltd.**, 6, Lyons Range, Calcutta-1.
3. **Messrs. Kishanchand Jhunjhunwala**, 7, Lyons Range, Calcutta-1.
4. **Messrs. Harkisondass Lukhmidass**, Stock Exchange Building (5th Floor), Apollo Street, Fort, Bombay-1.
5. **Messrs. Chimanlal J. Dalal & Co.**, Stock Exchange New Building, Dalal Street, Bombay-1.
6. **Messrs. Navalchand T. Shah & Co.**, 15, Union Bank Building, Dalal Street, Bombay-1.
7. **Messrs. S.A. Dashpande & Co.**, Stock Exchange Old Building, Dalal Street, Fort, Bombay-1.
8. **Messrs. Battivala & Karani**, Union Bank Building, Dalal Street, Fort, Bombay-1.
9. **Messrs. Champaklal Devidas**, Aga Khan Building, Dalal Street, Fort, Bombay.
10. **Messrs. Harbans Singh Mehta & Co.**, 33, Regal Building, Parliament Street, New Delhi.
11. **Messrs. Maconochie & Co.**, Mercantile Buildings, Madras-1.

MANAGING AGENTS:
Birla Brothers Private Limited.
15, India Exchange Place,
CALCUTTA-1.

APPLICATIONS:

Copies of Application Forms and Prospectus can be obtained from the Company's Registered Office, from any of the abovementioned Bankers, Underwriters or Brokers, or from the main offices of any of the said Banks in any of the cities mentioned below:

Ahmedabad, Amritsar, Bangalore City, Baroda, Bombay, Cochin, Darjeeling, Delhi, Ernakulam, Gauhati, Goa, Hyderabad, Indore, Jamshedpur, Kanpur, Madras, Nagpur, New Delhi, Poona, Simla, Srinagar, Surat, Tuticorin.

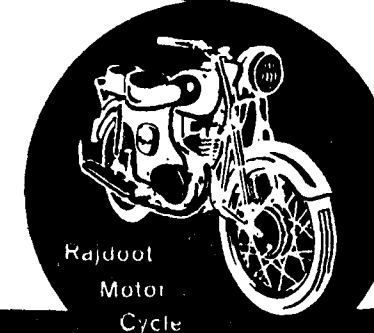
The subscription list will open at the commencement of banking hours on 9th September, 1964 and will close at the close of banking hours on 15th September, 1964 or earlier at the discretion of the Directors, but not before the close of banking hours on 11th September, 1964.

ESCORTS Enterprises

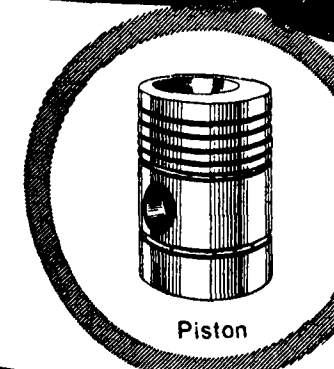
- Serve National Plans
- Save Foreign Exchange
- Accelerate National Economy to goal of Self-Sufficiency



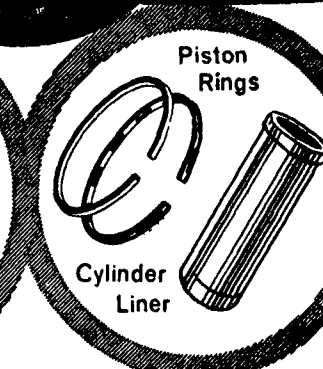
Escort 37 Tractor



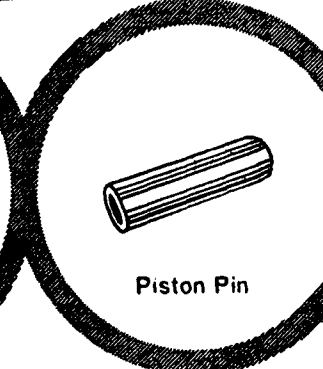
Rajdoot Motor Cycle



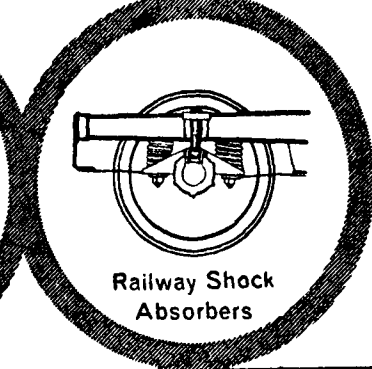
Piston



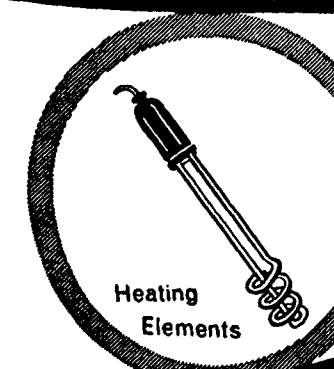
Cylinder Liner



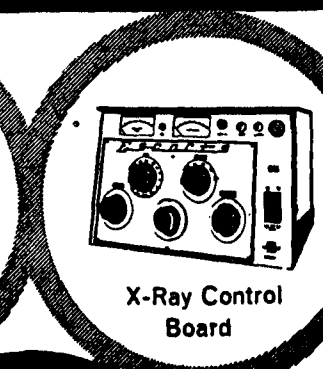
Piston Pin



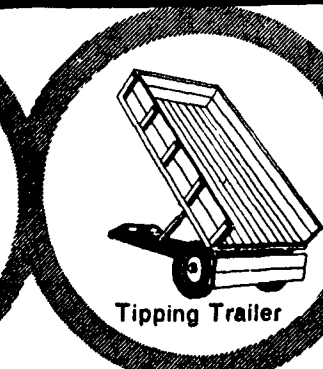
Railway Shock Absorbers



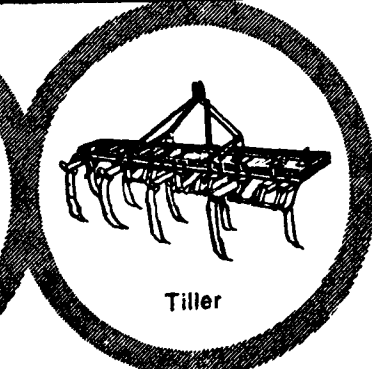
Heating Elements



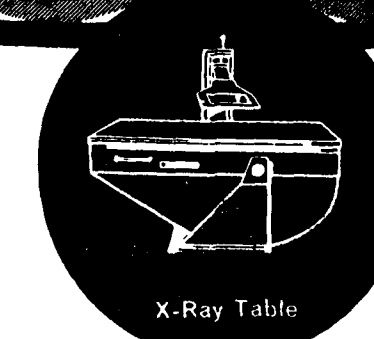
X-Ray Control Board



Tipping Trailer



Tiller



X-Ray Table

ESCORTS LIMITED

PRATAP BUILDINGS, CONNAUGHT CIRCUS, NEW DELHI

Branches:

BOMBAY — CALCUTTA — MADRAS — PATIALA
KASHIPUR — CHANDIGARH — HYDERABAD

Factories at:

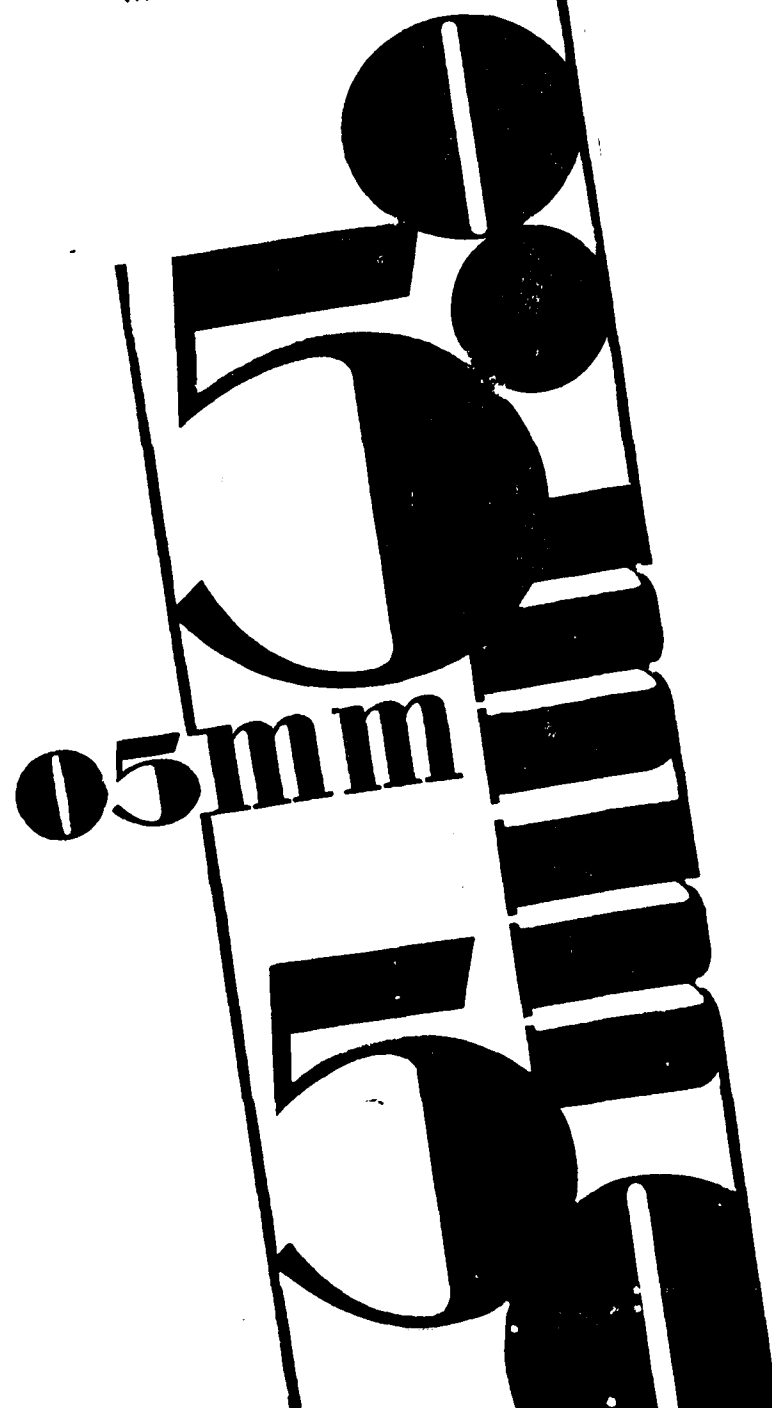
BANABURGARH (PATIALA) AND FARIDABAD (PUNJAB)

CPH/HOG/345-14

Associate this number exclusively with your pinta-milka-day! Why? Because it represents the gauge thickness of aluminium foil strip from which milk bottle capping is made. Extensively used by all reputable Dairies, Alfoil capping protects both the bottle lip and the contents within from all contamination—ensures that you get your milk fresh and wholesome right to your table.

**INDIA
FOILS
LIMITED**

(Incorporated in Great Britain)
Calcutta Bombay Madras New Delhi



IFCL-28

COMPANY MEETING

POYSHA INDUSTRIAL COMPANY LIMITED

Speech of the Chairman, Shri M. R. Ruia

The following is the address of the Chairman, Shri M. R. Ruia, delivered at the 7th Annual General Meeting of the Company held on Monday, the 24th August, 1964.

I AM glad to report that the year 1963-64 has been a satisfactory year in most respects. Even in the existing factory at Bombay, with all its limitations, we have been able to show a distinct improvement in production, by increased efficiency and a certain amount of rationalisation. Our production of containers increased by no less than 18 per cent over last year's and a substantial proportion of it was open top sanitary cans used mostly in the food preservation industry, the balance being general line cans for various industries like oils, paints, vanaspati, confectionery, etc. This performance must be regarded as quite satisfactory in relation to our resources. The very fact that, even after providing, among other things, Rs. 8.58 lakhs for taxation as against Rs. 2.95 lakhs in 1962-63, the profits for 1963-64 amounted to Rs. 4.26 lakhs as against Rs. 2.11 lakhs in the preceding year, is a measure of our striking improvement. The staff reorganisation already initiated has begun to produce results, and I am sure the performance during the current year will be even more satisfactory. I may mention that this will probably be the last year in which we shall function throughout the year in the present factory in Bombay, as we expect to move into the new modern factory near Thana before the end of 1965.

We have not been idle regarding our expansion programme. We have now acquired a total area of 33 acres of valuable land for our factory near Thana from the Maharashtra Industrial Development Corporation. Tenders are being invited for the construction of the new factory buildings on the basis of plans and lay-outs prepared by our architects. We hope to begin construction soon after the monsoon, and shall complete it as speedily as possible.

The land for the Cochin factory, comprising about ten acres, has also been bought at Mamala near Ernakulam, and we are now studying the plans for the factory buildings and installing of the plant. The site is a good one, about a mile, as the crow flies, from the new O.I. Refinery complex.

The actual site for the new factory at Ghaziabad has also been selected, after personal inspection of the Uttar Pradesh Industrial Estates and we are now negotiating the detailed terms of the purchase.

I may also mention that the requirements of our Associate, Kaira Can Company which has been created solely to meet the needs of the Kaira District Co-operative Milk Producers' Union at Anand, have been receiving full attention. As there were difficulties in the procurement of land for this Company through the State Government, our Associate carried on private negotiations and has succeeded in selecting a suitable site (about 10 acres) near Anand. The plans for the factory buildings are also under preparation.

As regards the plant, a modern automatic printing plant has already been imported for our Bombay factory and is now awaiting installation at the new factory at Thana. I am also glad to report that we have at last succeeded in getting permission from the Government of India for a second automatic bodymaker line for our Bombay factory, the absence of which has been a bottleneck in production there. The new equipment will enable quick changeovers from one can diameter to another, without appreciable loss of time, and we shall also be in a position to manufacture containers of larger diameters. The Government have also agreed to the importation of all the

plant and machinery we had selected for the factories at Cochin and Ghaziabad, and we expect the import licences to be issued shortly.

The Kaira Can Company has already placed orders with American suppliers for the machinery required, and we expect the equipment to reach India some time before the end of this year.

The present year and the next will, therefore, be a very active year for our Company, involving the construction of four new factories for ourselves and our Associate, and the installation of up-to-date plant in each of them. When they start production, we shall get rid of our present strategic disadvantage in having only one important manufacturing centre at Bombay, and having to bear the handicap of long transport and high packing costs to various markets in distant parts of India. We shall, like the major producer of cans in this country, be in the happy position of catering for regional markets from the regional plants.

I mentioned in my last review the new developments regarding receipt of orders for various types of cylinders, etc., from the Defence Departments. We have made much progress in this respect, and were able to secure substantial orders, a considerable part of which has already been executed.

Our share in the present export drive has continued to expand, and I am glad to report that during 1963-64 about Rs. 20 lakhs worth of goods were exported in our containers. The beginning of the present year has already shown further remarkable progress in this direction, and new export markets have been created.

I must mention one point in connection with the availability of our present raw material, namely tinplate. While on the whole we had a slightly better, though still not an adequate supply of tinplate for our manufacturing requirements, the disturbing feature has been that arrivals have not been following any regular pattern. We get very large quantities of tinplate in some months, followed by a lean period, including some months with no arrivals at all. This absence of a proper phasing militates against any sensible planning of our whole manufacture throughout the year, and causes our customers considerable inconvenience. I do not know what the Government can do in the present circumstances to help us out of this condition of a relatively hand-to-mouth existence; but any long-range programme by them, involving the proper staggering of indigenous production, as well as of imports, would be a real boon to us.

You will be interested to see from the relevant Balance Sheet and Profit and Loss Account annexed to this report that our wholly-owned subsidiary, Colrige, has also had a successful year. The sales in 1963-64 exceeded Rs. 6 lakhs, and the previous loss has been converted into a sizable profit.

A word regarding our future activities. You will observe from the Directors' Report that the capital is going to be increased from Rs. 25 lakhs to Rs. 110 lakhs. We have carried on detailed negotiations with important financing agencies like the Industrial Credit and Investment Corporation of India, Kerala State Industrial Development Corporation, Industrial Finance Corporation, Life Insurance Corporation, the U.P. State Industrial Corporation, and certain Banks, for foreign

exchange or rupee loans, or underwriting facilities. I am confident that these negotiations will soon fructify and that we shall shortly be fully armed at every point to embark on our scheme of modernisation and expansion, at the end of which we and our Associate will have four modern plants, combining the latest Continental and American techniques, and located at strategic centres, to enable us to cater for the greater part of India, besides contributing our tangble share to Indian exports.

All this has been possible as the result of combined teamwork at all levels. Our staff have fully co-operated, and our relations with labour continued to be harmonious. I am happy to convey my thanks to them on your behalf.

Finally, I feel I should take the opportunity to refer to a topic which will be of paramount importance to the Can manufacturing industry in this country within a decade or two. As you are well aware, tinplate has been facing increasing competition from other materials like aluminium, paper, plastics, etc., and has had to adapt itself to meet this competition. The enormous impact of aluminium as a package material on the American beer can manufacture industry first made American tinplate producers seriously think of a modified tinplate to meet this formidable challenge; and "thin tinplate," otherwise known as "double cold reduced tinplate" was expressly created to meet the challenge. A survey of current tinplate manufacture in the United States reveals that this particular variety of tinplate is now developing very rapidly and that almost all producers, including the "Big Three," have now started large-scale manufacture of this type. Another recent development is tinplate "foil" which has a paper-thin gauge of two-thousands of an inch. We, in this country, cannot afford to stand still while all these modifications are going

on in the largest tinplate producing country in the world, whose practices and methods are bound to have a controlling effect on tinplate manufacture elsewhere. Many other countries outside America (e.g., U.K. and Japan) have also taken up the manufacture of thin tinplate and are likely to take up the manufacture of tinplate foil also. All of India's tinplate production at present is hot-dipped, which is already outmoded (less than 3 per cent of the total manufacture of tinplate in the U.S.A. is of this variety today), and I note that a beginning is to be made in Rourkela in the manufacture of electrolytic tinplate. This is good so far as it goes. Unless, however, the Government take a long-range view, and modify the Rourkela programme in the fourth Plan and take steps now for the manufacture of at least a certain percentage of thin tinplate and tinplate foil, I am afraid we will be hopelessly outclassed in the not too distant future. The same consideration applies to the proposed new plant at Bokaro. I would earnestly request the Government to give this matter serious thought and arrange for a progressive increase in the manufacture of these two new varieties which have a great bearing on reducing the cost of tin cans and will enable our industry to face competition from containers made of other materials, not only in India but as regards exports also. An ancillary suggestion I would also make is that during the period in which this manufacture is being started in this country, imports should be allowed of tangible quantities of these two new varieties of tinplate to enable us to try them out on our plants and get ready in time to cope with full-scale production when the need arises. This need, I repeat, will be on us within possibly a decade.

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

ASSOCIATION MEETING

INDIAN INSURANCE COMPANIES' ASSOCIATION

Mr. P. A. Advani Surveys Current Problems

AN APPEAL to the Government to revise the Statutory Limits on the General Insurers' Expenses of Management, in the light of the increases in their cost of operation since 1950, when the limits were originally fixed, was made by the Chairman of the Indian Insurance Companies' Association, Mr. P. A. Advani, in the course of his speech at the Thirty-sixth Annual General Meeting of the Association held in Bombay on August 25.

Prefacing his address with a brief review of the Indian economic situation, Mr. Advani pointed out how there had been a steep rise in prices and living costs, superimposed on a built-in inflationary bias of forced development, excessive money supply and growth of population. He urged Government to trim the doctrinaire overtones of its economic policies and create a climate conducive to the growth of both the Public and Private Sectors. "If either Sector falters or lags behind, the economy will suffer", he averred.

"The most significant development for General Insurers during the year was the Life Insurance Corporation's entry into the field of General Insurance", Mr. Advani said. He recalled how the Association had told the Government that if the decision was irrevocable, it was essential in the larger interests of the Industry that the Corporation should conform to the discipline and regulations required of other Insurers. He regretted that Government had refused this justifiable request and had allowed the Corporation to operate on a non-tariff basis. "Time alone will prove the effect of the Govern-

ment's decision on the Private Sector", he said.

However, Mr. Advani felt gratified that the Corporation had commenced its General Insurance business on a tariff basis and had also appreciated the need for harmony and goodwill in the Industry. He added: "An immense insurance potential exists in this country and it is only through the collective efforts of both the Sectors that such a task could be achieved successfully".

Mr. Advani felt there was a marked willingness on the part of the Insurers to comply with the Code of Conduct and to co-operate with the Administrative Machinery. He paid a tribute to the Executive Committee of the General Insurance Council which, he observed, had been doing very useful work. He added: "It will be realised that in the final analysis the success of the Executive Committee to place General Insurance in India on a healthier and sounder footing is vitally dependent upon the support which the Insurers extend to the various measures designed by it". He, therefore, appealed to the Industry to give the Committee its unstinted support.

Continuing, Mr. Advani referred to the unjustifiable stand by the income-tax authorities in disallowing expenditure in excess of the limits prescribed under the Insurance Act even when it was incurred for normal business purposes. He hoped the authorities would set the position right. Another cause for concern was that unlike other Companies including Banks, Insurers were not allowed rebate of Super-tax on inter-corporate dividends. He hoped that a just solution to this problem too would be found.

BOOKS BRIEFLY

The Indian Prospect: Two Views

Is There A Contemporary Indian Civilisation?: By Mulk Raj Anand; Asia Publishing House; Price 18s.

Behind Mud Walls: 1930 - 1960: By William and Charlotte Wiser; Camb. Univ. Press for Univ. of California Press; Price 40s. (Also paper back 17s).

Reviewed by JOSSLEYN HENNESSY.

MR. MULK RAJ ANAND's book calls for sympathetic understanding rather than critical assessment, because its 200 pages amount to the cries of anguish of a generous man with his eyes fixed on the sufferings, to the exclusion of all else, of India's millions. Mr. Anand is pessimistic about independent India and, indeed, about the whole world. Both are dominated by the "greed, selfishness, and lack of values" promoted by the "ferocious, man-eating profit system," in which "football sweeps, Hollywood films, and crime stories" are the "conveyor belt on man's substitutes" for spiritual values. In both, Socialism, mankind's one hope, has petered out. In the U.K., the "surplus money of British Imperialism has corrupted the lower middle classes and given them a limited stake in the profit system". In India, the politicians, bureaucrats, soldiers, and C.I.D. men, who are the heirs of British rule, indulge "in large-scale bribery to win over the intelligentsia to conform with middle class western values".

Only in one country has Socialism "broken from the orbit of national capitalist Imperialism" to establish the USSR "under the leadership of a Socialist intelligentsia in league with the workers". Alas, the USSR, like the rest of us, is threatened by the cold war, which Mr. Anand blames on the "highly armed nations of the West, governed by monopoly capitalists". Why these criminals are keener "to engulf the world in a final total war" than to indulge in the (to me) more obvious pleasures of jolling about drinking pink champagne with naked women is not clear.

One of the few good points about India is her "policy" of "dynamic non-alignment", which is not "a mere feeble neutrality", but the expression of India's desire to have friendly relations with all countries. Unfortunately, it emerges from Mr. Anand's postscript that China has pulled the carpet from under this. Defending India against "outsiders", who now absurdly accuse her of inconsistency because she re-arms to defend herself, Mr. Anand quotes Mr. Khrushchev with approval for asserting that if one tries to mollify a robber by giving him one's purse, he will become increasingly insolent. "It is necessary to curb the highway man to prevent jungle law from governing relations between civilised states". Quite. One had known that Mr. Khrushchev was in the cold war, but it is puzzling to find that Mr. Anand has now joined him there.

Is there a contemporary Indian civilisation? My impression from listening to Mr. Anand's diverse cries is that there is not, but that if the rare Indians "who are struggling to keep a few lamps of the human spirit alight in the enveloping darkness of our time" have their way, the "filthy, money-grubbing possessiveness of the upper and middle classes" will be liquidated and the state will wither away, so that "wealth can be distributed all round". By how much that will raise India's per capita income Mr. Anand does not reveal.

"Behind Mud Walls" is a human, dispassionate study of a North Indian village. It avoids the classic mistake of criticising villagers for failing to approach their problems with the intellectual resources of university graduates and to solve them with the initiative of a self-confident elite. Indian villagers are pervaded by fears of forces beyond their control. Thus, we are told that in 1930 farmers listened with interest to explanations of a new seed, but would not risk trying it unless the leader of their particular protective group had sanctioned it, because if they presumed to outshine their leader socially or economically, they were brought forcibly to their proper station. Having resettled in her village after thirty years, Mrs. Wiser (now a widow) reports on changes. The village leaders are as important as ever but they are more alive to experiment. Mrs. Wiser describes their innovations but does not adequately explain how the leaders became receptive to new ideas. On this, her report may be compared with Tara Krishna Basu's "Bengal Peasant". However, whereas Mr. Anand, from his professor's chair in the Punjab University, leaves us in an apocalyptic gloom over India's future, Mrs. Wiser, from her village, suggests that progress is inching its way forward.

JAPANESE ECONOMY

Japan Economic Year Book 1964: Published by The Oriental Economist, 1-4, Hongokucho, Nihonbashi, Chuoku, Tokyo; Pp. 308; Price \$10.00 or £3-12-0d.

BESIDES THE usual features of a Year Book, this publication includes some highly competent analytical material on the performance of the Japanese economy in its various sectors and in the context of world economic situations and trends. The statistical coverage is ample throughout and every feature of the Japanese economy has received generous treatment in this respect. Of particular interest to the business world is a directory of major companies in Japan, spread over 53 pages and served by a convenient index.

COTTON INDUSTRY

Bombay Cotton Annual, 1962-63: Published by The East India Cotton Association Ltd., Cotton Exchange, Marwari Bazar, Bombay-2; Pages 411; Price Rs. 7.50.

THIS IS the forty-second annual report of the East India Cotton Association for the year ended August 31, 1963. The first half of the publication, which begins with a review of the 1962-63 season, contains three long chapters running into more than 200 pages. There is a chapter on "Acts and Rules — Amendments during the Year 1962-63"; it deals with such legislative measures as Bombay Cotton Control Acts, 1942 and 1962, Cotton Control Order, 1955, Saurashtra Cotton Act, 1955, Cotton Transport Act, 1923, Destructive Insects and Pests Act, 1914, etc. Another chapter deals with enactments and amendments to by-laws and gives the list of cotton pressing factories as well as the protected areas under Cotton Transport Act, a note on stamp duty on cotton, a summary of import and export duties on raw cotton, etc. The second half of the book consists of statistical tables relating to prices, exports, imports, consumption, stocks, freightage, spindles and looms, production, crops, acreage and yield, including world production, consumption and stocks of cotton. It is, indeed, a useful compendium of facts relating to various aspects of the cotton industry and trade.

RECORDS AND STATISTICS

A Story of Imbalances

THE RESERVE Bank of India's Report on Currency and Finance for 1963-64 is a factual review of economic and financial developments in the economy during the financial year. It highlights the basic cause of the pressure on the price level which was the result of a yawning gap between "aggregate demand and supply". Relevant portions of the review are reproduced below :

The outstanding feature of the Indian economy in 1963-64 was the strong and persistent pressure on the price level, the increase in the index of wholesale prices being larger than in any year since the commencement of the five-year Plans in 1951, except in 1955-56. On the one hand, for the third year in succession, there was a virtual stagnation in agricultural output. On the other, there was a rapid expansion in money supply, springing not only from larger bank credit extended to the Government sector to meet the combined needs of defence and development, and more recently of rehabilitation, but also from a greater volume of bank credit extended to the private sector, particularly in the second half of the year, when the seasonal expansion in scheduled bank credit touched an all-time record. The 1963-64 budget made a bold effort to meet the steep rise in outlays on defence and development and to contain inflationary pressures, but the unprecedented increase in taxation, and particularly the introduction of the Super Profits Tax, intensified, on the stock exchanges, the bearish tendency which had already been in evidence since the Chinese invasion. The bright spots in an otherwise overcast economic horizon were the accelerated tempo of industrial activity from the second quarter of the year, and, on external account, a relatively better performance of exports and increased utilisation of external assistance which assisted the foreign exchange reserves substantially during the year.

Emergency Wears Away

Early in the year, as the threat of a fresh Chinese aggression receded, the sense of Emergency which had gripped the nation in the last quarter of 1962, began to wear away. The all round co-operation to hold the price line, assured in those critical months, was not in evidence in adequate measure later on.

The accentuation of inflationary pressures during the year, notwithstanding the tax efforts of the Centre and the States and other measures to restrict consumption, was basically the outcome of the widening of the gap between aggregate demand and supply. The substantially larger outlays on defence and development, higher level of industrial activity, increase in incomes and employment as well as growth of population and in urbanisation tended to swell aggregate demand. On the supply side, agricultural production during the 1962-63 crop year suffered a visible setback, the decline being particularly conspicuous under foodgrains, and the position for 1963-64, on the basis of available data, shows a slight improvement. In fact, agricultural output, which exercises a crucial influence on the general price level through its direct impact on the prices of food articles and agricultural raw materials and its indirect effect on the prices of manufactured articles by influencing movements in the prices of wage-goods and raw materials, failed to register any material improvement during the first three years of the third Plan; and this inadequate performance of agriculture imparted an upward thrust to prices. A closer scrutiny of the seasonal trends in prices from about the beginning of the second Plan period shows that in each year, except during 1961-62, the post-harvest

decline in prices failed to wipe out the preceding lean period rise. This was an inevitable consequence of the continuing growth in demand outstripping the growth in supplies. There has thus been a 'ratcheting' effect on prices so that, once having risen, prices are prevented from returning to their starting position. In turn, the rise in prices of agricultural commodities spreads both to other commodities and the cost of living. The larger the seasonal increase the greater, therefore, is the annual rate of increase in prices and in the cost of living.

Again, although the tempo of industrial activity quickened after June 1963, the rise in output was largely confined to capital goods and basic and intermediate supplies, the expansion in consumer goods being comparatively small. Total supplies, inclusive of imports, failed to keep pace with the growth in demand. It is significant that the sharp deterioration in the price situation was largely the result of the pronounced rise in food articles such as rice, wheat, coarse grains, pulses, edible oils, gur, etc.

Price and Output

The marked and disturbing deterioration in the price situation during 1963-64 is amply borne out by the movement in the index of wholesale prices. This index, which had shown some measure of stability between March 1961 and March 1963 (the decline of 3.7 per cent in 1961-62 following the robust expansion in agricultural output in 1960-61 had been wiped out by a rise of 3.7 per cent in 1962-63), advanced sharply by 9.3 per cent during 1963-64. The average of the weekly indices for the year showed a similar comparative picture, namely, a rise of 5.8 per cent in 1963-64 as against one of 2.2 per cent in 1962-63 (Table I).

The pressure on the price level, though wide-spread, covering all the major groups and sub-groups, was concentrated on 'food articles' where the per capita availability of supplies was lower than in the previous year. The index of food articles advanced over the year by 14.6 per cent as against a much smaller rise of 4.3 per cent last year, and contributed to nearly four-fifths of the increase in the general index. Among food articles, the price rise was more pronounced in wheat (36.9 per cent), jowar (26.2 per cent), bajra (26.7 per cent), pulses (33.9 per cent), gur (13.8 per cent) and rice (9.7 per cent) (Table II).

Industrial Raw Materials

Prices of industrial raw materials, which were comparatively stable during 1962-63 with an easy undertone during most of the year, registered a sizable rise of 8.0 per cent during 1963-64, the increase occurring mainly under oilseeds (10.5 per cent with groundnut alone rising by 12.9 per cent), minerals (12.0 per cent) and cotton (2.0 per cent) (Table III). The upward bias in groundnut prices was attributable to a drop, though marginal, in the output of oilseeds during 1962-63 in the face of rising demand. There were, in addition, general fears in the early part of the marketing season that the 1963-64 crop would not show any material improvement. Although these fears were subsequently discounted, and output of groundnuts is now placed at 53 lakh tonnes as against 48 lakh tonnes in 1962-63, market arrivals were not in keeping with the increased output.

The impact of rising raw material prices, fuel, power and transport charges and food prices, through their impact on wages and salaries, was, to some extent, felt on manufactures, the prices of which registered a moderate rise of 2.7 per cent

over the year, made up of a rise of 2.0 per cent under finished products and a somewhat larger rise of 6.7 per cent under intermediate products. Under intermediate products, price increases were noticed mainly in cotton yarn (3.5 per cent), rayon yarn (8.6 per cent) and metals (6.8 per cent).

The growth of industrial output which had shown a sudden spurt in the wake of the Emergency tended to stagnate at the higher level in the first half of 1963 partly because of the wearing away of the sense of Emergency, mentioned earlier, and partly owing to the fall in sugar output and the slack in textiles, and partly because of bottlenecks in capacity in certain industries. In the second half of the year, however, the growth rate once again picked up rather swiftly. The seasonally adjusted index of industrial output which had fluctuated between 159 and 163 during January-June 1963 advanced steadily to 174 in December. For the year as a whole, the index averaged 164.9 as against 149.8 in 1962 and 139.3 in 1961, thus showing a distinctly higher rate of growth (10.1 per cent) than in the preceding two years (7-7.5 per cent). Rail transport was no longer a bottleneck; railway transport capacity was reportedly running ahead of consumer demand in principal sectors like coal, steel and raw materials. This together with increased availability of power and basic materials like, coal, steel, cement, etc. (which rendered possible a more effective utilisation of existing capacity), measures to step up output in defence-oriented industries as well as substantial additions to capacity in a number of industries, were important factors facilitating a more rapid growth of output during 1963. Fiscal incentives and price increases for the priority industries, the liberalisation of credit policy and the measures taken to improve industrial efficiency also contributed to the higher rate of output.

Price Policy

Since the deterioration in the price situation was the outcome of shortages in basic supplies and a rapid growth in money supply and bank credit, a wide range of measures on the monetary front as well as relating to the supply, pricing and distribution of commodities were pressed into service.

Emphasis in budgetary policy was placed on limiting the scale of deficit financing and on restricting consumption; even so, the budget for 1963-64 avoided large increases in indirect taxation on items of mass consumption which were produced domestically. With the same object in view, the budget for 1964-65 avoided any material increase in indirect taxation on commodities. To give relief to the lower income groups, the

Compulsory Deposit Scheme was withdrawn in September 1963 in respect of non-income tax payers. Personal taxation has been remodelled in 1964-65 budget to provide larger 'take home pay' to the assessee in the lower income brackets. Social security benefits for the Government employees such as, pension and family pension schemes, were liberalised, in addition to compensation for the rise in living costs, through enhanced dearness allowance.

On the commodity front, official action was focussed on securing a greater control over the prices of rice, wheat, sugar and gur and other articles of mass consumption through augmenting domestic supplies, larger releases from official stocks, widening and streamlining of the network for distribution and by a tightening of control over private trade. Imports of foodgrains into the country during 1963-64 totalled 47 lakh tonnes, as against 39 lakh tonnes in 1962-63.

Internal Procurement

Internal procurement was also stepped up. Purchases of rice on behalf of the Central Government during the 1963-64 season (up to mid-May 1964) totalled 5.3 lakh tonnes. In addition 2.4 lakh tonnes of rice (and/or paddy in terms of rice) were purchased by State Governments on their own account. It was expected that procurement of rice by the Central and State Governments in 1963-64 would be about one million tonnes as compared to nearly 700,000 tonnes in the preceding year. The network of the machinery of distribution of food supplies from the official stocks was enlarged during the year particularly in scarcity areas. Fair price shops operating in the country at the end of March 1964 numbered over 77,000 as against about 51,000 a year before. Total issues from Central Government stocks during 1963-64 amounted to 5.95 million tonnes as compared to 4.22 million tonnes in 1962-63. Wholesale dealers in foodgrains were licensed in many States and steps were also taken to curb profiteering by traders by prescribing margins of profits.

In the context of the steep rise in sugar prices, Government reimposed price and distribution controls on this commodity in April 1963 and stipulated the ex-factory prices of sugar and quotas for the various States. Later, control was also extended to gur and inter-State movement of gur and khandsari was prohibited except under permits.

Early in March 1964, the Government announced a six-point programme to combat the price increase in the current lean period. The programme envisaged the fixation of maximum prices for foodgrains, a review of the procurement prices, effective regulation of the wholesale trade, the progressive

TABLE I.
INDEX NUMBERS OF WHOLESALE PRICES

(Base: 1952-53 = 100)

Commodities	Weight	End of March			% Variation		% Variation of Annual Averages	
		1962	1963	1964	(2) over (1)	(3) over (2)	1962-63 over 1961-62	1963-64 over 1962-63
		(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. All Commodities	1,000	122.9	127.4	139.3	+ 3.7	+ 9.3	+ 2.2	+ 5.8
2. Food Articles	504	118.4	123.5	141.5	+ 4.3	+14.6	+ 5.0	+ 8.5
(a) Cereals	193	101.6	102.8	122.8	+ 1.2	+19.5	+ 3.2	+10.1
(b) Pulses	42	91.4	99.4	133.1	+ 8.8	+33.9	+14.5	+ 9.7
3. Liquor and Tobacco	21	98.8	117.0	119.4	+18.4	+ 2.0	+ 0.6	+18.5
4. Fuel, Power, Light and Lubricants	30	122.4	137.6	141.7	+12.4	+ 3.0	+ 1.9	+12.1
5. Industrial Raw Materials	155	134.7	135.3	146.1	+ 0.4	+ 8.0	+ 4.3	+ 2.2
6. Manufactures	290	126.3	129.5	133.0	+ 2.5	+ 2.7	+ 1.7	+ 1.8
(a) Intermediate Products	41	135.7	136.2	145.3	+ 0.4	+ 6.7	+ 0.5	+0.1
(b) Finished Products	249	124.8	128.4	131.0	+ 2.9	+ 2.0	+ 2.0	+ 2.0

taking over of the management of rice mills, increasing the procurement of rice to over a million tons, additional imports of both wheat and rice and tightening the credit control to check hoarding and profiteering more effectively. In respect of wheat, the zonal system was reintroduced (the country being divided into 9 wheat zones) largely with a view to conserving supplies of wheat in important consuming areas and concentrating on areas of shortage in which the Government would distribute supplies of imported wheat from Central stocks.

Side by side with the measures for regulating prices and distribution, attention was also focussed on long-term measures to stimulate the production of agricultural commodities. The policy of price support for agricultural commodities was reviewed during 1963-64 and suitable upward adjustments were made in the support prices for wheat, and in the procurement prices for rice and in the minimum prices for cotton and sugarcane. Price support and buffer stock operations in the case of jute were intensified. The policy of support was also extended in May 1963 to jowar and it now applies to major foodgrain and commercial crops. In order to stimulate the output of crystal sugar, besides increasing the minimum cane prices, mills were also granted a rebate of basic excise duty on additional production over the 1961-62 level.

Central Assistance

Central assistance to States' agricultural programmes for 1963-64 was raised mid-year and additional financial resources were allocated to such programmes as are expected to yield quicker results in agricultural production. Financial outlays on agricultural programmes during 1964-65 have been stepped up. A programme for intensification of production of rice in 40 selected districts, on the 'Package' approach has been initiated. A dry farming programme for increasing production of millets and pulses has also been taken up. The 'Package' approach has been extended to intensify the production of cotton and oilseeds, and a Production Commissioner (Commercial Crops) has been appointed at the Centre to directly supervise the execution of such programmes for commercial crops. Special schemes for increasing the production of vegetables have been taken up in order to cope with the requirements of defence forces and for holding the price line. Programmes for intensive production of milk, meat, eggs and short-term crops have also been recommended to the States for implementation.

At the administrative level, measures have been taken to

ensure close co-ordination of administrative activities connected with agricultural production. An Agricultural Production Board has been constituted with the Minister for Food and Agriculture as Chairman and Ministers of Agriculture, Food, Planning, Irrigation and Power and Community Development and Co-operation and a Member of Planning Commission, as members, with a view to ensuring an integrated high level approach in matters of agricultural policies and programmes on behalf of the Central Government. In the States, on the suggestions made by the Central Government, Agricultural Production Committees have been constituted at the Cabinet and Secretariat levels to co-ordinate and streamline the efforts of the different departments and to ensure expeditious decisions on activities having a bearing on the development of agricultural production.

In regard to industrial commodities, there was a growing recognition of the fact that while a measure of control over basic items in short supply was necessary in a planned economy, it is equally important to ensure that basic industries secure returns adequate to finance expansion and to attract capital which would otherwise go into non-priority industries. During the year, controls on prices and distribution of a number of commodities were reviewed to ensure that they were consistent with the need for expansion in priority fields and that distribution controls adequately served the purpose for which they were imposed. In keeping with these considerations, price and distribution controls on 16 items, viz., rayon, yarn, staple fibre, caustic soda, soda ash, hydrochloric acid, chlorine, calcium carbide, bleaching powder, chilean nitrate, muriate of potash, sulphate of potash, washing soap, tyres and tubes, sheet glass, paper board and natural rubber were removed in December 1963; this was followed later in March 1964 by the withdrawal of controls on certain types of steel and steel products. Price incentives to coal and cement industries were also granted, while the question of revision of electricity tariffs was under consideration of the Government at the year-end. The budget proposals for 1964-65 embody substantial tax concessions to priority industries in order to facilitate a more rapid expansion of these industries.

A distinguishing feature of the economic scene during 1963-64 was the impressive growth in liquidity in the organised sector of the economy. Money supply, which broadly represents the monetary demand in this sector, expanded at a distinctly faster rate than in the previous year, the increase being Rs. 439 crores or 13.3 per cent as compared to Rs. 264

crores or 8.7 per cent during 1962-63. The expansion in money supply more than kept pace with the growth in aggregate output, thus inevitably giving an upward thrust to the price level. A striking feature of the monetary situation this year was increase in money supply in the slack season also. Normally, during the slack season, money supply contracts sizably as the combined result of the return flow of funds to the banking system and subscriptions to new Central and State loan floatations; in the 1963 slack season, however, there was an unusual, though small, expansion in money supply even though there was a substantial contraction in bank credit. In the 1963-64 busy season that followed, the expansion in money supply was of a noticeably large order than in 1962-63 busy season.

An analysis of the factors contributing to the increase in money supply shows that the rate of increase in net bank credit to the private sector (mainly private trade and industry) rose substantially during the year. The rate of increase in net bank credit to government (which represents the combined lending of the Reserve Bank and the rest of the banking system) was lower during the year; however, net bank credit to government continued, as in the past several years, to be the major factor stimulating expansion in money supply.

VARIATIONS IN MONEY SUPPLY

(Crores of Rupees)

Item	1961-62	1962-63	1963-64
	(1)	(2)	(3)
1. Currency with the public ..	+103	+178	+222
2. Deposit Money ..	+74	+86	+217
3. Money Supply ..	+177	+264	+439
Factors affecting money supply—			
A. Net Bank credit to Government sector@ ..	+257	+269	+281
B. Net Bank credit to Private sector@ ..	—18	+105	+178
C. Net Foreign Exchange Assets ..	—57	—43	+44
D. Others (increase —) ..	—5	—67	—64

@Adjusted for P.L. 480 and P.L. 665 Funds.

Credit Policy

Against the background of the prevailing inflationary conditions in the economy, the emphasis of the Reserve Bank's credit policy continued to be placed on overall restraint designed to check the use of bank finance for speculative purposes

and to ensure that interest rates in the organised markets take account of the scarcity of capital while enabling a larger flow of resources into productive investment.

Reference has already been made to the unusually large contraction in bank credit during the 1963 slack season and the sluggishness in industrial activity in the first half of 1963. In view of these developments, credit policy was geared to stimulate industrial activity, and on the eve of the 1963-64 busy season (October 30, 1963) modifications were made in the slab rate system of lendings by the Reserve Bank, the object being to reduce marginally the cost of borrowing and to raise the quantum of finance available on relatively easy terms from the Bank. The permissible quota for borrowings by scheduled banks from the Reserve Bank both against bills and Government securities was raised from 100 per cent to 150 per cent of their average statutory reserves. Moreover, banks could borrow half of their quota (i.e. 75 per cent of their average statutory reserves, as against 50 per cent till then), at the Bank rate, viz. 4½ per cent and an equal amount at 6 per cent. Borrowing beyond this limit was in the nature of special accommodation granted by the Bank on an overall assessment of the borrowing bank's position, at an interest rate of 6 per cent as against 6½ per cent till then.

Cautious Approach

In the 1963-64 busy season, the unusually rapid pace of credit creation by banks, financed to a larger extent than in the past by recourse to Reserve Bank credit, called for caution in further credit extension, particularly in the context of the supply situation of agricultural commodities which early in March appeared to be less favourable than anticipated. The Bank, therefore, on March 11 tightened its credit policy by restoring the borrowing quotas and the lending rates to the levels prevailing till the end of October 1963, and also called upon banks to reinforce their efforts to mobilise deposit resources so as to be in a position to meet the increasing rate of economic expansion, and at the same time to conform to the higher liquidity requirements that will come into force in September 1964.

Selective credit controls were continued to be operated flexibly in accordance with the changing supply and demand position of individual commodities in question. The control on bank advances against shares, which was introduced in January 1962 in the context of a speculative boom in share values and the rising trend of bank advances against shares, became no longer necessary in the radically altered conditions in 1963, when the market remained depressed and bank advances

TABLE II.
WHOLESALE PRICES OF FOOD ARTICLES

		End of March			% Variation of		% Variation of Annual Averages	
Commodities	Weight	1962	1963	1964	(2) over (1)	(3) over (2)	1962-63 over 1961-62	1963-64 over 1962-63
		(1)	(2)	(3)	(4)	(5)	(6)	(7)
Food Articles	504	118.4	123.5	141.5	+ 4.3	+14.6	+ 5.0	+ 8.5
1. Cereals	193	101.6	102.8	122.8	+ 1.2	+19.5	+ 3.2	+10.1
(a) Rice	113	103.3	111.4	122.2	+ 7.8	+ 9.7	+ 5.7	+12.2
(b) Wheat	53	92.5	86.0	117.7	— 7.0	+36.9	— 1.3	+10.2
(c) Jowar	10	119.9	106.3	134.2	—11.3	+26.2	+15.7	—10.8
(d) Bajra	5	124.5	114.6	145.2	— 8.0	+26.7	— 6.0	+ 6.0
2. Pulses	42	91.4	99.4	133.1	+ 8.8	+33.9	+14.5	+ 9.7
3. Milk	84	119.0	126.1	131.6	+ 6.0	+ 4.4	+ 6.9	+ 3.1
4. Edible Oils	47	149.8	139.7	163.4	— 6.7	+17.0	— 2.7	— 0.8
5. Sugar	18	124.8	140.6	145.2	+12.7	+ 3.3	+ 4.5	+ 6.0
6. Gur	30	120.1	152.8	181.6	+27.2	+18.8	+31.6	+41.9

TABLE III.
WHOLESALE PRICES OF INDUSTRIAL RAW MATERIALS AND MANUFACTURES

		End of March			% Variation of		% Variation of Annual Averages	
Commodities	Weight	1962	1963	1964	(2) over (1)	(3) over (2)	1962-63 over 1961-62	1963-64 over 1962-63
		(1)	(2)	(3)	(4)	(5)	(6)	(7)
Industrial Raw Materials ..	155	134.7	135.3	146.1	+ 0.4	+ 8.0	— 4.3	+ 2.2
1. Fibres	61	126.4	133.6	135.5	+ 5.7	+ 1.4	— 6.9	+ 3.4
(a) Cotton Raw	32	112.6	117.6	120.0	+ 4.6	+ 2.0	+ 3.8	+ 5.2
(b) Jute Raw	23	143.2	149.8	151.2	+ 4.6	+ 0.9	—17.6	+ 0.5
2. Oilseeds	60	147.6	142.5	166.0	— 3.5	+16.5	— 3.2	+ 1.8
(a) Groundnut	27	148.1	135.4	152.8	— 8.6	+12.9	— 9.4	+ 2.6
Manufactures	290	126.3	129.5	133.0	+ 2.5	+ 2.7	+ 1.7	+ 1.8
1. Intermediate Products ..	41	135.7	136.2	145.3	+ 0.4	+ 6.7	+ 0.5	+ 0.1
2. Finished Products	249	124.8	128.4	131.0	+ 2.9	+ 2.0	+ 2.0	+ 2.0
(a) Cotton Manufactures ..	91	128.1	134.9	136.6	+ 5.3	+ 1.3	+ 2.2	+ 3.7
(b) Jute Manufactures	37	116.8	100.1	98.7	—14.3	— 1.4	— 9.4	— 9.6

against shares remained stable; trading in the market was also regulated by the more stringent margin requirements adopted in June 1963. Consequently, margin requirements on credit limits on bank advances against shares were withdrawn in October 1963. Later, in the 1963-64 busy season selective credit controls on paddy and rice were tightened and those on wheat and groundnut were reimposed. Bank advances against these commodities were growing in the context of tight supply position in the market and rising prices, indicating thereby that bank finance was aiding speculative holding of stocks. At the same time, banks were exhorted to avoid utilisation of credit for hoarding of commodities in short supply and to review their clean advances to parties other than industrial borrowers.

Gilt Edged and Equities

While commodity prices were continuously on the uptrend, the market for industrial securities and new issues presented a subdued trend during the major part of the year. The uncertainty engendered by the Emergency and later the heavy dose of additional taxation introduced in the 1963-64 budget, including the levy of the Super Profits Tax on the corporate sector, had caused a severe set-back to the activity in industrial securities and the market remained depressed for a prolonged spell of nearly a year. Reflecting this trend, the price index of variable dividend industrial securities slumped heavily from 188.0 on September 1, 1962 to 160.0* on August 3, 1963. Thereafter, there was a gradual revival of confidence in the market and the index of share values advanced by stages to 176.2 by mid-November 1963. The change in market sentiment was aided by a chain of factors, and the more important among them were (i) the fading away of the threat of a fresh Chinese attack, (ii) the lifting of the ban on forward trading in shares in June 1963 in view of the comfortable technical position of the markets, although it was accompanied by the imposition of stringent margin regulations, (iii) the reassessment of the economic situation and the outlook for industrial profits by the market following the flow of encouraging corporate news and (iv) the announcement of several fiscal and monetary incentives to invigorate the economy such as the liberalisation of credit policy (including the withdrawal of selective credit control on bank advances against shares) and the relaxation of control on capital issues. For the next three months or so till end-February, the market tended to be somewhat hesitant on the usual pre-budget uncertainties. The budget proposals for 1964-65, particularly the levy of a capital gains tax on issues of bonus shares, the dividend tax and the enhanced rates of estate duty and wealth tax depressed the market, which had, in fact, been anticipating substantial tax relief to the corporate sector and the index receded rather sharply to 167.6 by March 28.

Foreign Investment Policy

In recent years, private foreign capital has been moving into India at a steadily increasing rate. Much of the increased interest in investing in India is attributable, on the one hand, to a generally more favourable investment climate resulting from continued economic progress and, on the other, to a more receptive attitude towards foreign private capital. This improvement is manifested not only in the increased inflow but also in the progressively growing number of new joint venture companies; the growing association of private foreign enterprise with public sector undertakings is yet another indication of this improvement. The Chinese aggression and the high level of taxation imposed to meet the demands of defence had to some extent affected the foreign investment climate during 1962 and early 1963 but this phase proved to be temporary. The renewal of foreign investor interest is evident from the upward trend in the number of collaboration agreements approved by the Government since July 1963. Approvals for such arrangements numbered 153 in the second half of 1963

*In fact the index touched the nadir at 158.1 on June 29, 1963.

as against 145 in the first half of 1963 and 99 in the period July-December 1962.

Various steps have been taken during the year to encourage foreign investment. The scope of activities of the Indian Investment Centre has progressively widened and the Centre has undertaken a new programme of preparing analytical studies regarding the scope for investment in particular industrial fields based on priorities and specific case studies of joint ventures. The Centre has also initiated a programme under which meetings would be arranged with industrial and business leaders of prime industrial cities of the world. The Centre also proposes to open an office in Europe to establish liaison with the EEC countries.

As part of the general measures designed to improve the investment climate in the country, Government are reviewing the existing screening procedures for giving initial approvals to cases involving foreign investment or collaboration, so that such approvals in future can be given expeditiously. The 1964-65 budget also seeks through various concessions, to further encourage the flow of foreign equity capital and technical know-how in the priority industries. With this in view, reliefs have been offered, for instance, in the shape of exemption of inter-corporate dividends from super-tax, reduction of the tax rate on engineering services, exemption to non-residents from tax on income from approved securities and exemption of foreign investors from tax on income derived from loans given by them to Indian companies with Government's approval.

The growing interest evinced by foreign investors in the last few years is broadly borne out by consents given by the Controller of Capital Issues for issue of capital to non-residents. The total capital involved in such consents (inclusive of loans) aggregated Rs. 130.5 crores in 1963 as against Rs. 56.7 crores in 1962 and Rs. 34.8 crores in 1961.

TABLE IV.
INDUSTRIAL PRODUCTION

(Revised Series: 1956 = 100)

Month	Seasonally Adjusted Index			Percentage Variation of	
	1961	1962	1963	(2) over (1)	(3) over (2)
	(1)	(2)	(3)	(4)	(5)
January ..	138.3	147.0	162.0	+ 6.3	+10.3
February ..	137.4	144.5	162.0	+ 5.2	+12.1
March ..	142.2	151.4	160.1	+ 6.5	+ 5.7
April ..	139.1	147.6	159.1	+ 6.1	+ 7.8
May ..	138.8	149.7	163.1	+ 7.9	+ 9.0
June ..	139.6	149.2	160.4	+ 6.9	+ 7.5
July ..	134.9	147.4	165.5	+ 9.3	+12.3
August ..	140.0	152.4	164.3	+ 8.9	+ 7.8
September ..	140.4	146.2	163.4	+ 4.1	+11.8
October ..	139.9	146.0	163.6	+ 4.4	+15.5
November ..	141.4	160.5	171.8	+13.5	+ 7.0
December ..	140.6	155.6	173.7	+10.7	+11.6
General Index (Unadjusted)—					
Annual Average ..	139.3	149.8	164.9	+ 7.5	+10.1



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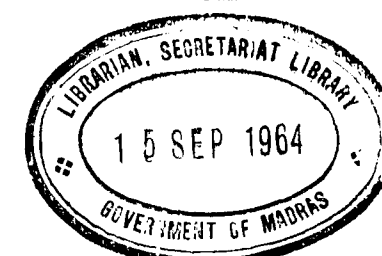
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VOL. 43

11

EASTERN ECONOMIST



It seems odd, to say the least, that the burden of defending the Kamaraj plan should have rested almost entirely on Mr. Shastri when its author was available at hand.

Kerry

According to a German doctor the P.M. is fit as a fiddle

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Clearing the Decks

WE ARE glad that the Central Family Planning Board which met in Bombay last month had steered clear of sterile controversies over targets and techniques and adopted a constructive and comprehensive strategy for the control of population. The Board recommended that the production of contraceptives should be started in the public sector so as to facilitate their free or inexpensive availability to the mass of the people. It approved of increased resources and facilities being made available for mass sterilization programmes. On the question of liberalization of abortion law as a measure of family planning, the Board decided to set up a committee of representatives of the medical and legal professions as well as family planning and social welfare workers to go into all aspects of this proposition. It is to be hoped that the positive lead given by the Board will help to set at rest unrealistic wrangles over the relative advantages or disadvantages of different techniques for the limitation of families. In this field it is neither possible nor necessary to prescribe one universal or even a single dominant formula. It would in fact be unwise to insist on any one method to the exclusion of others. As science and technology advance, further discoveries and inventions will continue to be made and people with different temperaments or in different situations would, no doubt, settle for whatever is particularly suitable to them.

In such a context, when the State has assumed responsibility for a national family planning programme, its policy must obviously be to disseminate knowledge of the various techniques and provide facilities for their spread among the people. At the same time, where the resources are limited and there is an urgency of more having to be achieved in less time, some concentration of effort becomes unavoidable. It is in this sense that a certain priority has been pleaded and provided for programmes of mass sterilization. There has been some dispute over how many sterilization operations will have to be performed over a period in order to achieve a given reduction in the fertility rate. We suggest that this struggle with statistics is largely beside the point. A simple and sufficient answer could be that we cannot expect more operations to be performed, nor should we be willing to accept less, than may be achieved within the twin limitations of 'motivation' and 'medical personnel'. These limitations are of course neither inflexible nor enduring and there must certainly be a constant endeavour both to extend educational propaganda for voluntary sterilization and for building up medical personnel, facilities and equipment.

There has also been some argument about the economics of sterilization. Some very ingenious arithmetic has been adduced to show that the condom is cheaper than vasectomy. Apart from the obvious incompleteness and speculative nature of such calculations, the fact remains that sterilization is specially and specifically advocated for precisely those millions of our population who may not reasonably be expected to be in a position to use contraceptive devices regularly. It has to be unreservedly conceded that a completely foolproof technique of permanent family limitation is a necessity by a very large number of married couples in this country who already have three (or even two) or more living children. It is in this large area where the national family planning programme has its primary obligations that mass sterilization seems to have but few satisfactory alternatives. It does not, therefore, need a debate in Parliament or in the panchayats to legitimise mass sterilization programmes. On the contrary, the Central Health Ministry, with the backing of the entire Central Government, should act firmly and continuously to keep up the momentum of mass sterilization campaigns at State levels. It might be said in fairness to a few State Governments that they

already have excellent records of effort and achievement in this field. They need no prodding, but they are entitled to, and must receive, generous facilities and encouragement from the Centre. In contrast, there are other State Governments which do not seem to have been even aware of their responsibilities for population control. We suggest that the Chief Ministers and the Ministers of Finance and Health in those States should be called to the Capital for some frank speaking and that the Central Health Minister should ask for and secure the active association of the Central Finance Minister and the Prime Minister with such a conference. This, in our view, is the next positive step which the Government of India ought to take in giving the national family planning programme another push forward.

Finally, the legalization of abortion is no doubt a tricky issue; and the wisdom of circumspection could be easily appreciated. It is however possible to clear the air of some needless confusion. It is often claimed that our people will never accept the idea of legalized abortion because of its religious or ethical implication. This may be so, but the assertion still makes no point. The proposal is not that abortion should be made compulsory but that those who desire to have an abortion for the purpose of family limitation should not be deterred by law, but, on the contrary, should be provided with access to proper medical facilities. It follows that only those who have no ethical or religious objection to that course will take advantage of the law. We see no reason why they should not be allowed the freedom of their intellectual or moral convictions, but be penalized for other people's beliefs or prejudices which they may

not care to share.

Incidentally, we may refer here to certain surveys that claim to have revealed resistance among people to the idea of legalizing abortions. We believe that the very concept of such surveys is false. After all, it is stupid to expect people not themselves currently confronted by the problems of unwanted pregnancies to say in cold blood that they approve of legalizing abortion. What matters is how relief could be provided to those who are actually dreading a further addition to their families. It is possible that a respectable minority among such people may well welcome the idea of open and proper medical facilities for inducing abortions. Legalization of abortions is advocated only for the benefit of such harassed and helpless minorities. It must also be borne in mind that whether the law allows it or not, a certain number of abortions does take place and because of the clandestine manner in which they are compelled to be carried out, they are burdened with avoidable hazards to health or life. From a civilized point of view, there is, therefore, everything to be said for legalizing abortions under controlled conditions. This is precisely what those who advocate the legalization of abortions for the purpose of family planning have in mind. The argument here is that abortion should be permitted only where there are at least three children living and the couple concerned accept surgical sterilization for the permanent avoidance of further pregnancies. It is in these terms that the Committee concerned should examine the case for legalizing abortions.

Sharing the Cake

COMPROMISES seldom satisfy, but are often unavoidable. The decisions of the Central Government on the recommendations of the Bonus Commission are clearly in the nature of a compromise. In the area of industrial relations the Government generally tries to assume the position of a third party. But it is becoming more and more the case that the Government finds itself increasingly deeply and directly involved. This has been particularly so in the matter of the Bonus Commission's report. The Government's interests are twofold. In the first place, the Bonus Commission's recommendations have a bearing on the Government's economic policies generally and its fiscal policies directed towards encouraging capital formation, in particular. Secondly, with the expansion and diversification of the public sector, the Government's stake as well as responsibilities as an employer has grown considerably. As a result, the Government has found it necessary to modify the Bonus Commission's recommendations in a manner advantageous to employers. This is not to say that the modifications have been made with the object of benefiting them. The benefit is incidental. The purpose is to ensure reasonable conservation of corporate earnings for the benefit of the national economy.

This problem of conservation arose because the

Bonus Commission had given insufficient attention to the requirements of investment and capital formation. Its formula for arriving at the surplus available for distribution to labour in the form of bonus was far too liberal. A member of the Commission in a dissenting note had pleaded for a more strict definition of 'the available surplus'. His reasoning was sound and it has convinced the Government. As a result, the latter has allowed increases in the rates of returns on capital and reserves proposed by the Bonus Commission as deductible prior charges on the available surplus. The Commission, again, was only prepared to allow income tax and super tax liabilities as other prior charges. The Government has amplified this allowance to cover all direct taxes. The result of the amendments is that the available surplus would be lower. This has naturally moved Labour leaders to protest. Even an agitation has been threatened. But it is unlikely that the trade union organisations would, or could, organize any effective unrest over this issue so as to compel the Government to go back on its decision. What should matter after all is whether substantial gains to employees will be forthcoming even under the modified formula or not. This is a matter for detailed calculations, industry-wise or even company-wise and until it could be shown in con-

crete terms that the formula decided upon by the Government has unjustly deprived a large section of workers of reasonable benefits, it would certainly be difficult for any section of the Labour leadership to stir up genuine discontent. From this point of view the Government may certainly be commended on having bought for the nation a fair chance of industrial peace at what may not be an unreasonable price.

From the employers' side too some angry noises are being made, although it must be said in fairness to them that there is general appreciation, among them, of the fact that the Government has shown reasonable concern for the financial stability of the corporate sector by providing for higher returns on capital in the calculation of 'available surplus'. It may however be conceded that anxieties and apprehensions still persist. Mr. Naval Tata, for instance, has expressed the fear that the linking of wages with dearness allowance in computing the bonus might result in "a perpetual demand on the part of workers for higher dearness allowance to jack up the quantum of minimum bonus to an indefinite amount by progressively pushing up the dearness allowance to a higher figure". Of greater concern is the fact that the Government has not found it possible to desist from accepting the Bonus Commission's highly controversial recommendation that all industrial units should be required to pay a minimum bonus, irrespective of whether they make a profit or not. This compulsory distribution will be equivalent to four per cent of the annual basic wages and dearness allowance or Rs. 40

whichever is higher.

The sole merit of the Government's decision is that it has set at rest all the familiar controversies about the true nature of a payment of bonus. The employers claim that bonus as an ex-gratia payment has long been ignored in law and practice. Bonus, again, has ceased to be treated as an incentive or reward for special or additional effort. The contention that it must at least be regarded as workers' share in the prosperity of a company or industry where there is prosperity to be shared has also now gone overboard. The position is that bonus has become indistinguishable from wages except to the extent that it is a deferred payment with, however, the compensating advantage that the bonus amount could rise above the prescribed floor by an amount depending on the size of the available surplus for any particular concern or in any particular year. It is idle to pretend that Government has been a free agent in coming to this obviously illogical conclusion on the nature and status of bonus payments. Having substantially modified the other main recommendation of the Bonus Commission with regard to the calculation of surplus, it has evidently thought that the Commission's recommendation of a minimum bonus would have to be accepted as part of a compromise. We for our part would hesitate to say that the principle of expediency has been wrongly respected here. Employers in any case have at least the assurance now that bonus disputes have been freed of the attentions of tribunals which had notoriously been vagarious in their verdicts.

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Highlights of the Week

FOOD FOR DEBATE

THE MONSOON Session of Parliament started on Monday, September 7, against a background of alarms and excursions. On the previous day, the Prime Minister, addressing the Congress Parliamentary Party, had advised its members to be on their guard against possible provocative tactics on the part of Opposition groups. He had also said that, while Congress MPs should abide by Parliamentary rules and conventions, there was no need for them to hesitate to "hit back" in debate. On the same day, lending point to the Prime Minister's observations, leaders of Opposition groups, going into consultations among themselves on Parliamentary strategy, agreed to sponsor jointly in Lok Sabha a no-confidence motion on the opening day of the Session. The Swatantra Party, however, decided not to associate itself with the move on the ground that a no-confidence motion would not serve any purpose at this stage. This is evidently a gesture from Rajaji to "Shastriji". A statement issued by the Swatantra Party in this connection said that, although the party was thoroughly dissatisfied with the policies of the Government, it felt that time should be given to the latter for reconsideration of those policies and for changing them.

The Swatantra Party is the largest single Opposition group in the Lok Sabha at present. In spite of this there was never much doubt that, even without the Swatantra participation, the Opposition groups, aided by Independent Members, would be able to muster enough strength to secure admission of the no-confidence motion. Even so, Opposition benches showed both relief and joyous excitement when the Speaker, in counting those who stood in favour of the motion being admitted, came to and crossed the fateful 50-mark. The Treasury benches, for their part, scored a minor triumph when the Speaker accepted the Prime Minister's proposal that the no-confidence motion may be taken up immediately after, but not before, an official motion on the food situation had been debated. Some Members of the Opposition had claimed precedence for the no-confidence debate, but their argument that the Government was trying to take the wind out of their sails by getting the official motion on food discussed and carried first apparently failed to carry conviction where the Chair was concerned.

Proceeding to discuss the food situation, the House heard with some amusement Prof. Hiren Mukerjee (Communist) and Mr. M. R. Masani (Swatantra) differing from each other even more than they differed from the Government both on what had gone wrong and on how the Government should act to put this right. The former, predictably, put the blame for shortages and high prices on the trade, while the Swatantra leader pertinently pointed out that the food difficulties were not an isolated problem but were simply one of the results of the Government's economic policies failing to promote a proper economic climate. On the issue of remedial action, Prof. Mukerjee demanded immediate state trading in food-grains so that the "unholy trinity of the hoarder, high finance and the Government", which, according to him, had brought about a food crisis, could be broken. Advice of an entirely different nature, however, was given to the Food Minister by Mr. Masani who asked for the removal of zonal barriers and for a farm policy which would create the right atmosphere for better farming. In his view, the increase in food prices was the result of deficit financing and inflationary pressures and he therefore called for a cut in government expenditure, including investment on heavy industries and advocated reduced taxation. Even within the ruling party opinion seemed to be divided on state trading. Both Mr. A. P. Jain and Mr.

H. K. Mahatab, for instance, warned the Government against undertaking state trading without first equipping itself with a proper administrative machinery. Fifteen hours have been allotted for the food debate which is, therefore, likely to occupy the time of the House up to and part of Thursday (September 10) after which the no-confidence motion moved by Mr. N. C. Chatterjee (Independent) will come up for discussion.

PILGRIM'S PROGRESS

AFTER HIS successful visit to Kathmandu and Kabul, Mr. Swaran Singh, Minister for External Affairs, established last week another milestone of goodwill and friendliness in Rangoon. His talks with the Burmese leaders, according to the joint communique issued on September 5, "provided a welcome opportunity for a free and frank exchange of views in an atmosphere of cordiality and mutual understanding on matters of common interest to the two countries as well as on certain international issues affecting peace and security, particularly in Asia". The communique specifically underlined the "identity of approach" and stressed the need for "periodical exchange of views", which would not only help in further strengthening the bonds of friendship between the two countries but also propagate the cause of peace and friendly relations among nations. While Mr. Swaran Singh's visit to Rangoon has helped in dispelling doubts and misunderstandings, it is undoubtedly true that the traditional ties between India and Burma have suffered a setback in the recent past. It was, therefore, just appropriate that the Minister for External Affairs, immediately after landing on the Burmese soil, should have invoked the treaty of 1951, which calls for "everlasting and unalterable friendship" between the two countries and stipulates that "their representatives should meet as often as necessary for exchange of views on matters of common interest and consider ways and means for mutual co-operation in such matters".

Both India and Burma are striving towards the establishment of a socialist society, although there are ideological differences in the use of means for achieving this. Mr. Swaran Singh noted with satisfaction that the various measures taken by the Burmese Government for accomplishing its objective were not discriminatory against foreigners as such and applied to Burmese nationals and foreigners alike. The affirmation of the Burmese Government that it had no intention of forcing out of the country any resident foreigner belonging to the "working class" needs to be appreciated. Nevertheless, a broad conclusion may be drawn that the legal measures, however sanguine the intentions of the Government, have hit the upper middle classes among the foreign nationals more than they have done their Burmese counterparts. Further, the axe has fallen rather more heavily on the Indian nationals, who, among the foreign nationals, are in majority. It was only to alleviate the panic among the Indian nationals, who were affected by the measures of nationalization of shops and business establishments, that the Indian Embassy in Rangoon had started accepting in good faith deposits of their assets and personal jewellery. This act was branded by the Burmese press and the public as "unneighbourly conduct". The situation, however, was saved with the intervention of the two Governments, and the visit to Rangoon three months ago of Mr. Y. D. Gundevia, Foreign Secretary, proved helpful in reaching an understanding on this important matter.

The promise that the Burmese Government gave on its part was rather vague. It had stated that "taking into consideration the friendship that exists between India and Burma", it would make all possible arrangements to enable Indian nationals desiring to return to India to do so. By all available

accounts this promise does not appear to have been kept. There has been a continual stream of Indian nationals returning to this country, but their plight is miserable in that they have not been able to bring with them the barest minimum of assets with which they could pursue their vocations here. Hopes were being entertained that Mr. Swaran Singh's visit to Burma would, among other things, explore possibilities of compensating these Indian nationals. Although the problems arising out of the departure of a large number of Indian nationals from Burma were discussed, no concrete solutions seem to have been forged. While the intention of the Burmese Government to accord sympathetic treatment to the persons of foreign origin who sincerely desire to stay in Burma must be appreciated, it is doubtful if foreign nationals, belonging to the working class or otherwise, will, under the present circumstances, find the atmosphere and working conditions as congenial as were obtainable a few years ago. But with abroad agreement between the two countries on national and international levels, it is sincerely to be hoped that the problems being faced by the Indian nationals in Burma will be solved amicably and soon. This might well be the outcome of General Ne Win's projected visit to India.

KUALA LUMPUR MEET

THE CUSTOMARY meeting of the Commonwealth Economic Consultative Council on the eve of the annual conferences of the World Bank, the International Development Association and the International Monetary Fund, held this time at Kuala Lumpur, proved, as could be expected, uneventful. The communique issued at the end of the meeting, though decorous in wording, betrays that there still remains a wide gulf between the points of view of the developing and the developed nations in the Commonwealth on the development of world trade and liquidity of the international monetary system. The developing countries in the Commonwealth reiterated at the Kuala Lumpur meeting the need for providing greater access of their manufactured goods to the markets of the industrialised countries as well as for devising means to ensure stable and reasonable commodity prices — a plea put forth by them at the World Trade and Development Conference held at Geneva earlier this year. Hope was expressed that the "Kennedy Round" trade and tariff negotiations in the GATT would achieve positive results of benefit for all the members of the Commonwealth. But as the Geneva Conference revealed, agreement on broad aims is much easier to be obtained than an understanding of details.

There can be no two opinions on strengthening the international monetary system and augmenting of international liquidity. The communique suggests that the Finance Ministers of the 18 Commonwealth countries represented at the Kuala Lumpur meeting expressed the hope that the Tokyo conference of the IMF would be able to reach an agreement on the need to increase the resources of the IMF and extend the facilities of the Fund to whose position in international monetary matters they attached the highest importance. A common approach of the Commonwealth countries to the Tokyo conferences of the World Bank, the IDA and the IMF is said to have been evolved at Kuala Lumpur. But how far it will be sustained is yet to be seen in view of Britain being a signatory to the recommendations of the "Group of Ten" and her own balance of payments difficulties. The developing countries are anxious that the balance of payments difficulties created for them by the restricted world liquidity should be attempted to be removed at a fast rate. It is, however, heartening to note that Britain has agreed to press at the Tokyo conference of the IMF modifications in the Paris formula on strengthening the resources of the IMF which envisages all the contributors to the IMF to subscribe one-fourth of the

additional quotas that might be allotted to them, in gold. If Britain is able to persuade the other richer members of the IMF for getting this requirement relaxed, it will help in achieving the objective of increased world trade.

AID WITHOUT STRINGS

IN CONSONANCE with the policy of non-alignment followed by the Government of India, the Union Defence Minister, Mr. Y. B. Chavan, is currently leading a high-powered mission to the Soviet Union for securing military equipment for bolstering India's defences against the Chinese menace. Special significance is attached to this visit of Mr. Chavan inasmuch as it aims at securing military assistance from a Communist country against aggression by another member of this bloc. It is true that the relations between Moscow and Peking are not as cordial today as they used to be only a few years ago. But Russia's agreeing to assist India in building up her defences against China obviously does not follow from this. It has its genesis in the wider aims of the two countries to preserve peace in the world and to do away with resort to armed action for solving territorial differences between two nations.

Mr. Chavan's primary task during his current visit to the Soviet Union is to get the completion of our plan to manufacture MIGs expedited. He has also indicated that he would explore the possibilities of getting from the Soviet Union some naval equipment and light tanks and technical assistance for their manufacture in India. The forthright statement of the Soviet Defence Minister, Marshal Malinovsky, that the Soviet Union would give assistance to India, as far as possible, to preserve her non-alignment and independence, and that too without any political strings, evokes optimism about the success of Mr. Chavan's visit.

Eastern Economist 20 Years Ago

SEPTEMBER 8, 1944

The magnitude and nature of the population problem will be directly affected by the magnitude and nature of the economic plan we envisage and an adequate population policy must necessarily form an essential adjunct of an adequate economic plan. Indeed, a population policy and an economic plan can only be looked upon as an integral part of a comprehensive socio-economic planning. Those who had pinned their faith upon the policy of 'discriminating protection' during the inter-war period as a means of industrialization to face the pressure of population on our economy, were indeed severely disappointed, for while discriminating protection did lead to some growth of industry, it was far out-paced by the growth of population. The formulation of the Bombay Plan which undertook to absorb a rate of growth of population as large as during the last inter-censal period or 5 million per annum, was therefore eagerly acclaimed and it was thought that at last we have a specific to meet the population pressure and if only we put the Plan through energetically, the birth-rate will fall in due course and the population will look after itself. However, as we averred, the execution of the Bombay Plan itself will in no wise attenuate the urgency of our population problem — will indeed aggravate it — and unless an energetic population policy is simultaneously pursued, the economic plan itself will stand in peril of being wrecked.

Is Competition Declining?

ANALYST

ONE OF the important ways in which the leading producer of an article meets his competitor is by getting control of the competitor's business, by purchasing as many shares as possible in the latter's company. It is the object of this article to examine from the available official statistical data the extent of inter-corporate investments in general in the corporate sector, the extent of its practice in the big company sector and the statutory restrictions on such investments.

During World War II and in the immediate post-war years, many cases of reckless inter-company investments had come to light. In order to prevent similar abuses in future, the Bhabha Committee on Company Law Reform then recommended that suitable restrictions should be imposed on inter-company investments and suggested that the amount invested in the shares of any company in the same group (companies within the same managerial control will broadly come under the same group) should not ordinarily exceed 10 per cent of the subscribed capital of the company in which the investment was made and the total amount invested in companies in the same group should not exceed 20 per cent of the subscribed capital of the investing company and that if these limits were to be exceeded, the approval of the company in a general meeting and also of the Central Government should be obtained. The Committee also recommended that even the investments within these limits should require the approval of all the directors of the company. These recommendations of the Committee were incorporated in the Companies Act in 1956. This section, however, did not apply to banking or insurance companies or to private companies which are not subsidiaries of public companies or to investments by holding companies in their subsidiaries or to investments by managing agents, secretaries or treasurers in companies managed by them.

Section 373 of the Companies Act of 1956 required that all inter-company investments which exceeded the limits laid down in Section 372 made after April 1, 1952 should be regularised within six months from April 1, 1956 (the date of commencement of the Act) by obtaining the necessary approval of the Government. In the event of failure to do so, a company should dispose of its investments in excess of the limit specified in Section 372 within two years of the commencement of the Act. These restrictions were imposed with retrospective effect with a view to forestalling possible attempts at making large-scale investments following the publication of the Report of the Bhabha Committee. Although Section 372 of the Act exempted investments made by financial institutions, managing agencies in managed companies, holding companies in subsidiaries, from the point of view of decline in competition

any increase in such investment has no effect. However, the investments made by a private company in another company might in some cases result in the decline of competition provided both are engaged in the same manufacture. Subject to this limitation the data published in the Annual Reports of the Department of Company Law Administration on the extent of inter-company investments approved by them will show whether competition has been sought to be restricted by increasing control. Table I shows the extent of inter-company investments approved by the Government.

It will be seen that the inter-company investments, which stood at Rs. 329 lakhs in 1956-57, fell to Rs. 46 lakhs in 1960-61, mainly because of the retrospective effect given to Sections 372 and 373 of the Companies Act from 1952 as referred to earlier. The increase in the next two years was due to the

TABLE II
INDUSTRIAL SECURITIES IN PUBLIC LIMITED COMPANIES

(In crores of Rs.)

	1955-56	56-57	57-58	58-59	59-60	60-61	61-62	62-63
1. Industrial Securities	56	57	60	62	63	69	74	77
2. Paid up Capital	474	504	538	567	595	721	762	800
3. Total net assets	1452	1683	1881	1998	2098	2627	2872	3138
4. 1 as % of 2	11.8	11.3	11.1	10.9	10.6	9.6	9.7	9.6
5. 1 as % of 3	3.8	3.3	3.2	3.1	3.0	2.2	2.6	2.5

amendment in the Companies Act in 1960, which made it obligatory for managements to take the approval of Government before investing in the shares of companies falling outside the controlling group of the investing company. Further, in 1961-62 and 1962-63 "the majority of the applications approved by the Government related to investments by existing companies in new companies formed for setting up industrial undertakings sanctioned by Government" (vide Seventh Annual Report of the Department of Company Law). Since a majority of investments have been so made, it also cannot be said to be aimed at getting control to prevent competition. Section 372 of the Companies Act, therefore, has effectively prevented a decline in competition resulting from control over other companies.

Since Section 372 of the Act does not apply in case the investing company invests less than 30 per cent of its subscribed capital and 10 per cent of the subscribed capital of the company in which investment is made, it would be useful to see whether, in general, companies have invested up to this permissible limit. It may be added that in view of the existence of a large number of sleeping shareholders, even a 10 per cent holding of share capital might enable a company to get one of its own directors elected to the Board of the company and thus get some control over its management. The Reserve Bank publishes data on the extent of investments made by the non-official corporate sector in industrial securities. In the case of 1,001 public limited companies during

TABLE I.

INTER-COMPANY INVESTMENTS

(In lakhs of rupees)

Year	No. of companies	Amount
1956-57	42	329
1957-58	5	171
1958-59	12	166
1959-60	18	198
1960-61	7	46
1961-62	30	549
1962-63	60	730
TOTAL	174	2189

1955 to 1959 and 1333 public limited companies during 1960 to 1963 the position is summarised in Table II (page 473).

It will be seen from Table II that investments in the shares of other companies which are permitted up to a maximum of 30 per cent of the subscribed capital ranged between 11.8 per cent and 9.6 per cent of the paid-up capital of the public limited companies during 1955 to 1961. Thus competition is not sought to be reduced by increasing investments in other companies.

In the case of private limited companies data for 333 private limited companies during 1955 to 1960 and 501 companies for 1961 are published by the Reserve Bank. Table III summarises the position. Although investments by private limited companies in shares of other companies form a more important part of the paid-up capital than in the case of public limited companies, even then it is well below 30 per cent of the subscribed capital of these companies. Data is not available regarding the subscribed capital of these companies but since subscribed capital will be higher than paid-up

TABLE III.
INDUSTRIAL SECURITIES IN PRIVATE
LIMITED COMPANIES

(In crores of Rs.)

	1955	1956	1957	1958	1959	1960	1961
(1) Industrial securities	14	12	13	13	14	14	19
(2) Paid-up capital	67	69	71	74	74	76	90
(3) Total net assets	220	243	258	266	284	317	396
(4) 1 as % of 2	20.9	17.4	18.3	17.5	18.9	18.4	21.1
(5) 1 as % of 3	6.3	4.9	5.0	4.8	4.9	4.4	4.8

capital, lower percentages would be indicated in terms of subscribed capital.

Since it is the big companies that may resort to investing in other companies to a greater extent in order to gain control over them, it may be useful to study the data relating to investments made by them. The Reserve Bank has published information regarding the investments made by companies having a paid-up capital exceeding Rs. 1 crore in shares of other companies.

It may be seen from Table IV that in the case of big public limited companies also investments in shares of other companies are very low.

TABLE IV
INDUSTRIAL SECURITIES IN BIG COMPANIES
(In crores of Rs.)

	1959-60	1960-61	1961-62	1962-63
1. Industrial Securities	30	33	38	39
2. Paid-up Capital	347	401	445	468
3. Total net assets	1169	1342	1556	1697
4. 1 as % of 2	8.7	8.2	8.5	8.3
5. 1 as % of 3	2.6	2.5	2.4	2.3

The conclusion then must be that the available statistical data does not support the view that competition is sought to be declined by increasing the control on other companies obtained by increasing inter-corporate investments. It may be added that it is wrong to presume that all investments in other companies are made only to secure control. Some of the other reasons why investments are made in other companies include availability of surplus funds in the investing company and payment of higher dividends by the investee company.



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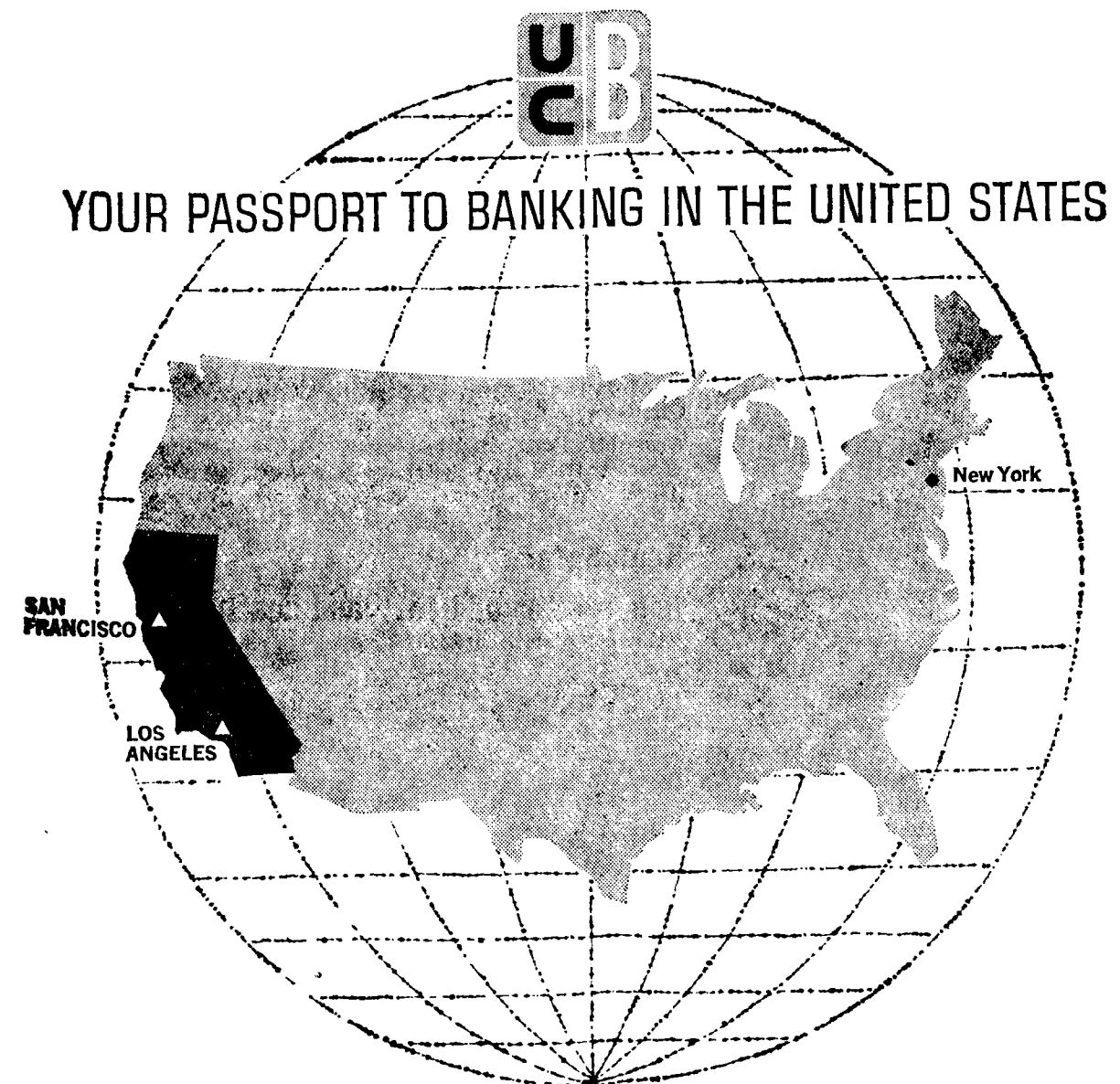


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FOUR WHEEL SKID. Release brakes at once to allow free rolling of wheels. Then apply brakes gently, gradually increasing pressure, to avoid wheels locking again.

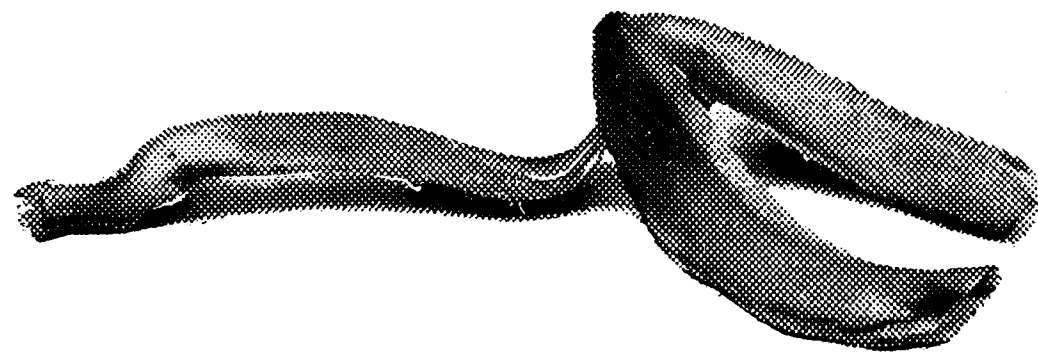


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WINDOW ON THE WORLD

The Sterling "Mystery"

PAUL EINZIG

LONDON:

UNTIL QUITE recently it was widely expected that a major sterling crisis would develop during the late summer and that it would come to a climax during the early autumn, on the eve of the election. It was assumed that foreign funds would be reduced to the indispensable minimum required for financing international trade in sterling and for keeping London bank accounts alive. It was also assumed that there would be a wholesale flight of British capital in anticipation of the advent of a Labour Government, and that there would be once more a wave of speculative short selling of forward sterling. On the basis of these assumptions it was widely expected that sterling would decline to its lower support point of \$2.80 early in August; that the authorities would lose gold heavily in connection with supporting sterling against persistent adverse pressure; and that forward sterling would go to a heavy discount. It was expected that demand for dollar securities by law-abiding UK residents would cause a widening of the premium on investment dollars.

Considering all these pessimistic assumptions, the extent of the selling pressure on spot sterling during August was remarkably moderate and the amount of gold lost by the authorities in supporting it was well under expectations. The premium on investment dollars declined, instead of widening. Strangest of all, forward sterling remained remarkably steady and tended even to appreciate as and when spot sterling was approaching its lower support point. All this was all the more remarkable as the deficit of visible trade during July and August was very heavy and, even in the absence of any hot money withdrawals, capital flight and speculative selling, it would have justified much heavier gold losses.

Favourable Trend

Possibly the indications of an increase of the Government's popularity in the country, as it appeared from public opinion surveys, may have been responsible for the unexpectedly favourable trend of sterling. It is conceivable that during the long months, while public opinion surveys, by-election results and local election results were pointing inexorably towards a sweeping Socialist victory, the anticipation of such a landslide may have induced residents and non-residents alike to make their arrangements on the certain assumption of such a victory, so that when the Government's chances improved many of them felt justified in undoing their hedges arranged on the basis of that assumption. This at any rate may be indicated by the decline in the premium on investment dollars, showing a desire on the part of U.K. residents to switch back from dollar securities into sterling securities; by the increase in foreign short-term money during the summer; and by the steady tone of forward sterling.

But none of these changes can safely be relied upon as a barometer indicating a revival of confidence in sterling. Quite conceivably the decline in the premium on investment dollars may be due to exactly the opposite cause — perhaps a major loophole has been discovered, through which British capital could evade exchange control unlawfully, in order to find its way into dollar securities without having to accept a loss of 10 per cent or more by financing the dollar security purchases through the legitimate channel of the investment dollar market. The increase in foreign short-term funds may have been due to the high interest yield on short investment in Local Government bonds or in hire-purchase finance house deposits. And in some quarters the steady tone of forward sterling is

attributed to official support in the forward market.

Opinion in the foreign exchange market is sharply divided on the question whether in fact there has been such official support to forward sterling. The remarkable steadiness of forward dollar rates which remain virtually unchanged for some weeks, especially in July, is interpreted in some quarters as indicating systematic support. But other equally reliable quarters are prepared to swear that there was no consistent official selling of forward dollars, even though they do not rule out the possibility of occasional operations in that sense.

One thing is certain. The standby credit arranged with the International Monetary Fund, the reciprocal swap arrangement with the Federal Reserve, and the substantial official British holdings of dollar securities in addition to the Sterling Area gold and dollar reserve equalling nearly £1,000 million, together with the known existence of close co-operation between Central Banks, were in themselves sufficient to deter speculators from taking a hand. Had sterling developed acute weakness, no doubt speculative operations would have greatly accentuated it.

Subdued Speculation

In the absence of any signs of a recurrence of the acute flight from the pound, however, speculators kept off the market. If the rate at which the authorities were supposed to support forward sterling had been obviously artificial they would have had to be called upon to absorb a very large amount of forward sterling. The chief foreign exchange manager of one of the continental Central Banks once told me that whenever the market encountered an official attempt at pegging the forward rate at an overvalued level immense amounts came to be dumped on them from all directions. When such a situation arises its presence is quite unmistakable. But there was no sign of it in July or in August.

It would be idle to pretend, however, that the danger of a sterling crisis is over. Public opinion is quite incalculable, and it is possible that in the course of the election campaign the Gallup Poll might show once more an increase in the popularity of the Labour Party. Other developments, too, might easily revive fears of a Socialist victory, and unstatesmanlike Socialist utterances might give rise to fears of exchange control or devaluation in case of a Socialist victory. Mr. Harold Wilson himself is aware that a sterling crisis would help his opponents, for it is the habit of the British electorate to vote Tory in an emergency. Hence the moderate tone of his public utterances. But some of his supporters might be less cautious. Or some of the trade unions might lose their patience during the prolonged suspense that precedes polling day.

Precisely because hot money has accumulated in London, the possibility of its sudden withdrawal must be envisaged. Disrupting politico-military developments in the Middle East or Far East, too, might trigger off a speculative attack. On the other hand, sterling might obtain unexpected support through a weakening of the dollar during the course of the election in the United States, especially if the British election date should be fixed towards the end of October.

However this may be, to date sterling has behaved better than most of us would have dared to hope. It is a pity that, owing to gross inadequacy of our information on changes in the balance of payments, its steadiness is treated as a mystery. If only we knew more about leads and lags in commercial payments and about capital movements we would be in a much better position to explain and even forecast its trends.

LISTENING POSTS

Steel Loans Issue: Bokaro Vs. Dastur

By Our Special Correspondent

NEW DELHI:

DESPITE THE guarded statements of the President of the World Bank on the attitude likely to be taken up by that organization towards requests from private steel companies in this country for new loans for further expansion, there appears to be a feeling in responsible quarters that the authority taken under the Companies' Act to convert government loans to companies into equity shares is bound to come in the way of steel development in the fourth Plan. While, as was disclosed by Mr. J.R.D. Tata in a speech to the shareholders of the Tata Iron and Steel Company Limited on September 3, discussions on this issue are proceeding between the Government and the steel companies with a view to finding a way out of the difficulty, the Minister for Steel and Mines, it is learnt, has already expressed his inability to accept a suggestion that the Government should give an assurance to steel companies that it will not exercise in their case the option given to it by law to convert its loans into equity capital. The Minister seems to have taken the stand that it will not be proper for him to nullify by executive action a specific provision in law. Mr. Sanjiva Reddy, in other words, does not feel free to bind himself or his Ministry to any formal abandonment of a right vested in the Government by an Act of Parliament.

★★

While negotiations between the Governments of the USSR and India on the nature and extent of Indian participation in design, supply and erection of equipment for the Bokaro steel project are progressing satisfactorily, it is now practically certain that the role of Messrs. Dastur and Company, whom the Government was planning to appoint as consultants, cannot be anything like what it was originally envisaged — assuming, of course, that Messrs. Dastur are at all going to be retained as consultants. This, it must be made clear, is not because the Soviet Government is insisting on retaining control over the project. On the contrary, it is a fact that Moscow has wholly agreed that New Delhi should have full control of management of the project. At the same time, so far as the technical side is concerned, the Soviet authorities are quite firm that, so long as they are expected to assume responsibility for design, supply and erection of equipment as well as for running in and commissioning the plant to full production, there could be no question of their designers or other experts being expected to act under the over-riding authority of Messrs. Dastur or any other outside consultants.

In the circumstances, it would be neither necessary nor proper for the Government of India to retain or pay for the services of Messrs. Dastur on the terms envisaged earlier. Apart from the fact that the proposed consultancy fee of Rs. 6.5 crores would be far too high for any services which Messrs. Dastur may be placed in a position to render under an Indo-Soviet project agreement, there is the even more important consideration that in the case of a Rs. 400-crore plan of such immense economic and strategic significance as Bokaro, the Government of India simply cannot take the risk of the lines of responsibility getting snarled. The Steel Ministry, consequently, is exploring ways and means of devising revised arrangements which would be fair both to Messrs. Dastur and to the Government. It is true that no formal contract has been signed with Messrs. Dastur for the Bokaro consultancy, but there is at least an understanding in terms of which Messrs. Dastur have been encouraged to incur a certain amount of

expenditure on technical and other personnel for building up the consultancy organization for Bokaro. It is possible that the Government may consider it fair to reimburse the firm on this account.

There is also genuine interest in government circles in putting to the best possible use the pool of expert personnel and knowledge which Messrs. Dastur have painstakingly created. This firm is already active in important public sector projects, such as the alloy steel plant in Durgapur, and it is believed that more use could be made of the Dastur organization on some of the fourth Plan schemes in the heavy industry field. Incidentally, it may be mentioned that the negotiations with Messrs. Dastur regarding the Bokaro consultancy were pursued by the former Steel Minister in the face of resistance from the Finance Ministry. It is rumoured that one explanation of Mr. Subramaniam's keenness could be that the late Prime Minister was in favour of the technical command for Bokaro being entrusted to Indian consultants. Since the issue of Messrs. Dastur's status in Bokaro has got involved in the larger issue of the progressive Indianisation of India's industrialization, it is possible that Members of Parliament may seek to raise a discussion. It is, however, reasonable to expect that, in a matter of Bokaro versus Dastur, victory will go to Bokaro and sympathy to Messrs. Dastur.

★★

The Union Government last week decided to further amend the Companies Act with a view to simplifying certain procedures and dealing with the cases of dishonesty and fraud more effectively. This new set of amendments will complete the Government's action on the recommendations of the Vivian Bose Commission.

Under the new amendments, it is proposed to enlarge the definition of 'books and papers' to include 'vouchers'. Companies will be asked to maintain vouchers along with the books required by Law. The definition of 'officer' under the Companies Act is also envisaged to be enlarged to include 'any person in accordance with whose instructions the Board of Directors or a Director is accustomed to act.' This will eliminate dummy directors. It is further proposed to make it an offence to apply for shares in the name of fictitious persons. Allotment of shares to fictitious persons will also be made an offence. Restrictions are proposed to be imposed on blank transfers of shares.

By virtue of another amendment, it will be made obligatory on the promoters and directors of companies to ensure that the share capital of a company reflects cash and other valuable assets and is not supported merely by book adjustments. Still another amendment will make it clear that underwriting commission is not to be paid except in respect of debentures offered to the public.

It is contemplated to prohibit companies from starting new lines of business without the prior approval of shareholders even though such activities fall within the purview of the companies by virtue of their Articles and Memoranda of Association. Beneficial holdings above 5 per cent would be required to be disclosed so that the names of the real shareholders as distinct from the nominees are revealed. Provision is being made to safeguard the money paid by applicants for shares until such time as the minimum subscription is collected by a company.

The amendments seeking to simplify procedures in-

clude doing away with the necessity of obtaining Government's approval for the mere addition and deletion of the word "private" in relation to companies.

★★

The Union Minister for Industry, Mr. H. C. Dasappa, indicated here last week that the private sector would be provided a sizable role in the development of electronics in India. There was no bar on participation by the private sector in this field. Electronics had not been listed in the Industrial Policy Resolution of 1956 and participation by private sector in this industry would, therefore, not mean any violation of this Resolution. Mr. Dasappa felt that it might be necessary to have an electronics project in the civil sector in addition to Bharat Electronics, the public sector undertaking engaged in the production of electronic equipment for defence.

Referring to the Prime Minister's directive on the postponement of the heavy industry projects on which real work had not yet started, Mr. Dasappa said that the directive had been misunderstood in many quarters. It was not the intention of the Prime Minister that expansion of the existing projects should be put off. The Prime Minister was only against incurring fresh expenditure on projects which might not yield quick results. Mr. Dasappa said that there was no project under his Ministry which would attract the guidelines laid down by the Prime Minister. The Industry Ministry, however, proposed to effect an economy of Rs. 2 crores in the execution of the Heavy Engineering Project, the Heavy Electricals Project and the Hindustan Machine Tools expansion programme.

★★

The Union Minister of Petroleum and Chemicals, Professor Humayun Kabir, disclosed at a Press Conference here last week that the exploration efforts during the last six or seven months had given definite indications of the existence of crude oil reserves at two more places in the country. These were expected to be of the same order as Oil-India's in its Nahorkatiya and Moran oilfields and of ONGC's in its concessions in Gujarat. In view of these indications, Prof. Kabir felt confident that the third Plan target of producing 6 to 7 million tonnes of crude oil annually would be reached. During the fourth Plan, Prof. Kabir said, we should aim at a crude output of 14 million tonnes per annum.

The oil exploration programme, Prof. Kabir said, was proposed to be accelerated during the fourth Plan period. A sum of Rs. 225 crores is envisaged to be earmarked for this purpose. The foreign exchange component of this outlay will be between 40 and 50 per cent. The Soviet Union has been approached for making available a credit of Rs. 50 crores.

Regarding ONGC's efforts for securing oil concessions in Iran, Prof. Kabir stated that the result would be known by the end of this year. India, Prof. Kabir reiterated, would continue to make efforts to get crude from her own sources from abroad as and when occasion arose.

Referring to augmenting the oil refining capacity in the country, Prof. Kabir said that the Union Government had proposed to set up during the fourth Plan period, at least one, if not two, refineries besides the Madras and Haldia units. After the construction work on the Madras and Haldia refineries was started, the question of expanding the existing three private sector refineries would be considered, the Minister added. The decision on the foreign collaborations for the Madras refinery, Prof. Kabir said, would be taken by the end of this month. The construction of this refinery would start by the end of the current calendar year. The refinery, would go on stream in the middle of 1967. The decision on the Haldia refinery, Prof. Kabir revealed, would be taken by March 31, 1965. The construction of this refinery would be taken up in October or November next year so that it should be commissioned into production early in 1968. The first one-million-

tonne unit of the Barauni refinery, which went on stream about a month ago, Prof. Kabir stated, was working satisfactorily. The Koyali and Cochin refineries also were making good progress. The Koyali refinery, Prof. Kabir expected, would go on stream next year and the Cochin refinery in 1966. All the future expansion of the oil refining capacity in the country, Prof. Kabir said, would be in the public sector. By this he meant that at least 51 per cent share in the future refineries would be held by the State.

Prof. Kabir also dwelt at some length on the setting up of petro-chemical complexes in the country. He indicated that an investment of Rs. 600/800 crores might be earmarked for the development of petro-chemical industries, both in the public and the private sectors, during the fourth Plan period. He envisaged setting up at least some petro-chemical units around each refinery in the country. Naphtha cracking, Prof. Kabir reaffirmed, would in future be confined solely to the public sector. The Government would also reserve the right to participate wholly or as a major partner in the manufacture of end-products of petro-chemical complexes whenever it was strategically important or exceptionally profitable. Prof. Kabir disclosed that he had fruitful talks in Rumania, Italy, France and Britain on setting up of petro-chemical industries in India.

Regarding fertilizers, Prof. Kabir stated that the third Plan target of putting up one million tonnes nitrogenous fertilizers capacity would be achieved only by 1968. Currently, there is a capacity to manufacture about 250,000 tonnes of nitrogenous fertilizers. Another 150,000 tonnes may be expected from the factories now under construction. Prof. Kabir was, however, hopeful that the fourth Plan target of having 2 million tonnes nitrogenous fertilizers manufacturing capacity would be achieved. The Union Government, he said, was negotiating with a US consortium for setting up one million tonnes nitrogenous fertilizers capacity during the fourth Plan period. Feasibility studies in this regard had already been undertaken by the US consortium.

Henceforward, Prof. Kabir said, great emphasis would be laid on the development of local technical know-how for the purposes of both projects designing and production of chemicals.

★★

The proposed Foodgrains Trading Corporation, it is learnt, will play an important role in making available credit to the small cultivators having holdings up to 5 acres. The Corporation, it is further understood, will be providing credit to the small agriculturists in kind against their crops instead of their other material assets.

Meanwhile, the Union Government has finalised a scheme for the creation of a special Price Fluctuation Fund to meet losses that co-operative marketing societies at different levels may suffer as a result of outright purchases of agricultural produce. To begin with, the scheme will be introduced in 200 selected co-operative marketing societies in 1964-65 and another 300 societies in 1965-66.

The State Apex Co-operative Marketing Societies and the lower level marketing societies selected under the scheme will contribute at the rate of 10 per cent of their profit every year to the Price Fluctuation Fund to be created by these societies. Government will contribute at the rate of 2 per cent of the value of outright purchases of agricultural produce made in the preceding year by the selected co-operative marketing societies at different levels. This will, however, be subject to a ceiling of Rs. 20,000 for each selected primary marketing society, Rs. one lakh for a regional or State Apex Marketing Society and Rs. 2.5 lakhs for the National Federation. The contribution of the Government will be made at the level of the

Apex Marketing Societies in respect of outright purchases of the Apex Marketing Societies, as also in respect of the outright purchases of the lower level marketing societies working under the scheme. The scheme will be in the State sector and Government's contribution will be shared by the Centre and the State Governments on a 50:50 basis.

The Price Fluctuation Fund will be operated by State Apex Co-operative Marketing Societies. To the extent purchases of any agricultural commodity are made by co-operative marketing societies on behalf of the Government or the Government-nominated agencies, such as the State Trading Corporation, the scheme will not be applicable. Commodities for which there is a minimum or maximum guaranteed price fixed by Government will also not be covered by the scheme. These include sugarcane.

The outright purchases will be made only from growers who are members of a marketing society or of service societies in the area of operation of the marketing society. In the event of the scheme being discontinued in a State, the amount accumulated from the Government's contribution may be converted into the share capital contribution of the societies concerned or used as directed by the State Government concerned for developing co-operative marketing.

Outright purchases under the scheme may be made by a primary marketing society on its own account or by a higher level marketing society acting through the primary society. Government contribution would, however, be made available only at a single point where the risk is borne.

Each society selected under the scheme will fix a suitable upper limit up to which outright purchases can be made in one year from an individual grower who may be a member of a marketing society or a service society in the area of operation of the marketing society. The limit, however, would not exceed Rs. 750 per individual member. To the extent practicable, outright purchases would be made only after the produce is properly graded.

The State Apex Co-operative Marketing Societies will maintain the account of each society and also their own in respect of contributions received from Government. The Apex Societies will reimburse each marketing society from within the Fund to the individual society's account according to the amount of loss incurred by the society. The State Apex Marketing Societies will advance a part of such reimbursement immediately the society incurs such a loss and the balance after the audited accounts of the society are available and the Apex Societies have satisfied themselves that the loss incurred is due to fluctuation of price and not because of any neglect on the part of the society or other reasons.

★★

Inaugurating the 14th meeting of the National Shipping Board in New Delhi last week, the Prime Minister, Mr. Lal Bahadur, called upon the public and the private sectors to co-ordinate in the development of shipping in the country. The private sector, he stated, had made a very valuable contribution in this field.

It may be indicated that between 1958 and 1964, private sector shipping has expanded by more than 150 per cent from 456,000 GRT to 1,117,000 GRT. The addition to public sector's tonnage during this period has been slightly less than 100 per cent — from 126,000 GRT to 242,000 GRT. An important factor in the expansion of private sector shipping has been the growth of the Jayanti Shipping Company which acquired its first cargo vessel towards the end of 1962 and now owns nearly 22 carriers, including tankers, with a capacity of 450,000 DWT. This company's tonnage is proposed to be increased to 550,000 DWT by 1964-65.

The Prime Minister emphasized the need to develop Indian shipping in view of the expanding export trade which is expected to be worth nearly Rs. 5,100 crores during the fourth Plan period. At present, nearly 18 per cent of the country's total foreign trade is being carried by Indian ships. The Prime Minister proposed that by the end of the fourth Plan, India should be in a position to have at least 50 per cent of her foreign trade through Indian vessels. He suggested, therefore, that the fourth Plan should aim at raising the Indian shipping tonnage to 3/3.5 million GRT. It has been estimated that a tonnage of nearly 4.5 million GRT might be required to carry 50 per cent of India's foreign trade cargo. To raise the present capacity of around 1.3 million GRT, which is expected to go up to 1.5 million GRT by the end of the third Plan, to the proposed 3/3.5 million GRT by 1970-71, a special bias in favour of shipping will be necessary.

To achieve a target of 3/3.5 million GRT by the end of the fourth Plan, India will have to acquire vessels to the tune of 600,000 GRT from abroad because according to the tentative estimate of the National Shipping Board, the output from the shipyards in the country, including the proposed one at Cochin, will not be more than 300,000 GRT. The total cost of this expansion programme is expected to be around Rs. 265 crores — Rs. 146 crores in Indian currency and Rs. 119 crores in foreign exchange. The immediate payments in terms of rupee finance and foreign exchange may be brought down to Rs. 82 crores and Rs. 55 crores, respectively, if the new tonnage is acquired on deferred payment basis.

Mr. Raghunath Singh, the new Chairman of the Shipping Board, referred to the principle of self-financing which had been introduced by the Government to acquire ships on deferred payment basis. He indicated that it could not be carried too far because it added to the capital cost of ships to the extent of 20 to 30 per cent, both by way of premium on the price and interest charges on the outstanding instalments. This factor consequently tended to jeopardize the competitive position of Indian ships in the international trade. Moreover, a considerable amount of foreign exchange will also be required to replace the uneconomic units, aggregating about 150,000 GRT, now operating as coastal fleet, which will become due for scrapping during the rest of the current Plan. The replacement of this tonnage would be possible only if adequate foreign exchange were available for the purpose. The final shape of the shipping target for the fourth Plan, along with the problems of coastal shipping, will be discussed at the next meeting of the Shipping Board to be held towards the end of October at Cochin after which a comparatively clearer picture will be available.

★★

An agreement has been signed between the Union Government and the Government of Japan in regard to the fourth 21.6 billion yen (\$60 million) credit promised by the latter for India's economic development, at the last May meeting of the Aid-India Consortium. The credit is to be used mainly for further financing the Gorakhpur fertilizer factory, the Gujarat State fertilizer factory and the Durgapur alloy and tool steel plant. Part of the credit will also be available for financing some other projects and import from Japan of plants, machinery and commodities required for accelerating the rate of economic growth. The procedures for utilisation of this credit will be similar to those followed in regard to the previous three yen credits.

A sum of 14.4 billion yen (\$40 million) out of this new credit is repayable over a period of 15 years, including a grace period of five years. The remaining amount of 7.2 billion yen (\$20 million) will have to be repaid in 18 years. The grace period in this case will also be five years. Including the new

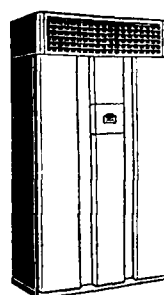


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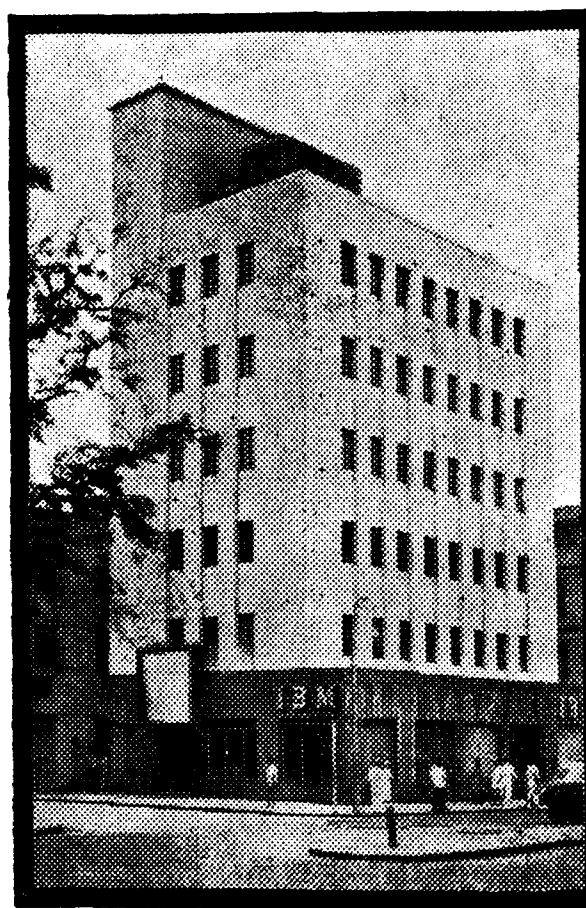


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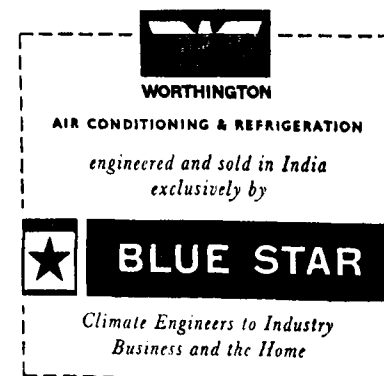


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credit, the total assistance provided by Japan amounts to 97.2 billion yen (\$270 million).

★★

The judgment of the Election Tribunal on the petition of the Swatantra nominee, Mr. N. Dandekar, against the Congress candidate, Mr. Ram Rattan Gupta, in the Gonda parliamentary election has been received here with a sense of shock. The Prime Minister, Mr. Lal Bahadur Shastri, has been extremely distressed and pained at the revelations made by the Tribunal and has indicated that necessary step would be taken against the officials and others on whom strictures had been passed by the Tribunal.

The judgment delivered by Mr. E. K. Chaudhary, constituting the one-man Election Tribunal, revealed that Mr. C. M. Nigam, the Returning Officer, acquiesced in the tampering of ballot papers (he allowed the bags containing ballot papers to be moved from one place to another) so that on recount

the defeat of the Congress candidate by nearly 1,500 votes turned into a victory by about 500 votes. The Returning Officer is also said to have flouted specific directions of the Election Commission to withhold the declaration of the election result, pending an enquiry.

The Prime Minister and the Union Home Minister last week discussed the judgment of the Tribunal with the Chief Minister of Uttar Pradesh, Mrs. Sucheta Kripalani. As a result of these discussions Mr. C. M. Nigam, now Commissioner of the Gorakhpur Division, has been suspended. An inquiry is proposed to be instituted in the whole affair.

Mr. Ram Rattan Gupta has filed an appeal against the Tribunal's judgment. The appeal has been admitted by a Division Bench of the Allahabad High Court. The proceedings will obviously be watched with great interest. Meanwhile, Mr. Dandekar has been sworn in as a Member of the Lok Sabha.

Mr. Bowles on "Business and Society"

From Our Correspondent

CALCUTTA:

MR. CHESTER BOWLES, US Ambassador in India, participating in the All-India Management Association's seminar on "Business and Society" in Calcutta last week, delivered a most stimulating talk on the subject under discussion. Mr. Bowles, quite appropriately, devoted the best part of his address to a discussion of the Indian conditions, to the environment of restrictions and constraint in which private enterprise has to function, to the role of the Government in the country's developing economy, and to the need for closer understanding between the Government and business for advancing the common cause of economic progress. Development trends in many countries show that full benefits of modern industrialisation can be realised most effectively if the people are free to seek more efficient methods. The human initiative symbolised by free enterprise is the yeast which makes the wealth of a nation grow. Speaking as a friendly foreign observer, Mr. Bowles wanted this to be clearly recognised, but at the same time, he emphasised the fact that free enterprise must serve the canons of social justice, the primary objective of all free people. In all the democratic countries of the world including the United States, West Germany and Japan, there is one basic ingredient in common — they manage to distribute the benefits of modern industrial production equitably through the society without crushing private economic initiative.

The situation in developing countries is in many ways different from that in industrially mature economies. But that need not produce any conflict between government and private business. As American experience suggests, Mr. Bowles pointed out, a mutually beneficial relationship between business and society is not only possible but profitable. The mistrust which exists between the entrepreneur and the Government can be removed once the long-range interests and needs of each are clearly recognised. Mr. Bowles suggested that there were four areas in which attitudes and practices must be changed in democratic countries on the threshold of rapid development if business and government were to become genuine partners in the establishment of a free and dynamic society. The first is the relationship between industry and agriculture. The American Ambassador had heard business men in India complain that the Government is spending too much money on rural development while the peasant is not willing to change his ways easily. This attitude, Mr. Bowles

observed, is extremely short-sighted. At least 80 per cent of the Indian people live in villages and a society which neglects the interests of the four-fifths of its members cannot really maintain its free way of life. Even from the crudest materialistic point of view, this outlook is self-defeating. Every step which tends to improve the lot of the rural people broadens the market for manufactured goods. As he tours through Indian countryside, Mr. Bowles is struck by the fact that so few entrepreneurs are taking advantages of the market that already exists in the villages. It is true that the number of bicycles and sewing machines in the rural areas has been increasing steadily and that cloth and pots continue to sell well. But these are all standard goods, invented generations ago. One sees very little of the new products and new designs. India already has a vast rural market waiting to be tapped by any manufacturer with a product which meets any of a hundred of the rural needs, provided that it is well made and is fairly priced. Moreover, agriculture's own contribution to economic development, in the shape of foodgrains and industrial raw materials — in brief, "the surplus" for development — cannot be overlooked.

Secondly, there is the entrepreneur's own investment policy and his assessment of future prospects. Mr. Bowles observed that it was perhaps inevitable that in a rapidly developing economy, there would be a tendency to go in for short-term investments capable of yielding quick profits, and because of inflation, real estates would be preferred to investments which are intrinsically more useful for the economy. Also, speculation in scarce commodities would be rife and insufficient attention would be paid to the quality of goods, since anything produced would sell. For the same reason, prices would be high. In the circumstances, no responsible Government could sit by idly and simply watch the situation. Regulations and controls would become inevitable. Mr. Bowles observed that there was a good deal that business men themselves could do to avoid such drastic measures. In fact, in the Indian economy which is now beginning to show definite signs of growth and vitality, a business man who has not begun to think in terms of long-range investments in a solid productive venture is missing a major opportunity to expand his operations and profit. There is a measure of competition in the Indian economy, but it is still far from being severe. There is therefore, time to begin to build up customer confidence

by manufacturing and distributing quality products at reasonable prices.

Mr. Bowles' comments on the public enterprise, in the first place, was frank but constructive. In any well governed developing nation, the public sector is bound to be substantial. Many basic industries, such as power, transport, mining and some heavy manufacturing, demand investments of capital and management which are beyond the immediate capacity of the private sector to supply. Yet there are practical limits to the resources that the government of a developing country can devote to such enterprises. Administrative experience is rarely adequate even for sound needs, such as education, transport, health, rural development and basic industrial needs. Technological skills are also inadequate. In brief, the government should limit itself to those spheres where private resources are inadequate for the task at hand or where for some other reasons, the needs of the society are not being met by private means. Mr. Bowles, however, did not suggest that the government could regulate the economic life of the people through State enterprise, especially when the resources are so limited. In his view the national interest is better served by allowing private enterprise to operate in an atmosphere of encouragement and responsible regulation, and such public enterprise as there must be should be well run.

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The tentative target of coal for the fourth Plan, fixed at about 140 million tons, has been criticised by private collieries for two reasons; first, it assigns a much bigger role for the public sector collieries than what their dismal record in the two previous Plans would justify; and secondly, while the private sector is required to raise its production of only superior grades, the public sector will be producing large quantities of inferior grades which are already in excess of requirements. These points need to be explained. The private sector's record of raising additional output during the third Plan is excellent; even of the reduced target of 76.73 million tons, the private sector will have raised 57.8 million tons by the end of 1965-66. The public sector, on the other hand, will have produced only

18 million tons against a target of 37 million tons. In the circumstances, to allocate 40 million tons of the additional 60 million tons to be raised during the fourth Plan to State collieries would appear surprising not only to private coal producers but to any impartial observer of the coal industry's affairs. There is, however, a reason for it. The National Coal Development Corporation has already made large investments during the current Plan for opening new mines which must be justified by setting a high target in the next Plan, although the output from these new mines will be of inferior grade coal. The private collieries have already enough capacity to raise coal of inferior varieties to the extent considered necessary in the fourth Plan, and this would require no additional capital investment. Yet to serve the purpose of some vested interests in the public sector, this is going to be the pattern of production targets under the fourth five-year Plan. Another curious matter is that while the private collieries will be called upon to produce 10.67 million tons of coking coal, of which they produced 15.65 million tons during the current Plan period, no scheme of assistance for fulfilling what is obviously a difficult target is being considered.

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The questions raised by the World Bank about the Haldia port project have naturally caused some pessimism about the prospect of this project going through, since its execution now so heavily depends on World Bank assistance. But it appears from the speech of Mr. Raj Bahadur, Union Minister for Shipping, at the last week's annual meeting of the Calcutta Clearing Agents Association, that the project will not be given up, although some modifications to the existing plan may be necessary. The World Bank is cautious about lending funds for this project because of Paradip port's conflicting claims, but the Union Minister wished to make it clear that the inquiry by the World Bank did not mean that it would not finally extend assistance. The Haldia port project involves a total cost of Rs. 30 crores of which Rs. 17 crores will be in foreign exchange. According to the informed circles in Calcutta, the Union Government is determined to implement this project with or without World Bank help.

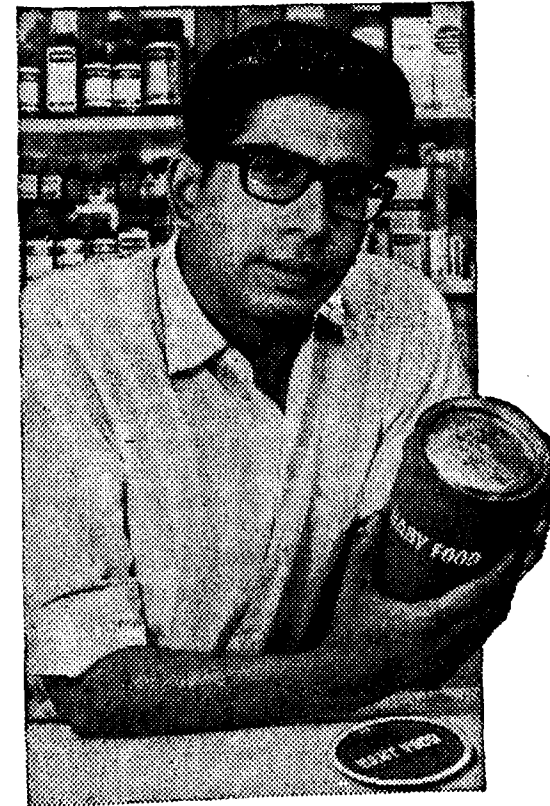
New Turn in Bank Credit

From Our Correspondent

BOMBAY:

IF BANKERS are practical people, the Governor of the Reserve Bank must be particularly so. And he proved this when he addressed the Bombay Bankers' Annual Dinner on August 31. His address was far from being a light after-dinner chat, though. There is certainly much more in it than meets the eye, and much too that bankers must surely ponder over. In fact, it seems to be a deliberate attempt at unfolding to them the new philosophy of credit that is being evolved by the powers-that-be. Curiously enough, while this philosophy appears to be extra dynamic in some respects, it seems to be equally conservative in others. If this reading of mine is correct, it follows that the Governor of the Reserve Bank clearly intends it to be known that commercial banks should concentrate more on garnering people's savings and providing short-term credit than on indulging in medium or long-term credit to industries, which is being taken care of by a host of other institutions, including the Government's latest creation, the Industrial Development Bank. In other words, mixed banking continues to be taboo in this country. Whether one agrees that this is a desirable development or not — especially in the context of the persistent criticism that commercial banks are not helping agriculture and industries (both long-term propositions), a criticism that is often trotted out in justification of the demand for nationalisation of banks — one cannot but welcome the clarification.

All this has mainly stemmed from the large increase in bank credit during the last busy season. In the words of Mr. Bhattacharyya, "credit expanded in the 1963-64 season by a record figure of Rs. 376 crores — not much less than twice the earlier seasonal expansion. Over the year as a whole, i.e., till the end of June, credit totals have risen by Rs. 245 crores to a level 16 per cent higher than a year earlier. Even making allowance for the price increase in the intervening period, this is an impressive expansion." If it is not irreverent to seek an elucidation of the Governor's observations, is not credit expansion determined primarily by the rate of growth in the economy, especially a developing economy? While the rise in prices also must be taken into account, what is equally — perhaps more — important is the correlation between the extent of the growth and the demand for credit that this growth must necessarily generate, if it can be precisely measured. I don't mean to suggest that this aspect has been forgotten — Mr. Bhattacharyya was only too conscious of the growing credit needs of a rapidly developing economy as is obvious from this sentence in the same address: "The problem of resource mobilisation has become urgent, for, with the increasing diversification of our economy and the growth of industries with a non-agricultural base, we are witnessing a secular increase in credit needs which would place further demands on banks' resources." But I am afraid that there is the possi-



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These figures are impressive—but they are not big enough. Adulteration of foodstuffs and racketeering in spurious drugs continue to be major evils in our public life. Strong, concerted action by Government and Industry alone can help to wipe them out. And Metal Box hope to play a major part in getting this good work done.



WTMB 1001A

bility of taking an unduly alarmist view of credit expansion, if, even unwittingly, there is any underestimation of the degree of demand for additional credit engendered by rapid economic growth, and also of all the consequences that follow from taking such an unduly alarmist view.

I do not wish to suggest that the Reserve Bank Governor's unequivocal assertion that "the banking system can ill-afford to lock up a large order of its resources in financing long-term investments" is one such consequence. But it has followed a close study of the trend of clean advances granted by commercial banks, as well as their composition, which may have been prompted by entirely different considerations, such as the need to discourage mixed banking, even indirectly, or perhaps the anxiety to earmark this sphere of financing activity to the Industrial Development Bank or the Unit Trust of India. Mr. Bhattacharyya's suggestion that the industries now enjoying medium and long-term credit facilities from commercial banks, in whatever guise, should issue public debentures, which the Unit Trust of India and the Industrial Development Bank could be expected to take up, seems to lend support to such a view. His specific mention of the relaxation in the matter of the observance of a reasonable debt-equity ratio for financing expansion projects is perhaps by way of offering of a further attraction to resort to this. But will industries be equally ready to accept this advice from their bankers' banker? That apart, save in the case of the Industrial Development Bank, which has its Development Assistance Fund to fall back upon, will this process of "gearing" be beneficial in every case and to every institution accepting the debentures? Although it is known to work well so long as the basic trend of fortune of the companies in which money is invested is upwards, when the economy turns sour and dividends start to fall, "gearing" is said to operate in the reverse direction. Indeed, an authority on the working of Investment Trusts in the UK has opined that "gearing" has tended to enlarge the crises that have severely tested the movement and, in some cases, have set investment trusts so far back that they took years to recover. In view of this, it is perhaps worthwhile to consider whether the Unit Trust of India which has yet to establish itself on a sound basis, should, so early in its career, be encouraged to go in for debentures of companies.

Commercial banks may not altogether disapprove of the Reserve Bank Governor's suggestion as above, but, then, will there be adequate alternative profitable outlets for the resources of the banks, besides provision of working capital to industries and financing trade and commerce, especially if these banks, following the exhortation of Mr. Bhattacharyya himself, succeed in increasing their branches and raise their deposits substantially? Evidently, the concern of the authorities today is more to ensure that as much money, i.e., purchasing power, as possible is immobilised and thereby prevented from adding to the pressure of the aggregate monetary demand. The Banking System has been told to play its role in this behalf. At the same time, it is reminded that it must subject itself to the Reserve Bank's credit policy which, while it is not opposed to the promotional aspect of building up credit, is also concerned with current credit levels to see that credit expansion in the short run does not outstrip the productive needs of the economy, or is diverted to speculative channels. The Reserve Bank has already shown that it can find outlets of its liking for the resources of commercial banks, e.g., higher liquidity ratio and increased investments in Government Securities. All these may neatly fit in with the Reserve Bank's new philosophy of credit, but it requires to be clearly stated here that the wisdom or otherwise of this philosophy will eventually be determined by how far this will not or will come

in the way of the private sector getting all the credit it needs to fulfil the share assigned to it in the country's economic development.

★ ★

Export interests, in particular banks financing export trade, can no longer complain that they have still to brave too many hazards, thanks to the further guarantees introduced by the Export Credit and Guarantee Corporation (ECGC). The two new guarantees which have just been introduced by the Corporation are: (1) post-shipment export credit guarantee and (2) export finance guarantee. These fill an important gap in the country's export effort, while, at the same time, meeting a need which bankers financing exports were finding to be necessary. As a matter of fact, bankers who welcomed the Packing Credit Policy introduced earlier by the ECGC had been suggesting that, if an instrument similar to the one providing security for the banks against risks involved in pre-shipment advances could be devised to cover their post-shipment advances also it would help them to liberalise their lending policy. And the Corporation has assured it by providing the two guarantees referred to above.

The Post-Shipment Export Credit Guarantee will be issued to banks to protect them against any loss which may arise from purchase, discount or negotiation of an export bill. Normally, it will be a condition of the Guarantee that it will be issued only in respect of such exporters as obtain a Shipments/Contracts Policy. The Guarantee will cover any loss sustained by a bank or financing institution due to the protracted default or insolvency of the exporter; and the Corporation's indemnity to the banks will be of the order of 66 2/3 per cent of the loss incurred. In view of this Guarantee, the banks would be in a position to discount bills which they may ordinarily accept only for collection. A variant of the Post-shipment Export Credit Guarantee, the 'Export Finance Guarantee' seeks to find for the exporter post-shipment finance in line with what he can get on the basis of the domestic value of his goods. This Guarantee enables the bank to offer, on a selective basis, discounting facilities to exporters up to 125 per cent of the shipping documents and the bank advance (i.e. 25 per cent of the f.o.b. value of the export bills) will be guaranteed by ECGC; and its indemnity to the banks will be to the extent of 75 per cent of the loss incurred in the event of the loanee's insolvency or default.

★ ★

It was encouraging to be told by no other than Mr. M. P. Pai, Chairman of the Tariff Commission, that the quality of the indigenous dyestuff products is, by and large, satisfactory. The Dyestuff Industry, which has been enjoying protection for the last nine years, has increased its production, by more than ten times. While opening the public industry into the question of continuance of protection to the Dyestuff Industry, the other day, the Tariff Commission Chairman said that, during this period, the industry had also commenced production of some intermediates. But many varieties of dyes and most of the intermediates still continue to be imported, he added.

When protection was first accorded to the Industry in 1954, there were eight units producing dyes in the country. Since then, the industry has expanded considerably, and many new small-scale units have also gone into production. Presently, the number of units in the organised sector and the small-scale sector has increased to 21 and 120, respectively. The total capacity of the industry, which was 2,022 tonnes in 1954, has risen to 21,306 tonnes in 1964. Of this the share of the protected sector is 12,496 tonnes and that of the non-protected sector 8,810 tonnes. Over the last ten years, the growth of the small-scale industry has been very significant, its capacity, which was negligible at the time of the 1954

Inquiry, having increased to 11,722 tonnes now.

The production of dyestuffs in the country also has shown a steady rise from 674 tonnes in 1953 to 8,689 tonnes in 1963. Of the total production in 1963, protected dyes accounted for 4,520 tonnes and non-protected dyes for 4,169 tonnes. Production in the small-scale sector in 1963 was as much as 3,055 tonnes. From these figures, it is computed that, in 1963, only about 60 per cent of installed capacity was utilised in the organised sector and still less, that is, only 26 per cent, in the small-scale sector.

As regards future expansion, four new units in the organised sector have been granted licences to manufacture dyes with a total capacity of 602 tonnes. The small-scale sector also is said to have an approved expansion programme of 1,266 tonnes. Domestic demand at the time of the first inquiry had been estimated at 5,177 tonnes. Although there was no projection made into future demand, it is estimated that the consumption of dyes, on the basis of actual domestic production and imports, worked out to 11,668 tonnes in 1961, 11,276 tonnes in 1962 and 10,629 tonnes in 1963. Surely this steady decline is disturbing and the interests concerned are relieved to note that the Commission is to go into the question of this fall in consumption.

★ ★

Giving a talk here last week on "Trade Possibilities Between India and South American Countries", the former Chairman of the All-India Manufacturers' Organisation, Mr. Prabhu V. Mehta, was constrained to point out that the Government of India had not yet established any trade links with some of the South American countries, such as Bolivia, Chile, Peru and Venezuela, which offered tremendous possibilities of developing trade with India. India did not even

have its embassies or trade commissions in these countries which, consequently, were starved of information pertaining to commerce and industry as well as political and economic conditions in our country. There was complete absence of any journal on trade and industry — either of any of the Indian Chambers of Commerce or of the Government of India — in these countries. Giving details regarding possibilities of trade with Bolivia, Peru, Chile, Brazil, Argentina and Columbia, he said that these countries offered a potential market for a large number of Indian goods, ranging from domestic hardware to textiles, sugar and cement machinery. Bolivia, for instance, needed jute bags, domestic hardware, sanitary-ware, oil mill machinery, paper mill machinery, sugar plants, solvent extraction plants, pharmaceuticals and chemicals and sulphuric acid plants. India, in turn, could import sulphur, zinc and copper concentrates from Bolivia, provided trade relations were established on Government-to-Government level.

While India could sell to Brazil sugar refining equipment, jute and textile mill machinery, machine tools, tea processing machinery, spices and jewellery, it could buy steel plates and ships from that country. There were possibilities of exporting cattle, non-packing jute goods, textile dyes and plastic goods to Argentina. To Chile, India could sell domestic engineering equipment and textiles. Peru, on the other hand, was quite anxious to enter into technical collaborations with jute mills in India for establishing jute industry of its own. Columbia was interested in importing textile machinery and selling cotton to India. Venezuela, which had a high standard of living, was interested in buying Indian superfine textiles, handloom and silk fabrics, toys and sports goods, utensils, shoes and chappals, sarees, canned fruit pulp, domestic refrigerators, all kinds of machinery and diesel engines.

Fresh Approach to Plantations

From our Correspondent

MADRAS :

THE DELIBERATIONS at the 71st annual conference of the United Planters' Association of Southern India held at Coonoor early last week promise to be much more fruitful for the plantation industries and agriculture in general than its predecessors. It is only now the importance of agriculture on a scientific and organised basis is being keenly appreciated. Indeed, the main theme of the speeches of Mr. C. Subramaniam, Union Minister for Food and Agriculture, and Mr. J. R. Henshaw, the outgoing President of the UPASI, related to the need for a modern and pragmatic approach to the problems pertaining to improvement of yield and diversification of production. The Food Minister admitted that land reforms and a multiplicity of taxes had a devitalising effect on agriculture and in spite of the need for securing revenues for the Central and State Governments, some way had to be found by which the necessary incentives could be provided and agriculture could be taken up more seriously as a profession and business by farmers and landowners. It has even been latterly suggested that experiments should be conducted in joint-stock farming and, as the UPASI President stated, the successful experiments in plantation agriculture should be applied with some vigour for bringing about a significant increase in the yield per acre when cultivating other cash crops and fine cereals.

It is expected that, as a result of rethinking on the subject of land reforms and improving efficiency of agriculture, the plantation industries will not be unduly discouraged and that they may actually be given further encouragement because

it is being realised that the spectacular progress recorded in the past decade and a half by the tea and coffee industries particularly cannot be repeated if the existing estates were not permitted to reclaim additional acreage and improve agricultural techniques continuously. The Food Minister has indicated that a conference of State Finance Ministers should be convened at an early date for examining the adverse effects of the various taxes levied by them on the growth of plantation industries. As Mr. Henshaw pointed out, the burden of taxation on agricultural incomes in some States is even heavier than that borne by non-agricultural incomes without the corresponding rebates and reliefs being available for the latter group. It has been represented to the State Governments concerned that the plantation industries should be enabled to claim depreciation on the value of estates as the life of tea bushes and coffee plants was limited in the same way as machinery and it was necessary to pursue a planned programme of replantation and expansion. The benefit of development rebate also should be made available.

In fact, the principle of allowing depreciation has been recognised in the case of the rubber industry on the life of the trees, on the recommendations of the Tariff Commission. It has, therefore, been emphasized that what is required is the extension of this principle to other industries besides: reducing the rates of taxation where they happened to be in excess of those levied by the Centre. In respect of Central indirect taxes also it has been complained that the tea industry has not benefited to any extent by the abolishing of the export duty last year as it was decided at the same time that the

facility for drawback of excise duty on the quantities of tea exported should be withdrawn. The rates of excise duty were also raised. Since Indian tea and other plantation productions are facing keen competition in the international markets, it is felt that, without a streamlining of taxation imposed by the Central and State Governments and without some measure of stability regarding land and labour laws, the plantation industries cannot hope to continue to earn large sums in foreign exchange for the country. It is only to be hoped that the proposed conference of State Finance Ministers would examine the whole question sympathetically and arrive at a favourable decision regarding the grant of depreciation allowances and development rebate. The Union Finance Minister, too, should help the industries to a greater extent than now in the task of export promotion by according judicious tax reliefs.

★★

In pursuance of the announcement made by Mr. R. Venkataraman, Minister for Industries and Electricity of Madras State, some time back, the Madras State Electricity Board has decided to revise the rates charged for consumption of electricity to various classes of consumers effective from December 1. The recommendations of the Expert Committee appointed for this purpose had been forwarded to the State Government for its approval. As it is felt that the Board should help to secure larger revenues for itself, the increase in rates was agreed to by the Government. The authorities of the Electricity Board had some justification for revising the rates upward as they found it difficult in 1963-64 to meet fully the interest charges payable to the State Government and there was actually a shortfall of Rs. 1.64 crores. The Board had not defaulted in its interest payments since it was constituted in 1957, and it was naturally felt that its proud financial record should not be sullied in any way. It must be pointed out, however, that the difficulties experienced in the last year were peculiar in character as heavy expenditure was incurred on many projects which had not started yielding results. Besides, larger quantities of thermal power were purchased at higher rates from the Neyveli Lignite Corporation. An effort was made to overcome these difficulties by levying surcharges on consumption of electricity, except in the case of domestic consumers, and it would have been reasonably expected that the revenue from this source in a full year would take care of the real shortfall. The ways and means position would, no doubt, be affected if interest payments had to be met in the absence of adequate income. The State Government, however, could have agreed to the capitalisation of interest charges in the case of projects which would take some time to be completed as, otherwise, consumers of electricity would have to be heavily penalised with upward adjustments in rates.

The peculiarities of the recent developments have not, however, been recognised and it has been decided to make electricity more costly. It would not have been possible to avoid the step altogether as, in the coming years, the proportion of thermal power to the total quantity generated, would tend to increase and it has been proved by the experience of the Basin Bridge Power Station and the Neyveli Thermal Station, that thermal power would cost 60 per cent more to generate because of the larger capital expenditure involved and higher running expenses. The consumers, however, have a feeling that the net burden of the electricity bill has not been taken into consideration as the revenue secured from the electricity duty, which is over Rs. 2 crores in a full year, has been conveniently overlooked. Even in 1963-64 the revenue was expected to be Rs. 2 crores against the shortfall in interest payments of Rs. 1.64 crores while in 1964-65 the

yield may be over Rs. 2.5 crores on account of rising consumption. In 1965-66, when all the new projects are in operation, it is expected that the income of the Electricity Board will be over Rs. 33 crores and the yield from the electricity duty may probably be Rs. 3.5 crores. It must be pointed out in this connection that the electricity duty is levied on a graded basis and the heavy industrial consumers are being charged at five per cent and the light consumers like textile industries as high as 30 per cent. Domestic consumption has to bear a rate of 10 per cent.

Under these circumstances, there is justification for the view that the tariff rates should have been adjusted only in the case of consumers who are being heavily subsidised and that the Electricity Board should be given the benefit of some share from the proceeds of the electricity duty. This would mean a lowering of the duty to 7½ per cent or even five per cent with a corresponding increase in the rates applicable to various classes of consumers.

The principle advocated by the Central Water & Power Commission that there should be a gross return of 10 per cent on investment is, no doubt, sound, but if the experience of the Tata Hydro-Electric group of companies is any guide, greater care should be exercised when bringing about a wholesale revision of electricity charges. The consumers will, no doubt, be agreeable to pay more for assured supply but it should not happen that they pay additionally merely for the existing method of supply when there has to be inconvenient working hours, staggering on an uneconomic basis and so on. Besides, it has been borne out by the experience of some companies that a higher electricity bill can have an upsetting effect on profit margins. It has been found even necessary to raise prices in the case of the producers of caustic soda, fertilizers, etc. Since the example of Madras Electricity Board might be followed by others, it is of the utmost importance that the electricity duty levied already should be taken into consideration when determining new rates.

★★

Arrangements are being made by another group of promoters in Madras State to start a new industrial unit for manufacturing galvanised tubes and black steel tubes. The Madras Tube Company Limited will be sponsored by the Raja of Chettinad and the factory will be located near Madras, the total outlay being around Rs. 4 crores. The company has concluded an agreement with a French firm for securing technical know-how. The foreign collaborators will also be interested in the equity capital of the Indian company to some extent. An industrial licence has been obtained for the manufacture of 48,000 tons of tubes of various sizes.

Plans are also under way for starting a steel plant for manufacturing special steels and stainless steel in collaboration with Vickers of the UK. The project is expected to cost over Rs. 6 crores. The site of the new unit selected is in Katpadi which is served by the metre gauge and broad gauge systems. Steel scrap is expected to be available in the required quantity and it is confidently felt that the products will be of high quality because of the assistance provided by Vickers. There are some other schemes which are in various stages of finalisation. If there is a genuine confidence about the future outlook, there may probably be satisfactory response from the investing public for the new issues though it is pointed out that, in the absence of a significant recovery in prices for shares of new companies, which are now quoted at heavy discount, the disposition on the part of investors would be to respond more readily for the right issues of established companies rather than entirely new issues.

The moving finger writes

THE ECHOES of the AICC debate on the Kamaraj Plan are unlikely to die down soon. Mrs. Indira Gandhi, for instance, has reacted rather sharply and rather oddly. It is natural that the tenor of that debate should have hurt her feelings, but why did she not say what she had to say on that occasion itself? It was surely not necessary for her to have waited for a platform to be provided by what is still being described as a group of Socialist Congressmen, despite Mr. Krishna Menon's forthright declaration some time ago that there was no such thing as a Socialist Congressman.

★★

There have been some interesting appointments to public offices lately. I welcome particularly the selection of Mr. T. A. Pai for the Chairmanship of the proposed Foodgrains Price Stabilization and Trading Corporation. He has not only the great merit of being a young man but he is also, by any reckoning, a most talented young man. His dynamic leadership as Managing Director has been responsible for the spectacular progress of one of South India's leading banks and I am quite sure that in the field of state trading in food he may at least be relied upon to make the best of a bad bargain. The selection of Mr. A. L. Dias, Chairman of the Bombay Port Trust, as Secretary in the Ministry of Food and Agriculture (in the place of Mr. V. Shankar), again, is a happy one. Since the most important and immediate problem in food administration is the efficient handling of food imports at the ports and farther down the line of distribution, the new Secretary has the advantage of an appropriate background.

★★

In the year ended March, 1964, we exported to the value of Rs. 794 crores. This was a considerable advance on the amount of Rs. 680 crores for 1961-62. By the end of the third Plan, that is, in the year 1965-66, we hope to export at an annual rate of some Rs. 870 crores. The third Plan has many failures to its discredit, but in the sphere of exports, it has managed to do not too badly. The question is how much better it could be expected to fare in the fourth Plan. The Planning Commission was in favour of a target of Rs. 1,200 crores in 1970-71. The Ministry of Commerce, however, has been successful in persuading it to agree to a less exacting figure of Rs. 1,100 crores. Even this lower target would be a big assignment. Fortunately, the Minister for Commerce is a man with big ideas. To Mr. Manubhai Shah figures of less than nine digits have ceased to have any value where the export drive is concerned. Take, for instance, our export earnings from the film industry. The screening of Indian motion pictures abroad earns us now about Rs. 2.5 crores a year in foreign exchange. But Mr. Manubhai Shah is convinced that this is only a fraction of a vast potential. He believes that an export trade of Rs. 20 crores a year could and should be built up over the next few years. I hope the Minister is allowing for the deleterious effects on the morale of film personalities of the hunt for unaccounted money!

Although himself a vegetarian, such is his devotion to duty that Mr. Manubhai Shah revels in making plans for the mass massacre of fish in the coastal waters of India. In 1963-64 this country exported fish and sea-foods of the value of Rs. 5.7 crores. Mr. Manubhai Shah is keen on stepping up this export trade to Rs. 20 crores by 1970-71. It must be said to his credit that he is fully aware that he must catch his fish

before he can export it. Indeed, so vigorously practical is he about this business that the opportunity of the Commerce Minister of Iceland passing through this country a few days ago on his way to attend the meetings of the IMF and the World Bank in Tokyo was adroitly seized upon by him for some very useful talks. As a result, the Government of Iceland may be persuaded to co-operate in a big way with our programmes for the development of deep-sea fishing. Apart from the supply of modern equipment on a grant basis, Iceland may agree to collaborate with commercial enterprises in this country in deep-sea fishing for export purposes.

Incidentally, I wonder whether Mr. Manubhai Shah is aware that there are no snakes in Iceland. Since there are plenty of snakes in India, I suggest that he should get hold of the Commerce Minister of Iceland on his return journey from Tokyo and try to talk him into a trade agreement for the regular import into Iceland, of our cobras, kraits and Russell's vipers. If anybody could pull off this Alice-in-Wonderland deal at all, it is Mr. Manubhai Shah!

Which makes me wonder why our very alert and alive Minister of Commerce has been caught napping in the matter of the import of jute cuttings from Pakistan. The Government is fully aware that these imports, marginal in volume, are nevertheless quite essential to our jute industry. The foreign exchange spent on them is, therefore, in the nature of an essential investment which brings a return in the form of export earnings from our finished jute goods. By every canon of sensible business practice, the Government should have seen to it that the industry is enabled to import jute cuttings at the right time and at the lowest prices possible. In fact, since the jute industry is organized in a responsible association and the Government has its own special office in Calcutta under the Jute Commissioner to guide and supervise the industry, it should be possible for the authorities in New Delhi to make a long-term allocation of foreign exchange for jute cuttings from Pakistan covering, say, the full period of each five-year Plan. Instead, the Government has chosen to make the industry wait on annual releases. Worse still, these releases are seldom made in time. This has been demonstrably the case this year.

Although the industry had been advising the Government as far back as in February last that, due to a shorter crop in Pakistan, raw jute prices there might go up and it would therefore be prudent to make our purchases there earlier rather than later, it was not until July this year that mills in Calcutta got their first quota of import licences. By that time raw jute prices in Pakistan had gone up, which meant import costs had also been added to by about Rs. 2 crores. It should be interesting to find out who is to be held responsible for this loss or waste of foreign exchange. It appears that while part of the delay had taken place in the Finance Ministry, part of it also occurred subsequently in the Ministry of Commerce. I am sure that wherever the responsibility lies or however it is to be shared, neither Mr. Krishnamachari nor Mr. Manubhai Shah could be really happy over the performance of the Government machinery. It is all very well to talk of films and fishes, but I suggest that it would be unsafe to neglect jute, tea or textiles.

V. B.

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Copies of the prospectus and application forms can be had from the offices of the Reserve Bank of India as also from the Head Office of the Corporation at Reserve Bank Building, 6, Parliament Street, New Delhi and its Branches at Liberty Building, 8, Marine Lines, Bombay-1, 23, Rajendranath Mukherjee Road, Calcutta-1 and Keshav Bagh, 38, Whites Road, Royapettah, Madras-14.

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NEW DELHI,
Dated: 24th August, 1964.
DA-43(203)/64.

A. BAKSI
CHAIRMAN

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Trade Winds

TARIFF RATIONALISATION

RECENTLY, WHILE inaugurating the first meeting of the Tariff Revision Committee, set up in March this year, the Union Minister of Commerce, Mr. Manubhai Shah, emphasised that rationalisation of the tariff structure was a matter of basic importance at a time when India was going all out to achieve an expansion of international trade as well as the elimination of barriers to trade. A rapid increase in the export earnings of developing countries is considered imperative to enable them to meet the growing demands on their meagre foreign exchange resources for financing their economic development programmes. The United Nations Conference on Trade and Development, held earlier this year, discussed the ways by which greater access to world markets might be secured for the exports of the developing countries. One point which came out clearly from these discussions was that increased trade with the market economy countries, which form the majority, whether developed or less-developed, would have to be achieved through suitable adjustments in the commercial and tariff policies. The experience of India's membership of the GATT also leads to the same conclusion. India is no longer an exporter of only raw materials and semi-finished products, the international trade in which is not generally faced with serious tariff barriers or other formidable obstacles. As India's economy gets industrialised, an increasing proportion of her exports will consist of manufactured goods. Fresh markets will, therefore, have to be developed for many of these goods and accordingly, the tariff and other barriers to such exports will have to be reduced as far as possible. On the international plane, a revision of Indian tariffs is called for so as to make it an effective instrument for trade negotiations. The modernisation of the tariff system is equally important on the national level.

During 1963-64, the customs authorities dealt with approximately five lakhs of foreign bills of entry, and made as many individual assessments. Each of these assessments involved the application of one or more items of tariff. Many of the consignments were of machinery or raw materials or other articles vitally necessary for the country's internal needs or export manufactures. Delays in the clearance of such goods, for whatever reason, obviously cause serious damage to the country's economy. In this situation, India cannot afford to have a customs tariff that is out of date or unduly complicated or leads to frequent disputes between the customs administration and the trade. The basic structure of the present tariff in the country was adopted in 1934. But during the last 30 years, there have been a number of important developments which in one way or another affected the tariff. India's accession to the GATT resulted in a number of commitments, and the creation of new tariff items to provide for them. The balance of payments difficulties, and the introduction of import trade control, changed the pattern of India's imports, and greatly reduced the importance of many tariff items. The industrial progress since independence led to a change in the pattern of imports, in favour of machinery, component parts and raw materials, and against finished articles. New international nomenclatures and classifications, such as the Brussels Tariff Nomenclature and the Standard International Trade Classification, have appeared on the scene. For many reasons, therefore, the tariff structure which was modern in 1934 has now become inadequate and out of date. The amendments made from time to time, even though quite extensive, cannot

take the place of comprehensive revision which is now the main concern of the Tariff Revision Committee.

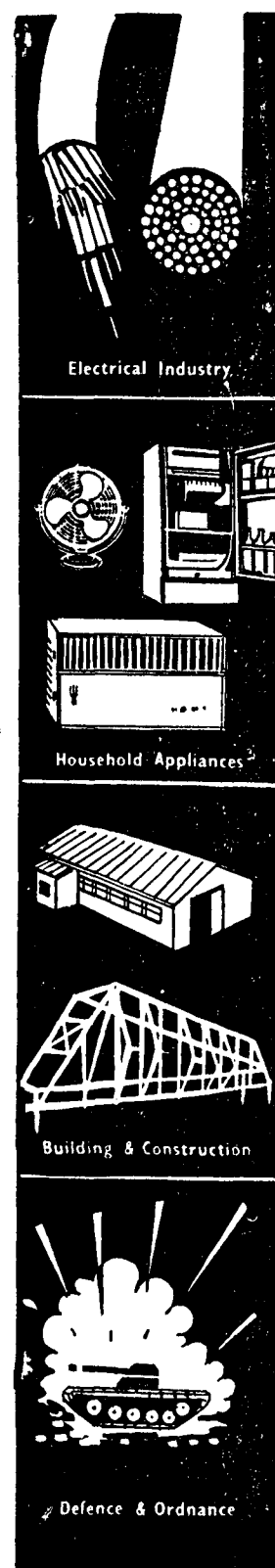
Making some general observations regarding the considerations to be kept in mind by the Committee, Mr. Manubhai Shah pointed out that a customs tariff, like all legal enactments, had to be precise, so that difficulties might not arise, or if they arise, they could be satisfactorily settled, thus reducing the scope for dispute, harassment, malpractices and abuses. As it would be handled daily by people who are not lawyers, it should be simple and practicable. Uniformity of tariffs between different countries, where possible, would help in trade and tariff negotiations and facilitate matters for overseas importers. It might not be possible to reconcile all these considerations in the first instance. Even then, the Minister emphasised, the Committee should arrive at the best possible compromise consistent with the country's needs.

The Tariff Revision Committee, which is expected to submit its report in about a year's time, will also consider whether India should adopt a standard classification such as the Brussels Tariff Nomenclature or the Standard International Trade Classification.

POST-SHIPMENT GUARANTEE

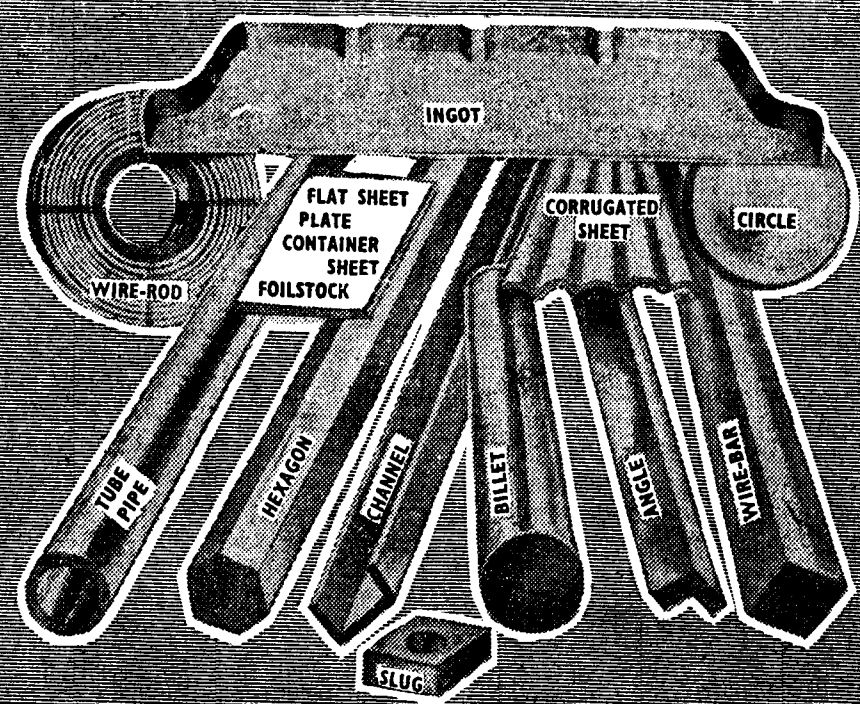
With a view to protecting the commercial banks against any loss from purchase, discount or negotiation of export bills, the Export Credit and Guarantee Corporation has introduced a new "post-shipment export credit guarantee". The guarantee under the existing "packing credit policy" enables an exporter to receive from his bank pre-shipment finance for the purpose of purchasing, processing and packing goods destined for the export market, somewhat above the bank's rating of his financial capacity. While the "packing credit policy" has come to be regarded as a good security for the banks against risks involved in giving pre-shipment advances, it was felt by banks that if a similar instrument could be devised to cover their post-shipment advances, it would help them to liberalise their lending policy. Accordingly, two new guarantees have been introduced by the Corporation, namely, (i) Post-shipment Export Credit Guarantee and (ii) Export Finance Guarantee. The post-shipment guarantee, which will protect banks against losses arising from purchase, discount or negotiation of export bills, will be issued only in respect of such exporters as obtain a Shipments/Contracts Policy. The guarantee will cover any loss sustained by a bank or financing institution due to the protracted default or insolvency of the exporter, while the Corporation's indemnity to the banks will be of the order of 66-2/3 per cent of the loss incurred. In view of this guarantee the banks will be in a position to discount bills which they may ordinarily accept only for collection. As the banks will be protected by the ECGC Shipments/Contracts policies, the risks involved would be relatively small. The premium charged will, therefore, be small, namely, 5 paise per month per Rs. 100.

As a variant of the Post-shipment Export Credit Guarantee, the ECGC has introduced the 'Export Finance Guarantee', with a view to finding for the exporter post-shipment finance in line with what he can get on the basis of the domestic value of his goods. This guarantee enables the bank to offer, on a selective basis, discounting facilities to exporters, upto 125 per cent of the shipping documents, and the bank advance (i.e. 25 per cent of the f.o.b. value of the export bills) will be guaranteed by ECGC whose indemnity to the banks will be



HINDALCO ALUMINIUM

FOR THE DEVELOPMENT OF INDUSTRIES



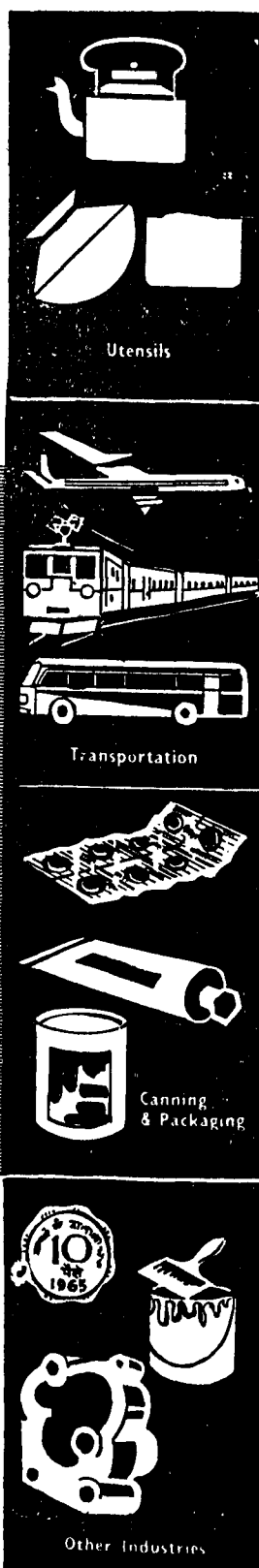
The Rs. 200 million Birla-Kaiser aluminium project at Renukoot, near Rihand, in U.P., has, since December 1962, attained and surpassed the initial target capacity of 20,000 tonnes per annum. While the Renukoot plant is already the biggest integrated aluminium manufacturing complex in India, Hindalco is forging ahead with its programme of rapid expansion, for raising the primary aluminium capacity to 60,000 tonnes per annum (and to provide fabrication facilities totalling 37,000 tonnes per annum), to help the country's fast growing industries in their march towards progress and prosperity.



HINDUSTAN ALUMINIUM CORPORATION LTD.

SALES & MARKETING OFFICES:

PRINCIPAL SALES & MARKETING OFFICE: P.O. Renukoot, Dt. Mirzapur, U.P. (Phone: Pipri 79, Gram: HINDALCO)
CALCUTTA & EASTERN REGION: 5, Clive Row, Calcutta-1. (Phones: 22-8616/8 Gram: HINDALCORP).
BOMBAY & WESTERN REGION: (also Regd. Office) Industry House, 159, Churchgate Reclamation, BOMBAY-1. (Phones: 24-5181/3, Gram: HINDALCORP).
DELHI & NORTHERN REGION: United Commercial Bank Building, Parliament Street, New Delhi-1. (Phones: 43541/3, Gram: TEXMACO).



to the extent of 75 per cent of the loss incurred in the event of the loanee's insolvency or default. To start with, the guarantee will apply only in respect of such exports as come within the purview of the export promotion schemes; but other items are not excluded and will be considered on merits. The premium rate for this guarantee will be the same as for the Packing Credit Guarantee, viz., first month 10 paise per Rs. 100, second month 10 paise per Rs. 100, third and each subsequent month 8 paise per Rs. 100.

In the event of a claim, the amount due to banks in respect of the aforesaid guarantees will be reimbursed after four months of the due date of payment. The ECGC's financial guarantees are in the nature of gilt-edged securities, furnishing the banks unconditional indemnity against the protracted default or insolvency of the exporter. These measures have been devised to help the exporter to find export finance at relatively easy terms so that he may enlarge his export business without unduly deploying or straining his financial resources.

As revealed by the past experience, the arrangement in respect of "packing credit policy" has worked satisfactorily. Last year, exporters were able to obtain from banks as much as Rs. 4 crores on the strength of this guarantee, and in the first six months of the current year this figure has already been bypassed. In view of the increasing popularity of this guarantee and its utility to exporters and banks, the ECGC has increased its indemnity to banks from 50 per cent to 66-2/3 per cent and has also reduced the waiting period in respect of claims from six months to four months.

COFFEE EXPORT QUOTA INCREASED

According to a decision taken at the recent London Conference of the International Coffee Council, India's coffee export quota has been increased to 47 million bags of 60 kilograms each. About one million bags are expected to be exported before the end of 1964. A technical mission to study coffee industry is expected to arrive in India before the end of the year. At present coffee is grown on three lakh acres of land. It is proposed to undertake re-planting operations on 1,20,000 acres.

OIL CORPORATION

With a view to securing greater co-ordination, economy and efficiency, the refining and marketing organisations of the Indian oil industry in the public sector, represented by the Indian Refineries Ltd. and the Indian Oil Company Ltd., have been merged (with effect from September 1, 1964) to form Indian Oil Corporation Ltd. with the share capital of Rs. 75 crores. This merger, which is on the model of the State-owned Oil Organisation of Italy, was suggested by the Estimate Committee of Parliament. The Indian Oil Corporation is headed by Mr. P. A. Gopalakrishnan, the erstwhile Chairman of the Indian Oil Company. In the integrated set-up, there will be two divisions — refining and marketing. The refining division will be under the charge of Mr. N. N. Kashyap, Joint Secretary, Ministry of Petroleum and Chemicals, who will act as its Managing Director, with Headquarters in New Delhi. The marketing division will be in Bombay under the charge of Mr. Gopalakrishnan. The co-ordination between the two divisions will be done at the Chairman's level.

It may be recalled that in 1959, the Government of India set up two companies, namely, the Indian Refineries Ltd. and the Indian Oil Company Ltd., the former for establishing public sector refineries at Gauhati and Barauni and the latter for the distribution of petroleum products imported from non-conventional sources, such as the USSR and Rumania, and the products of the public sector refineries. With the discovery of oil in Gujarat, it was decided to set up a refinery at Koyali under the auspices of the Oil and Natural Gas Commission and also

to set up a petro-chemical complex in Gujarat. The newly formed Corporation will operate the public sector refineries at Gauhati and Barauni as well as construct and operate the pipelines. The co-ordination, however, cannot be fully achieved unless the Gujarat refinery is also brought within the orbit of the integrated set-up. It is, therefore, intended to transfer this refinery also to the Indian Oil Corporation in due course. This will enable the Oil and Natural Gas Commission to concentrate more intensively on the exploration and production of crude oil within the country. The pipeline projects connecting Barauni refinery with Haldia (West Bengal) on the one hand and Kanpur (UP) on the other, and the pipeline projects connecting Siliguri with Gauhati and Ahmedabad with Koyali will be in the charge of the refining division. The marketing division of the Corporation will handle the entire production of the public sector refineries as well as the production of the Cochin refinery, now under construction. The present annual turnover of the marketing division is of the order of 1.5 million tonnes of imported plus indigenous products. This is expected to be doubled by the end of the third Plan.

The refinery at Gauhati, constructed with Rumanian technical aid, has a capacity of 0.75 million tonnes with prospects of expansion to 1.25 million tonnes. The Barauni refinery, being built with Soviet technical assistance, has the ultimate capacity of three million tonnes. The Gujarat refinery at Koyali, also being built with Soviet assistance, will refine three million tonnes of crude oil from the Ankleshwar oil fields. The two plants for processing lubricants, one in Bombay and the other in Calcutta, have been completed — the annual turnover of the Bombay plant being 60,000 tonnes and of the Calcutta plant 40,000 tonnes.

REFINANCE CORPORATION TAKEN OVER

According to a Government of India notification, with effect from September 1, 1964, the Industrial Development Bank of India, which was established in July this year under the Industrial Development Bank of India Act, 1964, has taken over the Refinance Corporation for Industry. As the functions of the Development Bank covered those of the Refinance Corporation, there was no particular advantage in the Refinance Corporation continuing to function as a separate institution after the establishment of the Development Bank and, therefore, the merger has been effected as a corollary to its function of co-ordination of the activities of various financial institutions engaged in providing term finance to industries. As compensation, the Development Bank has paid to the Refinance Corporation an amount equal to its paid-up capital of Rs. 2.50 crores for distribution to the shareholders as provided in the Act. The facilities extended by the Refinance Corporation will be continued by the Development Bank. The present limit of refinance of Rs. 50 lakhs for any one industrial concern has been raised to Rs. 100 lakhs and the limit will be related not to sanction but outstanding balance in a refinanced loan account. Further, the upper limit of Rs. 50 lakhs in respect of refinance for medium-term export credits has been altogether removed.

During its existence of over six years, the Refinance Corporation fulfilled its role effectively and had not only utilised the entire initial allocation of Rs. 26 crores out of the PL 480 funds for re-lending to private enterprise through specified credit institutions, but had also drawn a further sum of Rs. 7.50 crores out of Rs. 10 crores subsequently allotted to it. The Corporation had also actively associated itself with the various proposals for providing rupee finance to the private sector collieries in order to help them utilise the World Bank foreign exchange loan of \$35 million for importing equipment etc. to step up output.

Company Affairs

BIRLA JUTE

THE BIRLA Jute Manufacturing Company Ltd. entered the capital market on September 9 with an offer of 20,000 debentures of Rs. 1,000 each. The subscription list will close on September 15 or earlier at the discretion of the directors but not before September 11. The debentures carry interest at the rate of 7 per cent per annum to be repaid at par on April 1, 1977 or at the option of the company at any time after April 1, 1975 by giving not less than six months' notice for this. The entire issue has been underwritten by the Life Insurance Corporation, the Oriental Fire and General Insurance Co. Ltd., Indian Guarantee & General Insurance Company Ltd., Messrs. Harkisondass Lukhmidass, Messrs. G. M. Pyne, Messrs. Chimanlal J. Dalal & Co. and Place, Siddons & Gough (Private) Ltd. This amount of Rs. two crores is being raised to provide a part of the expenditure to be incurred on the cement plant to be set up at Chittorgarh and oxygen and acetylene gas plants at Birlapur and partly to reduce the company's indebtedness to its bankers.

The cement plant is expected to cost nearly Rs. 3 crores and Oxygen and Acetylene Gas Plants Rs. 27 lakhs and unsecured repayment of cash credit account comes to nearly Rs. 50 lakhs. This amount of Rs. 3.77 crores is to be raised to the extent of Rs. 2 crores by issue of these debentures, Rs. 47 lakhs through deferred payment credit for import of cement plant and Rs. 1.30 crores through retained profits or other sources of the company. Besides, having Jute Manufacturing Mills at Birlapur, near Calcutta, the company also owns a calcium carbide factory which has a capacity of 40 tons of carbide per day. It also has a staple fibre spinning plant with a capacity of 30,800 spindles. The cement plant at Satna, completed in 1959, has a capacity of 1,750 tons of cement per day.

It is now setting up a cement plant at Chittorgarh in Rajasthan with a rated capacity of 600 tons of portland cement per day for which it has already been granted a licence. Land for cement works has been acquired and construction work is in progress. Arrangements have been made for the import of machinery valued at nearly Rs. 50 lakhs from Messrs. F.L. Smidth & Cie of Paris who are leading manufacturers of cement machinery. The principal raw material, limestone, is available locally and Rajasthan State Electricity Board has already agreed to supply sufficient electricity.

The company has also set up Oxygen and Acetylene Gas Plants with a capacity of 45.36 million cubic feet of oxygen and 15.12 million cubic feet of acetylene gas. Both the gases are widely used in the various industrial processes. Acetylene gas will be manufactured out of carbide which is also being manufactured by the company and the oxygen will be compressed from air. The power requirements for these plants will be met from the company's own power house at Birlapur. The plants have already been put into commission from August, 1964.

HINDUSTAN MOTORS

The over-all performance of Hindustan Motors Ltd. is quite satisfactory for the year ended March 31, 1964. Despite a fall in the production of vehicles and steady increase in production costs, the turnover has increased which is largely due to the impressive rise in production in the heavy engineering division. Sales increased by a little over 11 per cent from Rs. 29.29 crores to Rs. 32.56 crores. Net profit after providing for depreciation and taxation is also higher at Rs. 148.89 lakhs against Rs. 127.50 lakhs in the previous year. While the provision for taxation is lower at Rs. 143.00 lakhs against Rs. 222.50 lakhs, the appropriation for depreciation is substantially

higher at Rs. 106.25 lakhs as compared with Rs. 71.50 lakhs in the preceding year. The allocation to the general reserve is maintained at Rs. 25 lakhs. A sum of Rs. 93.09 lakhs against Rs. 93.13 lakhs is set apart for dividend reserve, Rs. 14.21 lakhs for managing agents' remuneration against Rs. 16.37 lakhs, and Rs. 30 lakhs for development rebate reserve against Rs. 9.75 lakhs. The dividend is being maintained at Rs. 1.15 a share less tax.

Production was interrupted frequently during the year due to non-availability of requisite licences for raw materials and components in time. In fact the company had to stop production of cars during the period July to September, 1963. Production of trucks during this period, however, continued on a limited scale. With the commencement of production from October 1963, every effort was made by the company to step up production and as a result, an all-time record in production of 2,689 vehicles was reached in March 1964. Nevertheless, the overall production was lower than in the preceding year. The production was also adversely affected by the irregular and inferior supply and consequent rejection of components manufactured by ancillary industries.

The company is making steady progress in increasing the indigenous content of its Ambassador cars and Bedford trucks. With the installation of machinery, which is being imported against various loans, the company will be able to reach the target of 90 per cent. The company has applied to the US Agency for International Development for a loan of \$23 million. This loan will enable the company to cover the import of plant and machinery required for the manufacture of Bedford engines and also to increase the truck production capacity to 15,000 a year. This loan has already been sanctioned by AID. Negotiations are under way for securing a further loan for the same purpose from the general currency area.

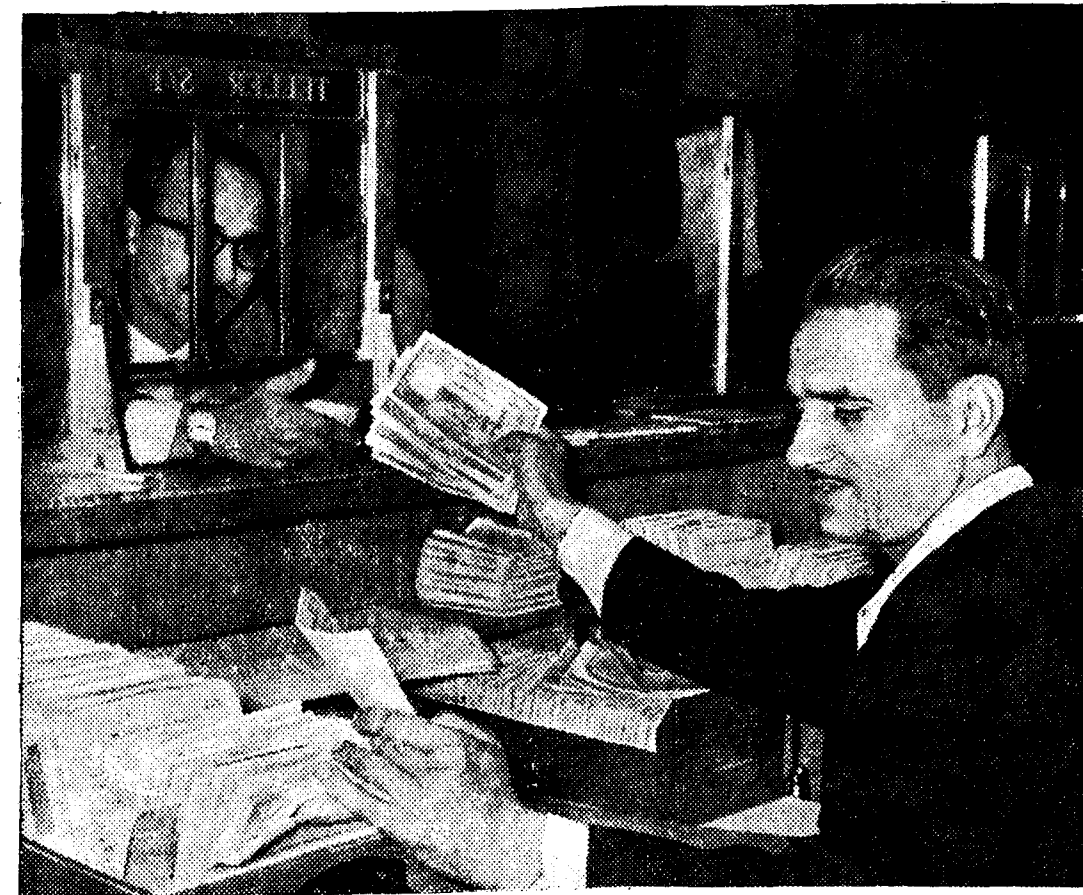
A licence has been sanctioned to the company to import some capital goods for the manufacture of cranes in the heavy engineering division. The company also proposes to set up a steel foundry shop which will make the company self-sufficient in respect of steel castings. Arrangements are also being made to take up the manufacture of certain types of machine tools. The Government of India has approved the proposal and negotiations are in progress for entering into foreign collaboration agreements for the manufacture of these machine tools.

HINDUSTAN MACHINE TOOLS

Hindustan Machine Tools Ltd. recorded considerable progress during the year ended March 31, 1964 with an all-round rise in production, sales, gross revenue and profits. Gross revenue increased significantly from Rs. 7.68 crores to Rs. 10.88 crores during the year under review, representing an increase of more than 41 per cent. Thanks to the efficient working by all the units of the Company and the encouraging rise in production, the net profits for the year, before providing for taxation but after providing for depreciation and paying interest to the Government, are substantially higher at Rs. 3.01 crores as compared with Rs. 2.16 crores in the preceding year. This represents a return of 37.6 per cent over its share capital of about Rs. 8 crores as compared with 33 per cent in the previous year. The directors have recommended a dividend of 10 per cent for the fourth consecutive year.

At present three units of Hindustan Machine Tools, two in Bangalore and one in Pinjore, are in production. The aggregate production of the Bangalore factories, HMT I & II, is around two thousand standard machines. Production was

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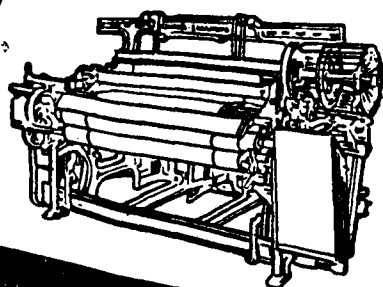
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September 11, 1964

EASTERN ECONOMIST

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further diversified with the addition of special purpose machines and Turret lathes. The Pinjore unit has commenced production and the first batch of "all-electric" milling machines will be despatched from the factory by the middle of 1964-65.

The fourth unit of the HMT is coming up in Kalamassery, near Ernakulam in Kerala. This is the second factory to be financed entirely from the internal resources of the company and will be the third machine tool factory to be designed, built and commissioned entirely by the Indian personnel without any foreign collaboration. Construction work of the Hyderabad plant, the fifth unit of HMT, has commenced and production is expected to start by the end of next year.

The Watch factory continued to show steady progress. During the year, it turned out 1,21,602 watches against 51,562 watches produced last year. Sales jumped up from 36,059 last year to 1,19,035 during the year under review.

Demand for machine tools at the of the fourth Plan is expected to exceed Rs. 100 crores a year. HMT has offered to meet approximately 50 per cent of the demand by establishing five more new factories during the fourth Plan period. The capital of Rs. 20 crores required for this purpose will be met entirely from the internal resources of the Company.

Allocations include Rs. 102.78 lakhs for depreciation (Rs. 78.59 lakhs), Rs. 56.00 lakhs for taxation (Rs. 45.19 lakhs), Rs. 37.00 lakhs for development rebate (Rs. 10.40 lakhs), Rs. 40.00 lakhs for replacement reserve (nil), Rs. 70.00 lakhs for general reserve (Rs. 90.00 lakhs), Rs. 6.04 lakhs for writing off licence rights (nil) and Rs. 17.13 lakhs (Rs. 7.83 lakhs) for writing off development and commissioning expenditure.

SYLVANIA & LAXMAN CO.

Sylvania and Laxman Co. Ltd., Delhi is expected to enter the capital market shortly with a public issue of Rs. 24 lakhs in equity shares of Rs. 10 each. The company has an authorised capital of Rs. 2 crores and an issued capital of Rs. 80 lakhs. The company proposes to set up a factory in Delhi for the manufacture of fluorescent tubes, lamps, mercury vapour lamps and photo flash lamps. It has entered into a collaboration agreement with a reputed US firm which will invest a sum of Rs. 36 lakhs in the company's capital. A plant is also to be set up for the production of glass tubes and shells used in fluorescent tubes and lamps. A technical collaboration agreement has been arranged with Nippon Glass Company of Japan. The capital outlay on the project is estimated at Rs. 1.50 crores. Orders for machinery have already been placed and production is expected to commence in early 1966.

INDIAN BRIGHT STEEL

Indian Bright Steel Company Ltd. proposes to set up a unit at Madras — the only unit in the South — for the production of bright bars instead of at Bombay as originally licensed by the Government of India. Five acres of developed land have already been allotted to the company by the Government of Madras at Ambattur. The company is negotiating with the Madras Industrial Investment Corporation Ltd. and a leading bank in the South for loans. The directors hope that the company will be able to start production in the near future. The working results for the year ended March 1964 show a loss of Rs. 37,064. This amount together with the loss of Rs. 54,386 for the previous years is being carried forward to the next year's account.

CENTRAL PULP MILL

The Export-Import Bank has announced recently a \$6.33 million (Rs. 3.25 crores) loan to Central Pulp Mills Ltd., Poona, to assist in the establishment of a bamboo pulp mill at Fort Songad, near Bombay. The Export-Import Bank loan will be repaid over eight years beginning in 1967. The interest rate will be 5½ per cent. Central Pulp Mills was set up in 1960.

The initial annual capacity of the new mill will be 24,800 tons and it will be increased to 33,000 tons in the seventh year of operation. The pulp mills, which will supply the basic raw material for paper-making to several existing units in western India and elsewhere, will go into production after about two years. The capital outlay on the project is estimated at Rs. 6.54 crores, of which the Export-Import Bank loan amounts to Rs. 3.25 crores. The company proposes to raise the balance by way of share capital and loans. The Maharashtra and Gujarat Governments have agreed to underwrite a portion of the share capital of the new project.

MYSORE ACETATE LOAN

Mysore Acetate and Chemical Company has been authorised a \$2.1 million loan by the Export-Import Bank to purchase American equipment and services for the construction of a cellulose plant. The loan carries an interest at the rate of 5½ per cent over a period of eight years. The proposed \$8.7 million plant, to be located near raw material sources of cotton, acetic acid, and anhydride, at Mandya near Bangalore, is expected to produce cellulose acetate at an annual rate of some 3,300 metric tons. The product is used in film manufacture and as a moulding compound.

ALUMINIUM CORPORATION

Aluminium Corporation of India Ltd. had reported encouraging working results during the year ended March 31, 1964. New records were set in sales and gross profits during the year. Sales recorded a sharp rise from Rs. 233.82 lakhs to Rs. 345.15 lakhs, an increase of more than 47 per cent. Gross profits too showed a significant improvement from Rs. 46.78 lakhs to Rs. 63.37 lakhs. The directors have decided to raise the equity dividend from 5 per cent to 9 per cent. Better working results are expected next year when the working of the company will be further stabilised and the advantages from other fabrication facilities will be available.

The expansion having been completed, the company has decided to issue further capital of Rs. 42.81 lakhs in the form of 1,78,125 ordinary shares of Rs. 10 each at par and 25,000 cumulative preference shares of Rs. 100 each, bearing an interest of 9.3 per cent per annum. The preference shares are redeemable at the company's option after five years but not later than 12 years from the date of allotment.

The capacity of the alumina plant is now trebled. The new melting shop facilities and extrusion plant commissioned during the year have attained full production. The cable plant for manufacture of ACSR and AAC (conductors) and the new rolling mills have been commissioned. The foil plant is nearing completion and production is expected to commence shortly.

GREAVES COTTON

The year ended March 31, 1964 had been one of encouraging progress and rapid expansion for the Greaves Cotton and Co., Ltd. The trading during the current year continued to show good progress and unless some adverse circumstances materially alter the position, the company expects a further expansion in its turnover. The profits are also expected to show a progressive improvement.

The company's own manufacturing activities in the cone plant and the diamond bit manufacturing division continue to be encouraging. The diamond bit division is being equipped for the production of drill rods and casts. The company has already on hand orders equivalent to one year's production.

Of the associated companies, both Crompton Parkinson (Works) Ltd. and Greaves Cotton and Crompton Parkinson have recorded commendable progress during the year. A substantial expansion of Crompton Parkinson (Works) Ltd

has already been approved by the Government of India. Greaves Foseco Ltd., another associated company has two works, one at Chinchwad and another at Calcutta. With the substantial increase in steel production now taking place and being planned, the future prospects for this company are considered bright. Mather Greaves, after consolidating the manufacture of calendar bowls, has now embarked on the production of complete calendars, Schreiner Calendars, Stenter clips, mangles, printing machines etc.

Of the subsidiary companies an appreciable improvement in 1964 is expected of Rustan and Hornsby (India) Ltd. The works is now operating at near optimum level in relation to its present facilities. The order book for both horizontal and vertical air cooled engines is quite satisfactory. The outlook for David Brown Greaves Ltd. is encouraging. Plans are afoot for raising its production capacity.

BAJAJ AUTO

Bajaj Auto Ltd. proposes to expand its manufacturing capacity to 30,000 scooters and 6,000 autorickshas per year. The company will soon apply to the Government for necessary permission. ICICI has sanctioned a foreign exchange loan of \$1.05 million (Rs. 50 lakhs) for the purchase of machinery. Arrangements in respect of the loan were finalised last month and the company has started withdrawals from the loan. An import licence to import plant and machinery worth Rs. 48.07 lakhs has already been received and the company expects to receive another import licence for Rs. 1.08 lakhs. A loan of Rs. 20 lakhs from a bank for the purchase of indigenous machinery and payment for import is under negotiation. The import of machinery is expected to be completed by the middle of 1965 and this will enable the company to increase the indigenous content of both the scooters and autorickshas to 90 per cent by the end of 1965. The company expects to reach the indigenous content of scooters to 75 per cent and of autorickshas to 70 per cent by the end of this year. In the current year the company has placed orders for machinery worth Rs. 17.80 lakhs.

TAN-INDIA

Tan-India Wattle Extracts Co., Ltd., a new company incorporated in Madras, will enter the capital market shortly with a public issue of Rs. 12.50 lakhs in equity shares of Rs. 100 each. The company has an authorised capital of Rs. 50 lakhs and an issued capital of Rs. 25 lakhs. The company proposes to set up a plant near Ooty, for manufacturing blended tanning extracts using wattle barks, myrobalan nuts, babul and other barks.

COROMANDEL FERTILISERS

Mr. John Quincy Cope and Mr. Charles Stuart Dennison, the two directors of Coromandel Fertilisers Ltd. arrived last month from the United States to endorse the building up of the Rs. 32½ crores fertilizer complex in Andhra Pradesh, the largest venture of its kind in the private sector. The building of this fertiliser complex includes the construction of the plant at Visakhapatnam and the creation of an organisation to sell and transport some 1,200 tonnes of fertiliser per day to a market which would be receptive to and capable of absorbing this vast quantity of fertiliser by the time the plant comes into production at the end of 1966.

The Board of Directors has approved the expenditure of approximately Rs. 4 crores and commitments of expenditure of about Rs. 8 crores during the next eight months up to March 31, 1965.

The rated capacity of the plant will be in the region of 81,000 tonnes of nitrogen a year and 73,000 tonnes P₂O₅ or 365,000 tonnes in terms of 20N:20P₂O₅ Ammonium Phos-

phate. It is anticipated that the factory will be achieving its rated capacity from the start.

ANDHRA VALLEY

The Andhra Valley Power Supply Company Ltd. reported a sharp rise in net profits before providing for taxation during the year ended March 31, 1964. The profits jumped up to Rs. 103.25 lakhs from Rs. 56.97 lakhs in the preceding year. The provision for taxation was higher at Rs. 31.98 lakhs as against Rs. 8.42 lakhs in 1962-63. A sum of Rs. 6.35 lakhs was transferred to contingencies reserves as against Rs. 3.62 lakhs in the preceding year, while Rs. 1.18 lakhs were provided for arrears of depreciation, the same as in the previous year. After writing off Rs. 93,565 (Rs. 66,975) towards intangible assets and other expenditure, the development reserve was allocated Rs. 1.62 lakhs as against Rs. 8.68 lakhs in the previous year. Tariffs and dividends control reserve received Rs. 3.59 lakhs (Rs. 1.02 lakhs) while Rs. 3.59 lakhs (Rs. 1.15 lakhs) were appropriated towards consumers' benefit account. General reserve received (Rs. 14.10 lakhs (Rs. 1.72 lakhs) and debt redemption reserve Rs. 6.60 lakhs as against nil in the previous year. Dividend reserve was credited with Rs. 22.93 lakhs as against Rs. 19.90 lakhs in 1962-63. The total revenue from sales of energy increased substantially from Rs. 3.16 crores to Rs. 4.57 crores. The directors have recommended a final dividend of Rs. 35.00 per share on preference shares and Rs. 70.00 per share on ordinary shares.

TATA HYDRO-ELECTRIC

Striking improvements in working results were reported by the Tata Hydro-Electric Power Supply Co. Ltd. for the year ended March 31, 1964. Income from sales of energy increased sizably from Rs. 2.31 crores to Rs. 3.46 crores. Net profits, before providing for taxation, too, recorded a significant rise from Rs. 59.21 lakhs to Rs. 112.31 lakhs. Provision for taxation was higher at Rs. 43.44 lakhs as against Rs. 22.79 lakhs in 1962-63. Contingencies reserve absorbed Rs. 5.00 lakhs (Rs. 2.55 lakhs) while development reserve claimed a larger sum of Rs. 12.16 lakhs as against a lakh of rupees only in the previous year. A sum of Rs. 2.97 lakhs (Rs. 12,655) was set aside for tariffs and dividends control reserve while a similar amount was allocated towards consumers' benefit account. Other allocations included Rs. 9.50 lakhs for general reserve (Rs. 3.10 lakhs), Rs. 4.50 lakhs for debt redemption reserve (nil), Rs. 19.93 lakhs for dividend reserve (Rs. 17.60 lakhs), Rs. 37,243 for arrears of depreciation (same) and Rs. 1.36 lakhs (Rs. 0.75 lakhs) towards write-off of intangible assets and other expenditure. The directors have recommended a final dividend of Rs. 3.50 per share on preference shares and Rs. 7.00 per share on ordinary shares.

TATA POWER

The Tata Power Company Ltd. reported encouraging working results during the year ended March 31, 1964. The total revenue from sales of energy rose steeply from Rs. 5.56 crores in 1962-63 to Rs. 8.00 crores in 1963-64. Net profit, before providing for taxation too, showed a significant rise; it went up from Rs. 1.30 crores to Rs. 2.27 crores. Taxation claimed Rs. 90.59 lakhs against Rs. 50.48 lakhs while provision for arrears of appreciation absorbed Rs. 9,516. General reserve received Rs. 34.00 lakhs as against Rs. 1.50 lakhs while Rs. 10.77 lakhs were set apart for contingencies (reserve as compared with Rs. 5.60 lakhs in the preceding year. Other allocations included Rs. 2.44 lakhs for development reserve (Rs. 2.70 lakhs), Rs. 15 lakhs for debt redemption reserve (Rs. 7.00 lakhs), Rs. 7.17 lakhs for tariffs and dividends control reserve (Rs. 0.34 lakhs), Rs. 39.36 lakhs for dividend reserve (Rs. 34.20 lakhs), Rs. 7.17 lakhs towards consumers' benefit account (Rs. 2.58 lakhs) and Rs. 2.00 lakhs (Rs. 1.18 lakhs) as write-off of intangible assets and other expenditure. The directors have recommended a final dividend of Rs. 37.50 per share on preference shares and Rs. 70.00 per share on ordinary shares.

COMPANY MEETING

ADITYA MILLS LIMITED

Speech of the Chairman, Shri B. Kanoria

The following is the speech of Shri B. Kanoria, Chairman of the Aditya Mills Limited, at the Annual General Meeting held on 31st August, 1964 :

Gentlemen :

It gives me great pleasure to welcome you to the Annual General Meeting.

We are meeting today under the gloom cast by passing away of our beloved Prime Minister, Shri Jawaharlal Nehru, a little over three months back. His qualities as an illustrious fighter for freedom, an outstanding statesman and a universal leader were well known throughout the world. He played a dynamic role in shaping the history of our country nearly for two decades and as a maker of modern India will long be remembered.

The Balance Sheet and Annual Accounts together with Directors' Report for the year ended 31st December, 1963 have already been in your hands for some time now and with your permission I shall take them as read.

The operating results for the period of eighteen months has shown a profit of Rs. 23,234 after providing fully for interest on loans but without providing for depreciation and development rebate. Upon adjusting this from the debit balance of Rs. 23,910 brought forward from last year's debit balance, Rs. 676 has been left over which is being carried forward to next year. Looking to the fact that the mill started the working of a few thousand spindles in March 1963 and faced innumerable teething troubles on account of untrained workers and high speed machines, I hope you will not consider the results to be too bad.

POWER SUPPLY

The position of power supply by the Rajasthan State Electricity Board from the Chambal Hydel Project has not been quite satisfactory. There were long and frequent interruptions which ranged from a few minutes to 103 hours at a stretch, causing big loss of production to the Company. We have approached the Rajasthan State Electricity Board as well as the Government of Rajasthan to give their serious thought to the matter and take necessary steps to ensure perennial supply. We only hope that necessary steps shall be taken to ensure regular and uninterrupted supply in future.

INADEQUACY OF POWER LOOMS & HOSIERY INDUSTRY IN RAJASTHAN

There are very few power looms in Rajasthan compared to those in other States such as Maharashtra, Madhya Pradesh, etc. In absence of adequate number of power looms, the spinning mills in the State have to sell their production of yarn outside the State incurring a heavy burden of transport charges. Another handicap is that hosiery industry has not developed here. This industry which is a small-scale one can, besides providing employment to the people, also help in increasing the consumption of yarn and thus assist the textile industry in the State.

PRICE REGULATION

Under the Price Regulation Scheme, the prices of yarn have been fixed since 1960 and they were nominally revised once in February 1963. Since then though the cost has gone up considerably on account of rise in cotton and stores prices and higher wages, there has been no increase in the yarn rates in spite of several representations made. It is understood that it is more profitable these days to spin man-made fibre rather

than cotton and, therefore, your company has purchased a small quantity of such fibre to take a trial and, if met with success, intends to divert towards the bulk production of the same.

SECOND WAGE BOARD

The Government of India have already announced the formation of a Second Wage Board for the textile industry. The main terms of the Wage Board are :

- The recommendations of the First Wage Board for the cotton textile industry and the Government's decision thereon;
- The various elements of labour costs (excepting bonus) from wages.
- The need for adjusting wage differentials in such a manner as to provide incentive to workers for advancing their skill; and
- The desirability of extending the system of payment by results.

You must be aware that when the First Wage Board had submitted its report it had recommended large-scale rationalisation along with increase in wages. In actual effect, the wages went up without the Mills getting much of the benefit, I hope that the present Board will keep in mind that fact, while submitting its Report as also the Government enforces the implementation of its recommendations to both sides in case the recommendation be unanimous.

WATER

I had made a reference to the water scarcity in my last report. We were advised by an expert to dig a tube-well at a site suggested by him. The job was undertaken and though we have now dug to a depth of more than 400 feet, the results have not yet been very encouraging. It is the good fortune of your Company that one of the wells dug earlier is yielding a lot of water and the mills for the time being are not posed with any water problems as such. However, the weaving project cannot be undertaken unless we are fully convinced of the quantity of water at our disposal.

Before I conclude, I would like to express the Board's appreciation to the workers, the staff and officers for their wholehearted co-operation.

YOUR ATTENTION PLEASE

To ensure prompt action, kindly address
all your correspondence to :—

The Manager,
EASTERN ECONOMIST,
UCO Bank Bldg., Parliament St.,
P. O. Box 34,
New Delhi-1.

BOOKS BRIEFLY

Trade Trends

New Directions In India's Trade Policy: By P. G. Salvi; Vora & Co., Publishers Pvt. Ltd., 3, Round Building, Bombay-2; Pp. 110; Price Rs. 9.

MR. SALVI has done more justice to the collection and compilation of facts than making an analytical study of the foreign trade of India. In view of the fact that there are not many books on the subject, the volume under review should prove a useful reference material as it contains a statistical appendix comprising a set of 16 informative tables on the country's imports and exports, area-wise and commodity-wise. In his 'foreword' Mr. Manubhai Shah has made a reference to the last chapter entitled "New Directions in India's Trade Policy" where the author says, in an optimistic vein, that "woollen industry, paper and pulp industry, fisheries and animal products industries can easily give an additional foreign exchange of three hundred crores of rupees to finance the future economic development of the country". Though anybody would agree with Mr. Manubhai Shah in wishing that the assertion made in this sentence comes true in the near future, the author, on his part, has not taken pains to explain anywhere in the book the concrete steps that should be taken to develop the exports of these items.

Almost all the important features of India's foreign trade such as its structure, the fluctuations in imports and exports, the role of State Trading Corporation and foreign trade agreements, have been reviewed in the book. The author has repeatedly pointed out that the time has now come to view the five-year Plans in relation to the need of promoting exports because India will have to earn foreign exchange in increasing quantities for meeting not only the growing needs of developmental and maintenance imports but also for ser-

ving her loans by way of interest payments and capital repayment. Product on opportunities will, therefore, have to be created with a view to generating export surpluses. Since independence in 1947 India has made considerable efforts to build up her economy and thereby reduce her dependence on imported foodgrains, raw cotton and raw jute. But in spite of all efforts to increase agricultural and industrial output the adverse balance of trade has continued to occupy a prominent place in the country's foreign trade statistics. The corrective has still to be found not in curtailing imports by artificial means but in increasing domestic production so that on the one hand the need to import is diminished and on the other the country's export potential is increased.

As regards the pattern of India's foreign trade, Mr. Salvi points out that the United Kingdom and the USA continue to be India's leading partners in trade. The East European countries in general and the USSR in particular, have emerged as new markets for Indian exports.

The chapter on trade agreements lists 35 countries which have entered into trade agreements with India. Many of the bilateral trade agreements have been made with countries where trade is in the hands of the State. In recent years there has been a tendency towards bilateral trade so as to encourage the balancing of imports and exports.

The domestic market may absorb whatever is produced, even at relatively high prices, but the export markets are competitive and as such highly susceptible to price increases. The prices of most of our goods have been rising steadily with the result that raw materials as well as finished goods are not in a position to compete in the world market. Mr. Salvi has, therefore, advocated an early inquiry into the cost conditions of our export industries.

Readers' Roundtable

STATE TRADING IN FOODGRAINS

Sir,

At the foodgrains dealers' convention in New Delhi on May 3, the Union Minister for Food and Agriculture said that neither the Government nor the society would tolerate the operation of the law of supply and demand in this field.

Economic laws like that of supply and demand have not been formulated by foodgrains dealers, but have been evolved on the basis of observation of human nature (as it is, and not as it ought to be) over the centuries. This and other laws of the market cannot be legislated out or overcome by use of governmental power. In this connection, it is interesting to note that after pursuing economic policies based on such ideological considerations for over four decades, today even a communist country like the Soviet Union is retracing its steps by allowing the play of market forces in order to increase production and give a better life to the people.

Food prices have been rising because of a number of factors: inadequate production to meet the needs of an increasing population; government planning which attempts to invest resources beyond the available savings of the community, thus occasioning deficit financing and upsetting the balance between money supply on the one hand and goods and services on the other; a huge bureaucracy (81 lakhs) which is, by and large, unproductive and a drag on the economy; ideological priority to heavy industries, which take years to mature and which are at the cost of agriculture — nation's basic asset.

The trade, which operates according to the laws of the market, is always a convenient scapegoat. The recent Food-grain Licensing Order, instead of controlling foodgrain prices, has thrown the market into confusion at the State and district levels.

The annual foodgrains trade involves a turnover of the magnitude of the Union Budget, around Rs. 2,000 crores. At present there is no adequate distribution machinery to replace over six lakhs of traders spread all over the country. This is the main reason for Government's inability to resort to state trading in foodgrains. Moreover, state trading would mean (a) compulsory procurement of foodgrains from farmers; (b) not only rationing of the quantum of foodgrains, but also rigorous restrictions on food to be served in restaurants, at functions, etc.; (c) inevitable inefficiency of the bureaucracy, which will be exposed year after year in the Audit Report; (d) widespread corruption, and (e) public dissatisfaction with the Government as a result of all this.

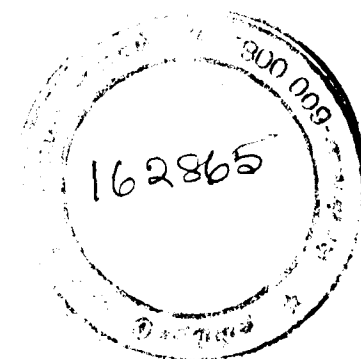
The remedy does not lie in continuing the warfare on the trade nor in ill-considered measures like nationalisation of rice mills. It is, on a short-term basis, effective deployment of PL 480 buffer stocks, removal of the zonal system and curtailment of wasteful Government expenditure; on a long-term basis, reversal of the present planning strategy of concentration on heavy industries to the neglect of agriculture and consumer goods industries, of wasteful governmental expenditure on an unproductive bureaucracy, of an ideological Public Sector, of unnecessary controls on private enterprise of citizens, of heavy taxation of the public, and of a spree of deficit financing.

If the Government persists in the measure and present economic policies, not only will corruption and bureaucratic tyranny increase, but also an increase in the foodgrains prices by about 15 to 20 per cent will take place in the next two months.

Bombay

M. R. PAI

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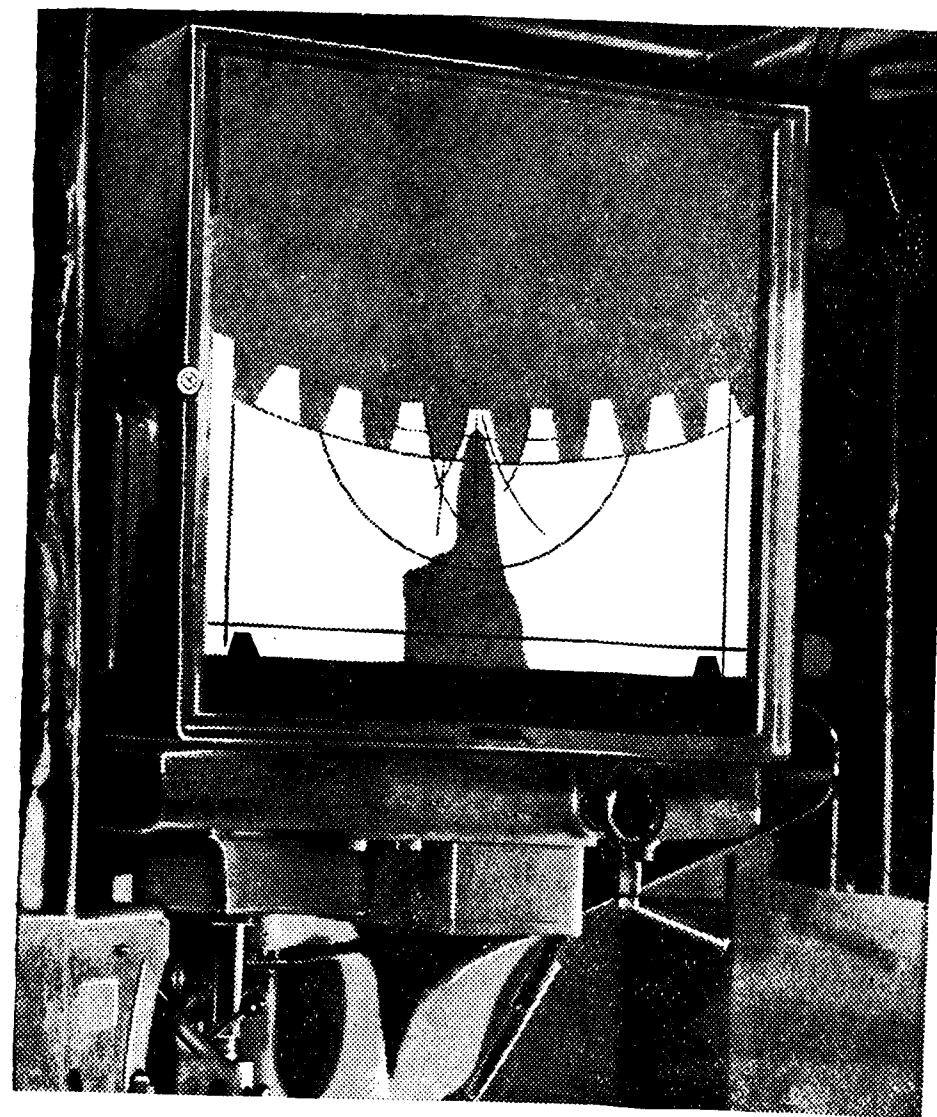
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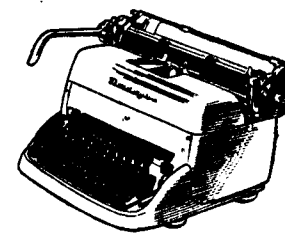
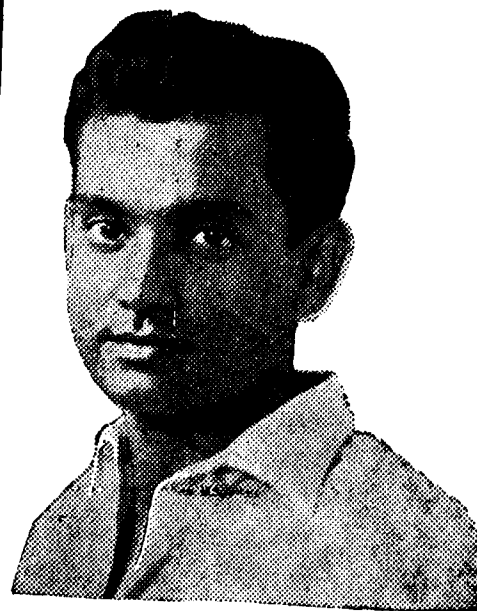
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COMPANY NOTICES

THE BIRLA JUTE MANUFACTURING COMPANY, LIMITED

NOTICE is hereby given that the Annual General Meeting of the Shareholders of the Company will be held at the Registered Office of the Company at 15, India Exchange Place, Calcutta-1, on Monday, the 28th September, 1964, at 4-00 P.M. for the following purposes:

1. To receive and consider the Report of the Directors and to pass the audited accounts of the Company for the year ended 31st March, 1964.
2. To declare Dividends on Preference, Second Preference and Ordinary Shares.
3. To elect Director in place of Shri J. M. Goenka, who retires by rotation, but, being eligible, offers himself for re-election.
4. To appoint Auditors and to fix their remuneration.
5. As special business to consider and, if thought fit to pass, with or without modification, the following Resolutions:—

(i) **As Ordinary Resolution:**

"RESOLVED that Shri Rasiklal Naneklal Dalal, a Director of the Company who ceases to hold office under Article 138 of the Company's Articles of Association, be and is hereby re-appointed a Director of the Company.

(ii) **As Special Resolution:**

"RESOLVED that Shri Brijratan S. Mohatta, a Director of the Company who is an associate of the Managing Agents under the Companies Act, 1956, who ceases to hold office under Article 138 of the Company's Articles of Association, be and is hereby re-appointed a Director of the Company liable to retire by rotation."

(iii) **As Ordinary Resolution:**

"RESOLVED that the authorised capital of the Company be increased to Rs. 6,00,00,000 (Rupees Six crores) by the creation of 20,00,000 further ordinary shares, being equity shares, of Rs. 10 each and that the conditions contained in the Company's Memorandum of Association be deemed as altered accordingly."

(iv) **As Special Resolution:**

"RESOLVED that the provisions of the Articles of Association of the Company be altered in the manner following, that is to say that in Article 4 the words and figures 'At the date of the adoption of these Articles the share capital of the Company is Rs. 4 crore divided into 20,00,000 Ordinary Shares of Rs. 10/- each, 25,000 7½% (subject to Income Tax)

Cumulative Preference Shares of Rs. 100/- each and 1,75,000 2nd Preference Shares of Rs. 100/- each' be deleted and the following words and figures be substituted therefor:

"The Share capital of the Company is Rs. 6,00,00,000 divided into 40,00,000 Ordinary Shares of Rs. 10 each, 25,000 7½% (subject to income-tax) Cumulative Preference Shares of Rs. 100 each and 1,75,000 Second Preference Shares of Rs. 100 each."

The Register of Members and Share Transfer Books of the Company will remain closed from the 10th September, 1964 to the 28th September, 1964, both days inclusive.

By Order of the Board,

Per Pro: BIRLA BROTHERS PRIVATE LIMITED,
G. MAKHARIA,
Managing Agents.

Registered Office:

15, India Exchange Place,
Calcutta-1.

Dated, the 29th July, 1964

N.B. (i) The Directors have recommended the following dividends for the year subject to deduction of tax under the Income-tax Act, 1961:

On Preference Shares @ 7.5% per annum (increased by 11% under the Preference Shares (Regulation of Dividends) Act, 1960, and after deducting Company's Income-tax).

On Second Preference Shares @ 7.86% per annum.
On Ordinary Shares @ Rs. 1.50 per share.

If dividends on shares as recommended by the Directors are declared at the Meeting, THE DIVIDENDS WILL BE PAYABLE TO THE REGISTERED SHAREHOLDERS whose names are on the Company's Register on the 28th September, 1964, or to their order or to their Bankers. No application need be sent for dividends, as relative dividend warrants will be posted to such shareholders.

(ii) A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member.

(iii) AN EXPLANATORY STATEMENT IN RESPECT OF THE ABOVE ITEMS OF SPECIAL BUSINESS IS BEING FORWARDED TO THE MEMBERS OF THE COMPANY ALONG WITH THE CONVENING NOTICE OF THE MEETING.

BALLY JUTE COMPANY LIMITED

NOTICE is hereby given that the Annual General Meeting of the Shareholders of the Company will be held at the Registered Office of the Company at 15, India Exchange Place, Calcutta on Monday, the 28th September, 1964, at 3-00 P.M. for the following purposes:

1. To receive and consider the Report of the Directors and to pass the audited accounts of the Company for the year ended 31st March, 1964.
2. To declare Dividends on Preference and Ordinary Shares.
3. To elect Directors in place of Shri M. P. Birla and Shri Arvind C. Dalal who retire by rotation, but being

eligible, offer themselves for re-election.

4. To appoint Auditors and to fix their remuneration.
5. As special business to consider and, if thought fit to pass, with or without modification, the following Resolutions:—

(i) **As Ordinary Resolution:**

"RESOLVED that subject to the approval of the Central Government and the terms of such approval Messrs. Birla Brothers Private Ltd., be and are hereby re-appointed Secretaries & Treasurers of the Company as and from 1st April, 1965, for the period, at the remuneration and upon terms and

conditions set forth in the draft agreement placed before the meeting and initialled for the purpose of identification by the Chairman of the Board and that the Directors of the Company be and are hereby authorised to enter into an agreement with Messrs. Birla Brothers Private Ltd., in terms of the said draft subject to any modification thereof as may be agreed upon between the Directors of the Company and Messrs. Birla Brothers Private Ltd., for the purpose of complying with any modifications required or conditions imposed by the Central Government in granting their consent aforesaid".

(ii) **As Ordinary Resolution :**

"RESOLVED that the consent of the Company be and is hereby accorded to the Board of Directors for borrowing moneys in excess of paid-up Capital and free reserves of the Company that is to say reserves not set apart for any specific purpose upto a sum not exceeding in aggregate Rs. 1 crore outstanding at any one time and that such borrowings shall be exclusive of the temporary loans obtained or to be obtained by the Company from its bankers in the ordinary course of business."

(iii) **As Ordinary Resolution :**

"RESOLVED that the authorised Capital of the Company be increased to Rs. 1,00,00,000 (Rupees one crore) by the creation of 60,000 further Ordinary Shares being Equity Shares of Rs. 100 each and that the conditions contained in the Company's Memorandum of Association be deemed as altered accordingly."

(iv) **As Special Resolution :**

"RESOLVED that the provisions of the Articles of Association of the Company be altered in the manner following, that is to say that in Article 4 the words and figures 'At the date of the adoption of these Articles, the Capital of the Company is Rs. 40,00,000 divided into 20,000 Ordinary Shares of Rs. 100 each and 20,000 Preference Shares of Rs. 100 each,' be deleted and the following words and figures be substituted therefor:

"The Share Capital of the Company is Rs. 1,00,00,000 divided into 80,000 Ordinary Shares of Rs. 100 each and 20,000 Preference Shares of Rs. 100 each".

The Register of Members and Share Transfer Books of the Company will remain, closed from the 10th September, 1964 to the 28th September, 1964, both days inclusive.

By Order of the Board,
Per Pro : BIRLA BROTHERS PRIVATE LIMITED,
G. MAKHARIA,
Secretaries & Treasurers.

Registered Office :
15, India Exchange Place,
Calcutta - 1.
Dated, the 29th July, 1964

N.B. (i) The Directors have recommended the following dividends for the year subject to deduction of tax under the Income-tax Act, 1961 :

On Preference Shares @ 10% per annum, and
On Ordinary Shares Rs. 20/- per share.

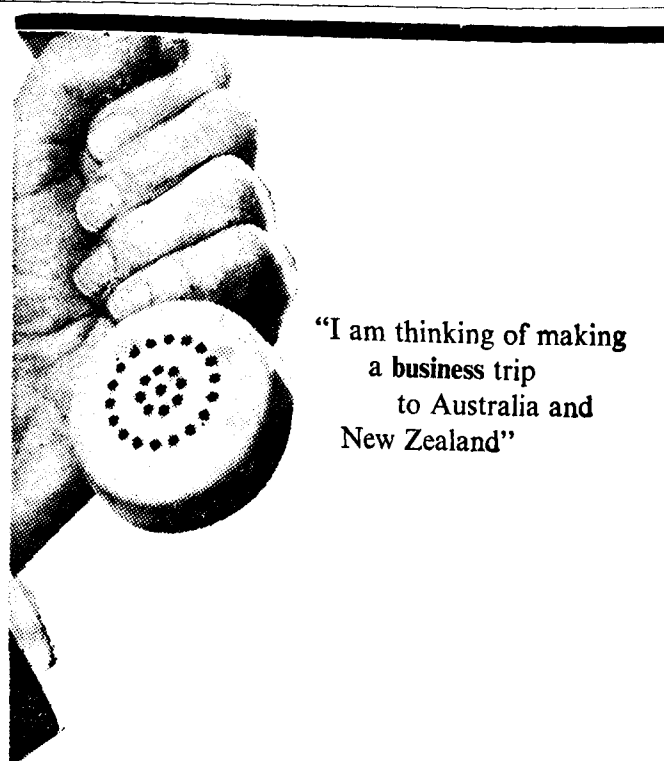
If dividends on shares as recommended by the Directors are declared at the Meeting, THE DIVIDENDS WILL BE PAYABLE TO THE REGISTERED SHAREHOLDERS whose names are on the Company's Register on the 28th September, 1964, or to their order or to their Bankers. No application need be sent for dividends, as relative dividend

warrants will be posted to such shareholders.

(ii) A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member.

(iii) The Registered Shareholders of the Company, whose names appear on the Company's Register on the 28th September, 1964, will be entitled to the offer and allotment of any Right Shares which the Directors may decide to make in that behalf in due course.

(iv) AN EXPLANATORY STATEMENT IN RESPECT OF THE ABOVE ITEMS OF SPECIAL BUSINESS IS BEING FORWARDED TO THE MEMBERS OF THE COMPANY ALONG WITH THE CONVENING NOTICE OF THE MEETING.



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COMPANY MEETING

MUKAND IRON & STEEL WORKS LIMITED

Statement of the Chairman, Shri Kamalnayan Bajaj

PASSING OF PANDITJI

Since independence there has been a tremendous upsurge in all fields of national activity. Our beloved Prime Minister, Pandit Jawaharlal Nehru, was the inspiring and guiding force behind it.

Gandhiji lifted us from despondency, taught us to be upright and fearless, and led us to freedom, while Panditji was the architect of new India. He strove with dynamic energy and vision to build a prosperous country with the ideals of secular State and parliamentary democracy. His sobriety in international affairs and zeal for peace in the world and welfare of humanity attained for us a status and prestige in the comity of nations.

He has left us a great legacy, which casts on us a tremendous responsibility. Let history not judge that we proved unworthy of the heritage. May God give us wisdom and strength to fulfil it.

THE NEW PRIME MINISTER

There was criticism and even genuine concern abroad that Panditji's consistent refusal to name a successor might lead to a war of succession, confusion and chaos. But his faith in his people was immense and he believed that they would do the right thing after him. This confidence was fully justified when the country unanimously chose Shri Lal Bahadur Shastri as his successor within a week. During these few months Shastriji has demonstrated the qualities of an eminent leader. We are happy with him. Let us lighten his burden by giving him our fullest co-operation. We wish him good health and long life in the service of the country.

FOOD SHORTAGE AND REMEDIAL MEASURES

The immediate problem before the country is the grave situation created by shortages and spiralling prices, especially of foodgrains. Shastriji has rightly pointed out that an agitational approach will not help to solve the problem; on the contrary, it may lead to further complications. It is incumbent on us to seek a solution of our problems by mutual co-operation and understanding. The tendency to make political capital out of the people's sufferings is to be highly deplored and should be severely dealt with.

The Government has already taken a series of short-term measures which may yield results. But the disease is chronic and requires radical cure. The traditional approach, instead of bringing relief, has aggravated the problem. We must re-examine the whole issue with a fresh mind and find a new approach.

Artificial zonal controls, maldistribution, psychological fear of shortages, distrust of normal channels of distribution, curtailment of bank credit which has resulted in bringing out unaccounted money for hoarding, inflationary pressures, increase in direct and indirect taxes, gold control, ceilings on land holdings, rumours regarding demonetisation, and strikes and go-slow by dock workers and other essential services are among the main causes which have led to abnormal increase in prices.

Confidence should be created in the people that the Government is alive to their problems and is taking appropriate measures. There is no shortage of foodgrains to the extent it is commonly believed. The shortages are mainly felt in the ports and bigger towns. If ports are taken care of by freely supplying imported grains at controlled prices which should be fixed slightly lower than the prices prevailing in the

interior, the pressures on interior areas will automatically be relieved. There will then be no need for zonal controls. If the prices gradually go down, cultivators will also start unloading their stocks.

Co-operation of normal trade channels should be enlisted and their services utilised for distribution as far as possible. The Government, employers and cultivators should pay part of the wages of their employees in foodgrains.

While holding of stocks for legitimate trade is a service to the people and should be encouraged by giving proper facilities, hoarding and profiteering are anti-social and should be put down with a firm hand.

A long-term solution rests on our capacity substantially to increase production in both agriculture and industry. The Government should reappraise its policies so as to ensure balanced development on all fronts and take measures to implement them.

FOURTH PLAN TARGETS

A mid-term appraisal of the third Plan has revealed a serious gap between the targets and achievements. It is heartening that the Planning Commission has recognised that while formulating the fourth Plan it is desirable to divide the projects into two specific categories consisting of core projects comprising basic industries and agriculture which will be fully implemented from available resources and non-core projects which are to be implemented depending upon availability of further funds. A somewhat similar suggestion was made in my address to the shareholders at the 22nd Annual General Meeting in September 1960.

RETARDATION IN INDUSTRIAL TEMPO

Fears were expressed when the Finance Minister announced his taxation proposals in the last Central Budget that capital formation and industrial development would be retarded to a large extent. Certain marginal benefits were given later on, but on the whole there has been a set-back in industrial tempo. Unless constructive and positive fiscal policies are framed, there is not likely to be any substantial improvement in the situation.

UNIT TRUST AND DEVELOPMENT BANK

Two important institutions set up by the Government are to be commended. The Unit Trust of India is designed to be an effective medium for transferring the savings of small and middle income groups to the corporate sector, at the same time ensuring reasonable return with minimum risk to the investors. The Industrial Development Bank of India will serve as an apex institution for co-ordinating the financing of industries through the existing agencies and also providing long-term finance for development. The assurance by Shri P. C. Bhattacharyya, Chairman of the Bank and Governor of the Reserve Bank of India, that no deserving industrial enterprise, which has a priority in the plans, would suffer for want of financial resources is very welcome.

STEEL IN THE FOURTH PLAN

The country has been suffering from a chronic shortage of steel. It was feared that the situation would be further aggravated by the failure of negotiations with the USA for setting up the Bokaro Plant. The determination of our Government to go ahead with the project has made it possible to get assistance from the USSR. The misunderstanding of the Western countries has also been largely cleared and we can expect help from them for two more plants in the public

sector as well as for increasing the capacity of the two Main Producers in the private sector.

EXPANSION OF RE-ROLLERS' CAPACITIES

It has been repeatedly brought to the notice of the Government that while available capacity in the Re-rolling Industry remains idle it would be a national waste to allow the Main Producers to increase their capacity for similar products. It is to be hoped that while formulating the steel expansion projects in the fourth Plan due consideration will be given for the allocation of adequate supplies of billets to the Re-rollers, not only to utilise fully their present installed capacities but also to develop additional capacities which they are in a position to do with much less investment. The Government should also encourage the Re-rollers to install large-scale billet making plants.

DECONTROL

There has been a misapprehension in the public mind that consequent on decontrol from March 1964 many items of steel have become scarce and there is a spurt in prices. As far as the Re-rolling Industry is concerned, the Steel Re-rolling Mills' Association periodically announces the selling prices of its members. In spite of the increase in costs of production, the selling prices have remained comparable with the prices at which identical products of the Main Producers are sold, although the Government's billet pricing and freight policies place the Re-rollers at a considerable disadvantage.

INCREASE IN COSTS

Ever since the price of scrap were decontrolled in August 1962, there has been a continuous upward movement in prices. Increases in excise duty on steel castings and D.A. to the employees have resulted in further increase in costs.

EXPANSION PROGRAMMES

The Company's expansion programmes both at Kurla and Kalwe are well under way. It is hoped that the Kalwe project will go into production by July 1965. The machine building and structurals project at Kurla is being implemented. In the steel foundry we expect to reach the target of 10,000 tonnes during the current year.

EXPORTS

Our exports during the year were about Rs. 7.5 lakhs. Efforts for export promotion are being intensified.

DEFERRED SHARES

On representations made by the Company and the Federation of Indian Chambers of Commerce and Industry, the Central Government has amended the Income-tax Act with regard to tax liability on the notional capital gains deemed to arise on conversion of deferred into ordinary shares. However, the wording of the amendment still leaves some room for doubt. We are seeking expert opinion and further representation will be made to the Government, if necessary, to clarify the position.

SUBSIDIARY

The progress of our subsidiary, The Batala Engineering Co. Ltd., has been satisfactory. The Ballabhgarh project and expansion schemes at Batala are being implemented. With a view to broaden the capital base, 73,636 Ordinary (Equity) Shares of Rs. 10 each are being offered to the public.

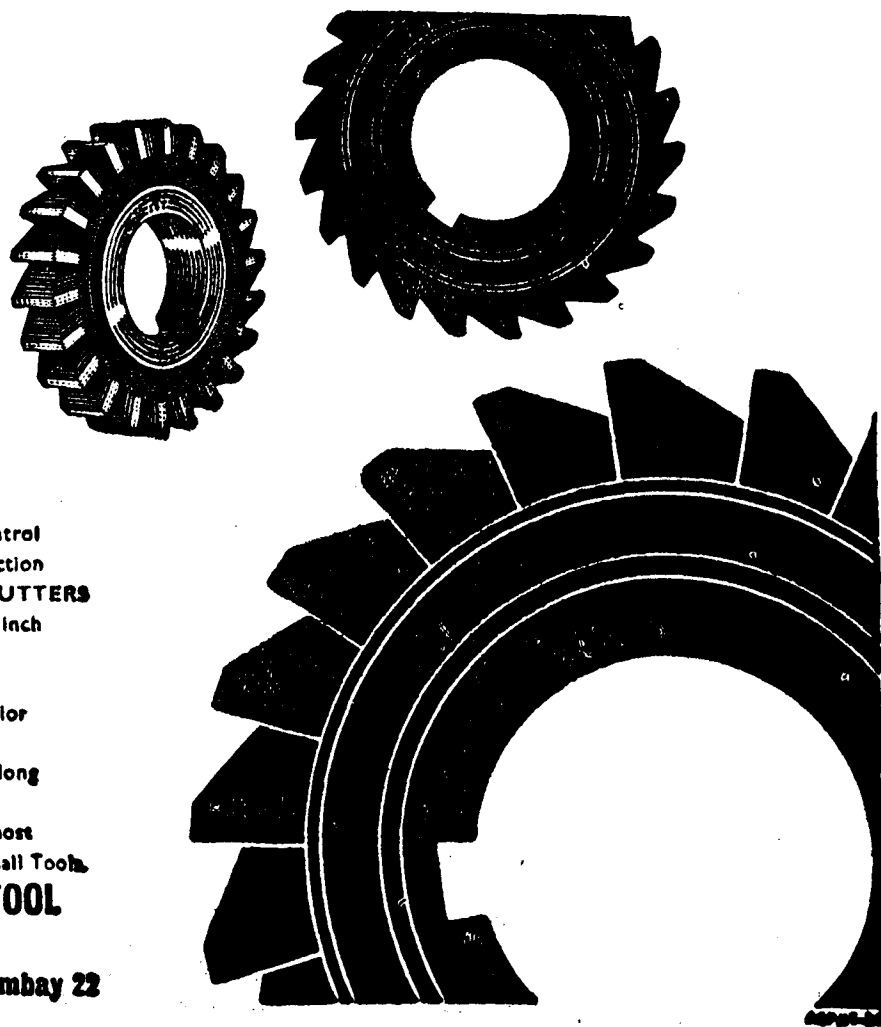
CONCLUSION

I thank the Workers, Staff and Management for their efforts in achieving the progress which the Company has made so far. I am confident that with their co-operation the Company will continue to grow in the years to come.



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RECORDS AND STATISTICS

New Registrations in 1963-64

ACCORDING TO the monthly returns received from the Registrars of Companies in the various States, there were 1,227 new companies registered in the country during 1963-64 as against 1,497 new companies formed in 1962-63. The total authorised capital of all the newly registered companies of 1963-64 amounted to Rs. 340.4 crores as against the total authorised capital of Rs. 257.5 crores during the previous year. Thus the total authorised capital of the new companies registered during the year under review recorded an increase of Rs. 82.9 crores over the preceding year even though the number declined by 270 companies. This sharp increase in the authorised capital was due to the registration of Bokaro Steel Ltd., with an authorised capital of Rs. 100 crores in January 1964. During the six months ended, March 1964, 670 new companies were registered with a total authorised capital of Rs. 227 crores as against 557 new companies formed with a total authorised capital of Rs. 113 crores during the preceding six months ended September 1963. There was thus a substantial improvement in new registration during the second half of 1963-64 over the preceding six months in that the number of new registrations rose by 113 and their total authorised capital doubled itself. The total number of companies registered during the six months period October 1962 to March 1963 was 690 companies having a total authorised capital of Rs. 134 crores as compared to 807 companies incorporated during April to September 1962 with an aggregate authorised capital of Rs. 123 crores.

The turning point in new company registrations, which followed a downward course from August 1962 and became more pronounced from April 1963, synchronised with the Finance Minister's policy statement that Government were set on following a positive policy of economic growth which was intended to lift the economy from the low pitch at which it then stood. With every subsequent policy announcement of the Finance Minister, corporate activity as exhibited by new company formations has improved. The important point is that, notwithstanding market reactions to the Budget proposals made in February 1964, the sentiment of the entrepreneurs as disclosed by the new company registrations has not been affected. The available data show that, in March, new registrations stood at 120 as against 83 in the preceding month and out of the total of 120 companies newly formed 18 were public companies as against 12 in the preceding month.

Industrial Pattern

The total number of 1,227 new companies formed during the year 1963-64 was reported to comprise 155 Public Companies and 1,072 Private Companies accounting for total authorised capital of Rs. 148 crores and Rs. 192 crores respectively, as against 227 Public Companies and 1,270 Private Companies registered with a total authorised capital of Rs. 175 crores and Rs. 82 crores respectively in 1962-63.

A study of the industrial pattern of the 1227 companies registered during 1963-64 discloses that, as in the previous years, the highest number of 624 companies were registered for purposes of processing and manufacturing food stuffs, textiles, leather, metals, chemicals and other goods with a total authorised capital of Rs. 284.11 crores of which Bokaro Steel Ltd., a Government company registered in January 1964, alone accounted for an authorised capital of Rs. 100 crores. Thus more than half of the total number of new companies

was registered for manufacturing various kinds of articles accounting for more than 80 per cent of the total authorised capital of all new registrations of the period under review.

In the second important industrial group, Commerce — Trade and Finance, 368 companies were registered with an aggregate authorised capital of Rs. 19.77 crores. The number of companies registered in the Community and Business Services came to 56, and the authorised capital amounted to Rs. 3.79 crores, and in the Transport and Communication Group, the number of newly registered companies stood at 64 with an authorised capital of Rs. 6.11 crores.

During the last quarter of 1963-64, 317 new companies were formed as against 353 new companies registered during the third quarter, October-December 1963, 285 new companies registered during the second quarter July to September 1963 and 272 new companies registered during the first quarter of this year. The number of new companies registered during the last quarter of 1955-56 was larger than the number of new companies registered during the corresponding quarter of any year during the last nine years. The total number of new companies registered during the last quarter January-March 1956 was 455 while the total number of new companies formed during the corresponding quarter of other years ranged between 211 and 401.

INDUSTRY-WISE DISTRIBUTION OF NEW REGISTRATIONS

(Authorised capital in crores of Rs.)

Industrial Classification	Total No. of Cos.	Authorised Capital
1. Agriculture & Allied activities ..	19	2.17
2. Processing & Manufacture — Food-stuffs, Textiles, Leather and Products thereof ..	101	15.10
3. Processing and Manufacture — Metals and Chemicals & Products thereof ..	364	213.62
4. Processing and Manufacture — not elsewhere classified ..	159	55.39
5. Construction and Utilities ..	35	6.10
6. Commerce (Trade & Finance) ..	368	19.77
7. Transport, Communication & Storage ..	64	6.11
8. Community & Business Service ..	56	3.79
9. Personal and other Services ..	29	2.25
TOTAL ..	1227	340.49

The total number of new registrations during the year under review was highest in the State of Maharashtra, the number being 243. West Bengal, in which the largest number

of companies used to be registered in earlier years was relegated to the second position in 1963-64 with 238 new registrations followed by the Union Territory of Delhi (223) and the State of Madras (158). These four major States together accounted for 862 new registrations or 70 per cent of the total. The number of companies registered in the Union Territory of Goa was 10.

NEW REGISTRATIONS (STATEWISE): 1962-63 — 1963-64

States	1962-63			1963-64		
	Public	Pri- vate	Total	Public	Pri- vate	Total
Andhra Pradesh	21	34	55	5	22	27
Assam, Manipur and Tripura	6	13	19	2	15	17
Bihar	6	20	26	—	21	21
Gujarat	19	47	66	5	57	62
Maharashtra	39	254	293	27	216	243
Kerala	12	33	45	12	30	42
Madhya Pradesh	—	11	11	2	23	25
Madras	36	216	252	33	125	158
Mysore	5	38	43	8	23	31
Orissa	4	12	16	2	16	18
Punjab and Himachal Pradesh	3	35	38	6	44	50
Rajasthan	4	10	14	3	7	10
Uttar Pradesh	6	47	53	3	49	52
West Bengal	45	282	327	34	204	238
Delhi	21	217	238	12	211	223
Goa	—	1	1	1	9	10
TOTAL	227	1270	1497	155	1072	1227

Regionwise Distribution

A study of regionwise distribution of new companies reveals that the Eastern Region which ranked first in recording the largest number of new registrations in the earlier years yielded its pride of place to the Western Region in which was registered the largest number of new companies in 1963-64, the number being 340.

In fact, the Eastern Region was relegated to the third place with 294 new registrations, the second place being occupied by the Northern Region which accounted for 335 new registrations. The number of new companies registered in

the Southern Region was the lowest at 258. The Northern Region registered the lowest number of companies in earlier years. The largest number of 340 companies was registered in the Western Region (comprising Gujarat, Maharashtra, Madhya Pradesh and Goa). Next came the Northern Region (comprising Delhi, Punjab, Himachal Pradesh, Rajasthan and Uttar Pradesh) with 335 new registrations followed by the Eastern Region (comprising West Bengal, Bihar, Orissa, Assam, Manipur and Tripura), and the Southern Region (comprising Madras, Andhra Pradesh, Mysore and Kerala) which registered 294 and 258 companies respectively.

New Govt. Companies

During 1963-64, 19 Government companies were set up in the country with an aggregate authorised capital of Rs. 169 crores of which Bokaro Steel Ltd., alone accounted for an authorised capital of Rs. 100 crores as against 8 Government companies registered with an authorised capital of Rs. 20.5 crores during 1962-63. Of the 19 Government companies registered during 1963-64, 7 were public limited companies having a total authorised capital of Rs. 35 crores and 12 were private limited companies having a total authorised capital of Rs. 134 crores. The share of Government companies in the total authorised capital of all the 1227 new companies registered during 1963-64 came to 50 per cent.

NEW GOVERNMENT COMPANIES FORMED DURING 1962-63 AND 1963-64

	1962-63		1963-64	
	No.	Authorised Capital (Rs. crores)	No.	Authorised Capital (Rs. crores)
Government Companies				
Public	3	4.50	7	35.00
Private	5	16.00	12	1,34.65
Total	8	20.50	19	1,69.65
All Companies				
Public	227	175.36	155	1,48.25
Private	1270	82.19	1072	1,92.24
Total	1497	257.55	1227	3,40.49

Authorised Capital of Government Companies as % of the total authorised capital of all Companies

Public	2.5%	12.2%
Private	19.5%	39.5%
Total	7.9%	49.8%

External Assistance: Authorised and Utilised

DURING THE period 1963-64, as in the previous year, there was a perceptible increase in the rate of utilisation of aid according to the latest Report on Currency and Finance. Over the nine months up to end-December 1963, the latest period for which complete data are available, an amount of Rs. 404 crores was utilised as against the utilisation of Rs. 451 crores during the full year 1962-63 and Rs. 339 crores during 1961-62 (see Table I). This higher rate reflected mainly the larger availability of non-project assistance, that is, aid not tied to any specific project. Earlier, with aid being overwhelmingly tied to specific projects, it was inevitable that there should be a supply of funds in pipe-line awaiting disbursement, because most of the major projects take from three to five years for completion. For non-project assistance, the time-lag between authorisation and actual disbursement is shorter, and reflects mainly the time taken for complying with procedures laid down by the aid-giving agencies.

External assistance authorised during the first nine months of 1963-64 amounted to Rs. 323 crores, bringing total assistance authorised so far during the third Plan to Rs. 1,405 crores (see Table II). Taking into account the carryover of assistance from earlier years, the total assistance available for utilisation in the three quarters upto end-December 1963, amounted to Rs. 1,917 crores consisting of Rs. 1,454 crores (76 per cent) as loans, Rs. 31 crores (two per cent) as grants and Rs. 432 crores (22 per cent) as assistance under the PL 480 programme. The amount of assistance promised but not yet authorised as at end-December 1963, totalled Rs. 321 crores, of which Rs. 105 crores were to be authorised by the IBRD | IDA and Rs. 183 crores by the USA.

The amount authorised during the first nine months of 1963-64 comprised Rs. 316 crores in the form of loans, Rs. 2 crores in the form of grants and Rs. 5 crores by way of assistance under the PL 480 programme. Except for the Swiss and Danish credits of Rs. 3 crores and Rs. 1 crore respectively, the entire loan assistance authorised during the period was from the Aid-India Consortium members. For the year 1963-64, the members of the Consortium promised assistance totalling Rs. 501 crores, raising the total assistance promised by them for the first three years of the third Plan to Rs. 1,627 crores.

The composition and pattern of the loan assistance authorised during 1963-64 were generally comparable to that

of preceding year. A sizable part, nearly a third of the loan assistance, was in the form of non project aid. Among Consortium members, practically the entire loan assistance authorised by the UK, Italy, Austria, Belgium, and the Netherlands was on a non-project basis. The credits authorised by the UK since July 1963, besides providing for an extension of the grace and repayment periods, were free of interest during the first 7 years of the currency of the loan. The US

TABLE III
EXTERNAL ASSISTANCE: PURPOSEWISE CLASSIFICATION

	(Rs. crores)		
	Authori- sation upto Dec. 1963 (1)	Utilisa- tion upto Dec. 1963 (2)	Amount undis- bursed at end- Dec. 1963 (3)
1. Industrial Development	1581.6	774.0	807.6
2. Transportation—			
(a) Railway Development	303.8	262.1	41.7
(b) Ports Development	39.1	17.7	21.4
(c) Airways, Road Transport and Communications.	76.6	36.3	40.3
Total:	419.5	316.1	103.4
3. Steel and Steel Projects	381.1	294.3	86.8
4. Power Projects.	258.5	100.3	158.2
5. Wheat Loans.	106.0	106.0	—
6. Agricultural Development.	30.3	12.9	17.4
7. Iron Ore Project.	12.6	8.9	3.7
Total	2789.6	1612.5	1177.1

AID, on the other hand, which, except for a service charge of $\frac{1}{2}$ of 1 per cent per annum, was hitherto extending interest-free loans, abolished the concession, and the loans extended by it from January 1964 were subject to an interest charge of 2 per cent per annum after the first ten years.

Cumulatively, external assistance authorised by various friendly countries (excluding international institutions) up to end-December 1963 amounted to Rs. 3793 crores. Country-wise, the USA accounting for authorisations of Rs. 2299 crores

TABLE I.
UTILISATION OF EXTERNAL ASSISTANCE: 1961-62—1963-64

Item	Amount available for Utilisa- tion after March 1961	Estimated Utilisation during				Amount undi- s- bursed as at the end of Dec. 1963 (1-5) (6)
		1961-62	1962-63	1963-64 (April- Dec.)	Total (2+3+4)	
	(1)	(2)	(3)	(4)	(5)	(6)
1. Loans						
(a) Repayable in foreign currencies	1818.9	191.6	251.8	254.1	697.5	1121.4
(b) Repayable in rupees	175.6	38.5	58.9	22.5	119.9	55.7
Total	1994.5	230.1	310.7	276.6	817.4	1177.1
2. Grants	67.3	21.0	14.9	9.0	44.9	22.4
3. P.L. 480 and P.L. 665 Aid and Third Country Cur- rency Assistance (Gross)	646.0	87.8	175.8	118.3	331.9	314.1
4. Total (1+2+3)	2707.8	338.9	451.4	403.9	1194.2	1513.6

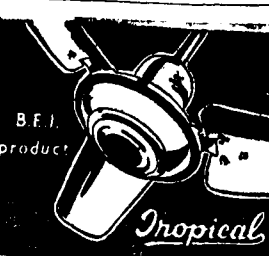


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or 61 per cent of the total, ranked first among the donors. Other major contributors were the USSR (Rs. 385 crores or 10 per cent), West Germany (358 crores or 9 per cent) and the UK (273 crores or 7 per cent). All other donor countries together contributed Rs. 478 crores accounting for 13 per cent of the total. Aid authorised by International institutions as of end-December 1963 aggregated Rs. 546 crores, comprising Rs. 403 crores from the IBRD and Rs. 143 crores from the IDA.

The purpose-wise break-up of external loans and credits authorised and utilised up to end-December 1963 (see Table III) indicates that a major part of the amount authorised (Rs. 1582 crores or 57 per cent) was for industrial development followed by transportation (Rs. 420 crores or 15 per cent), steel and steel projects (Rs. 381 crores or 14 per cent) and power projects (Rs. 259 crores or 9 per cent).

The assistance authorised by the USA under the PL 480 programme during the first nine months of 1963-64 amounted to Rs. 5 crores, of which Rs. 4 crores were for the import of corn and Rs. 1 crore for the import of tobacco. With this, the total assistance authorised under the PL 480 programme till the end of December 1963 amounted to Rs. 1161 crores. The rupee counterpart funds originating from the import of surplus agricultural commodities under the programme have been allocated for disposal, as mutually agreed, in the following manner:

ALLOCATION OF P.L. 480 COUNTERPART FUNDS

	(Rs. crores)
Loans to the Govt. of India	558.9
Grants to the Govt. of India	375.3
Loans to private enterprises under Cooley Amendment	79.0
For the use of the US Govt.	148.1
TOTAL	1161.3

During the last three months of 1963-64, the additional assistance authorised amounted to Rs. 126 crores, comprising loans totalling Rs. 109 crores by the US AID and credits amounting to Rs. 17 crores by the UK. Except for Rs. 2 crores of assistance authorised by the USA and Rs. 10 crores extended by the UK, which were tied to specific projects, the entire additional assistance authorised by the two donor countries was in the form of non-project assistance for financing maintenance and capital goods imports from the respective countries. For assessing the foreign exchange requirements for 1964-65

TABLE II.

EXTERNAL ASSISTANCE AUTHORISED DURING 1961-62 TO 1963-64

Item	Amount undis- bursed as at the end of March 1961	Amount Authorised During				(Rs. crores)
		1961-62	1962-63	1963-64 (April- Dec.	Total (2+3+4)	Amount available for utili- sation after March 1961 (1+5)
		(1)	(2)	(3)	(4)	(5)	(6)
1. Loans						
(a) Repayable in foreign currencies	546.7	365.0	591.8	315.4	1272.2	1818.9
(b) Repayable in rupees	128.4	46.2	—	1.0	47.2	175.6
Total	675.1	411.2	591.8	316.4	1319.4	1994.5
2. Grants	29.4	20.6	15.6	1.7	37.9	67.3
3. P.L. 480 and P.L. 665 Aid and Third Country Cur- rency Assistance (Gross)	597.8	—	43.3	4.9	48.2	646.0
4. Total (1+2+3)	1302.3	431.8	650.7	323.0	1405.5	2707.8

Source: Report on Currency and Finance, 1963-64.

which are estimated to be between Rs. 524 crores and Rs. 543 crores, the ten-nation Aid-India Consortium met in March 1964 under the auspices of the IBRD. After reviewing the position and seeking clarifications on various key issues, the consortium met again in May 1964. At this meeting the members pledged assistance to the tune of Rs. 490 crores for the fourth year of the third Plan (vide Table IV). Nearly half the assistance promised is expected to be in the form of non-project assistance, which could be utilised to finance imports required for maintenance of the economy. The memberwise details of the assistance pledged for 1964-65 are: Austria: Rs. 0.5 crores; Canada: Rs. 19.5 crores; France: Rs. 9.5 crores; West Germany: Rs. 45.2 crores; Italy: Rs. 17.1 crores; Japan: Rs. 28.6 crores; Netherlands: Rs. 5.2 crores; UK: Rs. 40.0 crores; USA: Rs. 207.1 crores and the IBRD/IDA Rs. 116.7 crores.

TABLE IV
CONSORTIUM COMMITMENTS AND AUTHORISATIONS
(Rs. crores)

Name of the country	Assistance promised for the first three years of the Third Plan	Assistance authorised during the first three years of the Third Plan (upto Dec. '63)	Balance available for authorisation	Assistance pledged for 1964-65
	(1)	(2)	(3)	(4)
1. I.B.R.D./I.D.A.	331.0	226.4	104.6	116.7
2. U.S.A.	673.8	490.7	183.1	207.1
3. West Germany	220.6	220.6	—	45.2
4. United Kingdom	166.7	150.0	16.7	40.0
5. Japan	81.0	81.0	—	28.6
6. Canada	43.6	28.0	14.6	19.5
7. France	38.1	38.1	—	9.5
8. Austria	5.7	4.2	1.5	—
9. Belgium	9.5	9.5	—	—
10. Netherlands	10.4	10.4	—	5.2
11. Italy	46.7	46.7	—	17.1
Total :	1627.1	1305.6	321.5	489.4

What you can't see is there

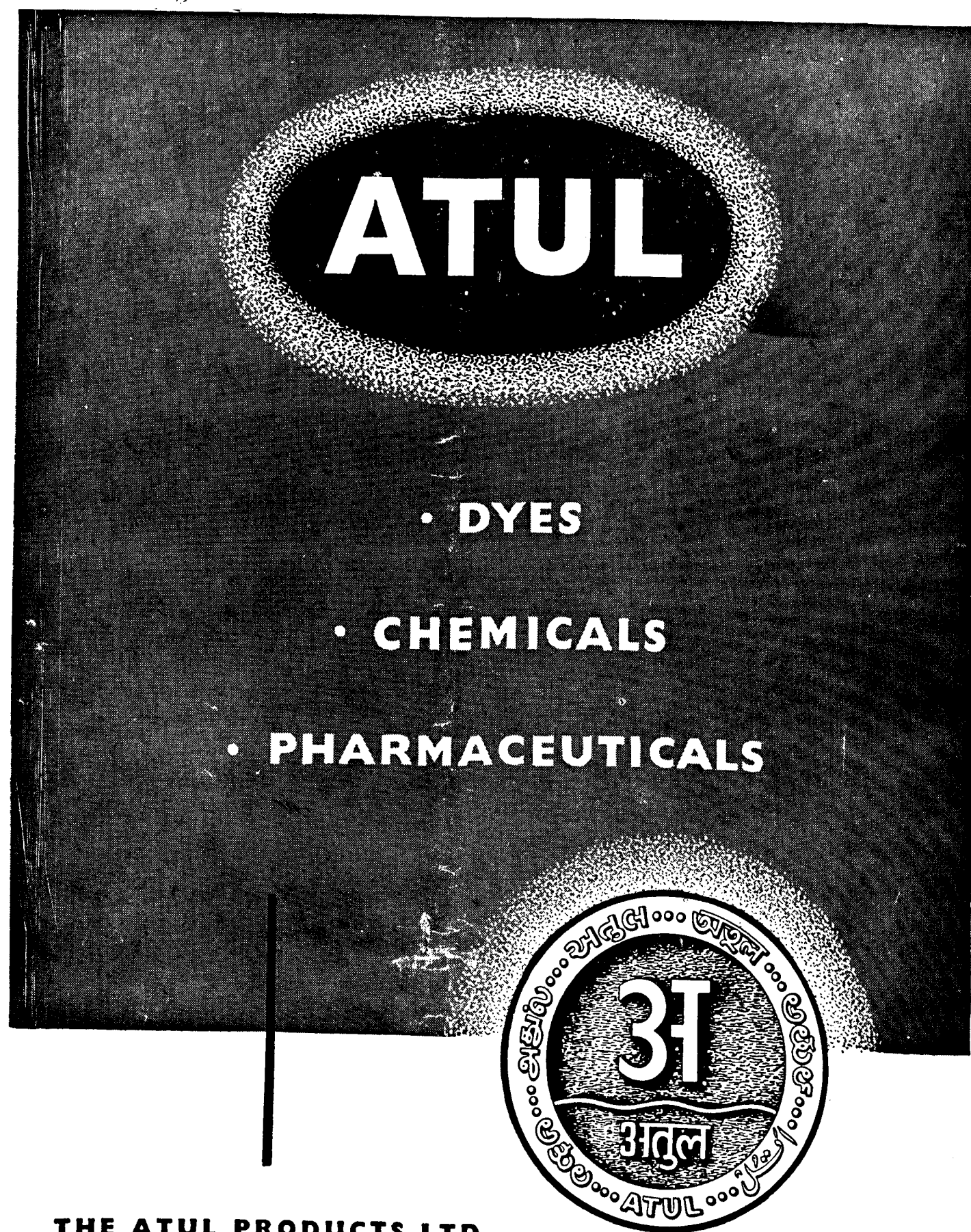
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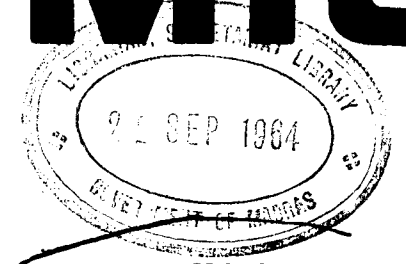
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World Money Talks

WHEN SIR ERIC ROLL, speaking for Britain at the Fund-Bank meeting in Tokyo, said that a behind-the-scenes compromise had been reached among the leading trading nations on the question of increasing the Fund quotas, he was surely not letting any cat out of the bag. Of the leading industrialized countries, Britain alone is really keen on major surgery for the world's monetary system; most others in that category are inclined to believe that an occasional aspirin would do. It is true that the United States had, in the last year, shown a little more interest in radical reform than it was disposed to contemplate earlier. But the American position in the debate is by no means sufficiently strong. It is true that should that country succeed fully in mastering the deficit in its balance of payments, the leading trading nations of Western Europe would be more inclined than hitherto towards proposals for the evolution of the IMF into a credit-creating institution, if not a real international central bank. It is true also that the US deficit, though still considerable at about \$2,000 million a year, is now running at a rate significantly lower than the 1963 level of \$3,300 million. But even so, France and like-minded countries across the Atlantic would still be justified in feeling that the urgency of an extensive operation to forestall a possible crisis in world liquidity is not by any means obvious. This is for the reason that the improvement in the US balance of payments and even more interestingly the gain in the US gold reserves from the beginning of the current year are substantially due to such props as the network of swap arrangements established during the past three years by the United States with 10 other industrially advanced countries and with the Bank for International Settlements. It is obvious that should the United States manage to reduce drastically its balance of payments deficit in the coming years, the other trading countries concerned in the swap arrangements could and would enforce a reconsideration of those arrangements. This apart, many Western European countries, notably France, are quite exercised over the influx of American industrial capital into the Continent. That many leading US banks have lately been lending freely in Europe through their local branches has further strengthened the feeling that the prospects of a scarcity of dollars in world trade or finance could be easily exaggerated. In the circumstances, the agreement in principle formally announced at the Tokyo meeting on an increase in IMF quotas by a general rate of about 25 per cent (with larger increases in the case of a few specified countries) must be considered a realistic, if not a wholly adequate, response from the member-countries of the Fund to the probable needs of growing world trade for increased liquidity. If nothing more dramatic had been attempted for or announced at Tokyo in the matter of reforming the world monetary system it was simply because France and quite a few other European countries refused to concede that they should let themselves be dictated by Britain or the United States, whose currencies, though formally enjoying the status of reserve currencies, have had to be supported themselves with drawings from the Fund as well as inter-central bank credits from other member-countries. Some indication of this state of power politics in international finance was provided by French and other European demands that a part of the increases in quotas should be contributed in the form of gold.

In contrast with the under-current of tensions and reservations which ran through the discussion of IMF quotas, the Tokyo session dealt readily and smoothly with the series of resolutions designed to increase the power and resources of the World Bank and its affiliates—the International Development Association and the International Finance Corporation — to aid the economic progress of developing countries. The IDA is to receive

\$50 million from the earnings of the World Bank in the last year. This amount which would otherwise have been available for distribution as dividend is being placed at the disposal of the IDA in the form of a grant. The IDA's resources will be further strengthened through new contributions from some of the more well-to-do members of the Bank. The resources of the Bank's other affiliate, the International Finance Corporation, are to be augmented by authorising the Bank to lend to the Corporation for re-lending private industry in the less developed countries. This arrangement is designed to overcome the technical difficulty that the Bank itself is not competent to lend directly to private borrowers except on a guarantee by host governments. In discussions of international development finance, it is being increasingly recognized that developing countries should not only be aided but aided on terms which do not strain or stretch their economies. Thus Mr. Pierre-Paul Schweitzer, Managing Director of the International Monetary Fund, warned the Fund's Board of Governors in Tokyo that experience had already shown that in the long-run it was to the disadvantage of the debtor and creditor countries alike if there were to be a backlog of commercial payments which could not be paid off except over a long period.

HMT-Prices and Profitability

ONE OF the important Government projects which have demonstrated that Government can run a business efficiently and profitably is Hindustan Machine Tools Ltd. It would, therefore, be of interest to analyse the operations and profitability of this company during the last five years 1959 to 1964 from the data published by the company.

Table I shows the progress of production during the last five years.

TABLE I.

PRODUCTION

Production	(No. of machines)				
	1959-60	60-61	61-62	62-63	63-64
(a) High Precision Lathes	240	137	185	246	253
(b) Milling Machines	252	310	443	543	573
(c) Radial Drills	78	204	228	272	360
(d) Low priced lathes	131	317	378	518	585
(e) Grinders	—	30	14	36	177
(f) Turret lathes	—	2	3	—	32
(g) Special Machines	1	2	—	—	3
TOTAL	702	1002	1251	1615	1983
(h) Watches	—	—	14439	51562	121602

It would be seen from Table I that the production of machines by the company has almost trebled during the last five years from 702 in 1959-60 to 1983 in 1963-64. This company had also one of the best records of pro-

This was a point which India's Finance Minister, Mr. T. T. Krishnamachari, took up for further analysis later in the session. Quick to take advantage of Mr. Schweitzer's argument, he very pertinently inquired whether it was not necessary to take steps to alleviate the distress experienced or about to be experienced by countries such as India which, having started availing themselves of international credits at a time when the terms were more stringent than in the more enlightened days of the present or the near past, were now confronted with the necessity of liquidating an onerous accumulation of repayment liabilities. We are sure that this presentation of the Indian problem would not have failed to arouse sympathy, but it remains to be seen how its practical implications are followed up. The World Bank possibly might take the initiative in organizing consultations between India and its creditor countries. Fortunately, in Mr. George Woods, President of the World Bank, this country has not only a warm friend but a wise one. This is all the more the reason why we, on our part, should pay heed to his statement in Tokyo that it would help the flow of assistance from industrialised countries if developing countries demonstrate genuine readiness to take the hard domestic decisions required to accelerate economic growth.

duction during the second Plan period when it exceeded the target as detailed below.

TABLE II.
SECOND PLAN PRODUCTION

	(No. of machines)				
	1956-57	57-58	58-59	59-60	60-61
(a) Second plan target	57	131	238	314	400
(b) Actual production	135	402	552	702	1002
(c) Percentage increase over target	237%	300%	232%	223%	250%

The profit earned by the company before taxation and interest on Government and other loans but after depreciation which gives an idea of the return on capital employed and the profit margin on sales is given in Table III.

TABLE III.
RATE OF PROFIT

	(Rs. lakhs)				
	1959-60	60-61	61-62	62-63	63-64
(1) Profit before taxation and interest	49	83	140	234	326
(2) Capital employed (Total net assets)	784	964	1237	1537	2185
(3) Sales	226	336	487	708	983
(4) 1 as percentage of 2	6.3	8.6	11.3	15.2	15.0
(5) 1 as percentage of 3	21.7	24.7	28.3	33.1	33.2

It would be seen from Table III that the rate of profit on sales which stood at 22 per cent in 1959-60 has increased to 33 per cent and the rate of profit on total

capital employed has increased from six per cent to 15 per cent. A comparison of the profitability in 1959-60 and 1963-64 with the total capital employed would show that while the total value of capital employed in the Hindustan Machine Tools has almost trebled, the rate of profit on the capital employed increased by two and half times. Thus the efficiency in the use of capital appears to have improved during the period. However, the rate of profit on sales did not improve proportionate with the increase in sales. Thus while the value of sales increased during the period four-fold, the rate of profit on sales increased only by one and half times. It would therefore seem that the company was not able to effect much economies with the increase in production. Such a conclusion is strengthened by the fact that the company did not reduce the price of the machines sold by it with an increase in production, but increased it in 1963-64. Table IV shows the sale prices of the machines sold by the company.

TABLE IV.
SALE PRICES

(In Rupees)

	1959-60	60-61	61-62	62-63	63-64	Compara- ble landed cost of imported machines
(a) High precision lathe	29500	33000	33000	33000	41100	48362
(b) Milling machine	36000	39500	39500	39500	44000	51802
(c) Radial drill	29000	36000	36000	36000	37700	44314
(d) Low priced lathe	16750	19250	19250	19250	20000	23467
(e) Grinder	35000	35000	35000	35000	35000	41138
(f) Turret lathe	Nil	56000	44000	44000	47700	56116

Although the price of the machines sold by the company was less than the landed cost of imported machines, the fact remains that in all items of machinery (excepting turret lathe) the company's price did not go down up to 1963-64. In 1963-64, the prices of all machinery were raised. When production increases and prices do not go down, it should be possible for an efficient management to increase the profit. The rate of profit of this company on sales did not increase *pari passu* with the increase in sales, up to 1962-63. In 1963-64 even though the prices of machinery were raised, the rate of profit did not increase by either of the two standards mentioned in Table III.

That the reason for there being no increase in the rate of profit proportionate to sales was not due to any progressive increase in the indigenous content of the machines might be evident from Table V.

It would be seen from Table V that during the last three years, the indigenous content in the machines has remained unchanged (except in Grinders). Another important fact is that during all the five years no foreign

technicians were employed by the company in the machinery sections.

TABLE V.
INDIGENOUS CONTENT OF HINDUSTAN MACHINE TOOLS
(Per cent)

	1959-60	60-61	61-62	62-63	63-64
High precision lathes	97	97	97	97	97
Milling machines	94	94	94	94	94
Radial drills	75	91	91	91	91
Low priced lathes	57	95	95	95	95
Grinders	—	43	43	90	90
Turret lathes	—	95	95	95	95

An important reason for the lower rate of growth of profit on sales seems to be the increase in the wages paid by the company to its employees during the period. Table VI shows the increase in wage level.

TABLE VI.
INCREASE IN WAGE LEVEL

	1959-60	60-61	61-62	62-63	63-64
No. of employees*	2643	4200	4670	5817	8930
Minimum earnings of lowest paid employee (Machine Tools Factories I & II, Bangalore)	Rs. 94	111	111	122	127
Average earnings per month** (Machine Tools Factories I & II, Bangalore)	Rs. 160	180	186	215	235

*Including Trainees.

**Excluding Trainees.

It would be seen from Table VI that the minimum and average earnings per employee has increased during the last five years by Rs. 33 and Rs. 75 respectively. In addition, the workers also get non-monetary benefits like free clothing including shoes, free watches, free education of children, free milk, subsidized housing, subsidized canteen meals, subsidized transport etc. One of the important reasons why a higher rate of wages is recommended is that it would improve the efficiency of labour. In the case of Hindustan Machine Tools, the increase in the rate of wages has not appreciably improved the efficiency, since the profit of the company did not increase even when the sale price was raised in 1963-64.

The inability of Hindustan Machine Tools to increase the rate of profit on sales in 1963-64, even though the prices of the machines sold by it were increased should be regarded as an "eye opener" to the management of this company which has otherwise had a fairly good record. The whole of the increase in price could not have been possibly offset by the increase in "un-productive" wages and so a part of the responsibility for the absence of higher earnings should be placed on the management of the company.



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Highlights of the Week

THE FUND-BANK MEET

DELEGATES FROM 102 nations gathered last week at Tokyo to attend a joint five-day meeting of the boards of the World Bank, the International Monetary Fund, the International Development Association and the International Finance Corporation. At the opening session Mr. George Woods, President of the Bank, warned the developing countries that the industrialised nations were unlikely to meet their demand for more aid until they "demonstrate genuine readiness to take the hard domestic decisions required to accelerate economic growth". The hard decisions were "such imperatives as political and economic stability, land and tax reform, appropriate educational expansion, and above all, the adoption of policies and conditions conducive to the productive investment of capital".

The Chairman of the International Monetary Fund, Mr. Francisco Aquino of El Salvador, pleaded that the rich industrial nations should help in raising living standards in developing nations. Mr. T. T. Krishnamachari also set the tone for the stand taken by the developing nations and emphasised that the Fund was meant to be of assistance to all members, industrialised and not-so-industrialised, in overcoming their balance of payments difficulties. The activities and the policies of the Fund, he added, should be adapted progressively to the emerging needs of the members.

Mr. Pierre-Paul Schweitzer, Managing Director of the International Monetary Fund, strongly recommended an early increase in the quotas of all countries subscribing to the Fund. Mr. Dillon, the US Secretary of the Treasury, supported this plea and pointed out that such a step was necessary when greater needs were likely to centre on the enlargement of credit facility for transferring reserves among countries rather than on increase in the overall supply of reserves. Mr. Krishnamachari also lent full support to the idea and proposed that the executive directors should proceed to formulate more precise recommendations on the subject. He added that the international financial system has shown unquestionably greater resilience in recent times, and an increase in Fund's resources through additional subscriptions was imperative for providing adequate international liquidity.

On the issue of how the additional subscriptions to the IMF should be raised, Britain and the US were opposed to the French and West European insistence on that 25 per cent of the additional contributions should be made in gold. Mr. Krishnamachari advocated a flexible approach.

Towards the conclusion of the session, the International Monetary Fund adopted a resolution to augment its resources currently standing at \$15,750 million by between \$4,000 and \$5,000 million. The increase was to become effective by next autumn. It would be achieved through a total increase in the contributions paid by the 102 member-countries and by a bigger increase in the contributions paid by Germany, Japan and Canada, whose economies had shown a marked development for the past few years.

A further series of resolutions were designed to increase the powers of the World Bank and its affiliates in aiding the economic progress of developing countries. It was indicated

that the Bank would disperse nearly \$600 million this fiscal year and the International Development Association would be stepping up aid to developing countries in the next couple of years. Mr. Woods announced, however, that no accommodation would be provided to Indonesia, Ceylon or the United Arab Republic, because the Bank refused to give loans to countries which expropriated foreign owned assets without compensation, within a reasonable time. He also hoped that the new arbitration council approved by the Bank's board of governors, would come into being in the first six months of the next year. The recommendation to permit the World Bank to make loans to the International Finance Corporation was also welcomed by various delegates.

Mr. T. T. Krishnamachari declared that India was willing to explore the possibilities of using Indian currency contribution to International Development Association for assistance to other countries. "Some of the developing countries, though themselves in need of large-scale assistance, may yet be able — within the limitations of their capacities — to contribute to the cause of development elsewhere".

The meeting concluded with the election of the Ethiopian representative as Chairman for the next annual meeting, with the representatives of Brazil and Norway as Vice-Chairmen. In his closing speech, Mr. Pierre-Paul Schweitzer stated that the IMF in co-operation with the World Bank would be occupied, especially this year, with two problems: credit facilities to be given to compensate sudden drops in exports from developing countries and ways of lightening the burden of their foreign debt.

THE TOPPLED TWO

THE GOING out of office of the Ministries in Kerala and Orissa last week should make the Congress High Command burn some midnight oil. Although the circumstances that led to the downfall of the two Ministries ostensibly had nothing common between them — the Kerala Ministry headed by Mr. R. Sankar was voted out of power as a result of a no-confidence motion and the Orissa Chief Minister, Mr. Biren Mitra, decided to relinquish office having been aggrieved over a students' demonstration in front of the Legislative Assembly — the allegations of corruption against both Mr. Sankar and Mr. Mitra obviously had a lot to do with their exit. The Congress High Command needs to learn a lesson from these two events. If it has to avert such happenings in some other States as well, it will have to take expeditious action on the charges of corruption brought against Ministers by none else than the Congress legislators themselves. There can be little doubt that after Mr. Partap Singh Kairon's ignominious exit from the helm of affairs in Punjab as a sequel to the Das Commission's verdict, the Congress legislators in other States have been emboldened to bring forth corruption charges against Ministers in their States. But to dub all these charges as frivolous is apparently not judicious.

The crisis in Kerala had been brewing for quite some time. It came to a head when the grievances of the 15 dissident Congress MLA's of the late Mr. P. T. Chacko's group were paid no heed to by the Congress High Command. The last minute efforts of the Union Railway Minister, Mr. S. K. Patil, who dashed to Trivandrum to retrieve the situation and

to close up the Congress ranks, could not be of any avail. The dissident Congress legislators voted for the Samyukt Socialist Party's no-confidence motion which, with support from the other Opposition members, was carried by 73 votes to 50. The unity among the Opposition groups, however, was only a marriage of convenience and was never meant to be stretched beyond achieving the immediate objective of toppling the Sankar Ministry. With the Opposition parties not in a position to form a new Ministry because of the fundamental ideological differences among them and also owing to the dissensions in the second largest party in the State legislature — the Communist Party — President's rule has been promulgated in Kerala. The next elections in Kerala are expected to be held in February, 1965.

The Congress Party in Orissa, however, is better rooted. After the resignation of Mr. Biren Mitra, the election of the new leader is being arranged. The name of Mr. Bishwanath Das, at present Governor of U.P., is being mentioned as a candidate for new leadership. A former Chief Minister of the State, Mr. B. Patnaik, who laid down office under the Kamaraj Plan, is also in the field. Whether he will be allowed to contest or not is yet to be seen.

FERTILISERS: A CRASH PROGRAMME

THE AMERICAN Ambassador, Mr. Chester Bowles, who has often expressed concern over the food crisis in India, observed recently that this problem could be solved by the use of more fertilisers which could be produced in sufficient quantity, provided there was determination and competence. He disclosed that in response to an official Indian request for technical assistance, a consortium of leading American companies was being formed to help raise the present production of 300,000 tonnes of nitrogenous fertilisers by an additional quantity of one million tons. As a consequence of this move two American engineers, General Lucius D. Clay and Mr. Stephen D. Bechtel, who represent the proposed consortium, were on a five-day visit to New Delhi last week to discuss the proposed fertiliser expansion programme. General Clay, who has a varied experience as construction engineer, has come as a senior partner in the New York banking and investment firm of Lehman Brothers and will be concerned with the problem of capital for the proposed programme. Mr. Bechtel has come as a chief of the Bechtel Corporation engaged in a wide range of construction projects.

The consortium is likely to assist in providing the technical skill, foreign exchange and management planning to build at least five new plants, each with an annual capacity of 200,000 tonnes of nitrogenous fertilisers. These firms are reported to be prepared to participate in \$400 to \$500 million investment in the fertilizer production programme. The two representatives of the consortium discussed the initial outlines of an operational study that is expected to be completed by December on the economics and technical problems of the fertilizer plants. Location of plants, fertilizer distribution and marketing in an attempt to bring down high prices will also be examined in the next four months by experts working under the direction of the Stanford Research Institute, California, and the Bechtel Corporation. This study will attempt to assess the overall fertilizer situation in India, particularly the specific regional requirements which would provide basis for determining the size and location of each of the proposed new fertilizer units. The study will also explore the

possibilities of finance at low interest rates in an attempt to produce fertilisers at lower prices.

It was indicated that if the study establishes the feasibility of the envisaged plants, a detailed proposal to the Government of India will be submitted which will be prepared by a consortium of Indian and American companies working in collaboration with the Government of India and the existing Indian fertilizers manufacturers. If this programme goes through, it is quite likely that within the next five to six years India can expect a positive response in agricultural production. A ton of nitrogenous fertilizer, it is revealed, produces ten additional tons of foodgrains, which on a cumulative basis means a substantial quantity.

" FRUITFUL AND FRIENDLY "

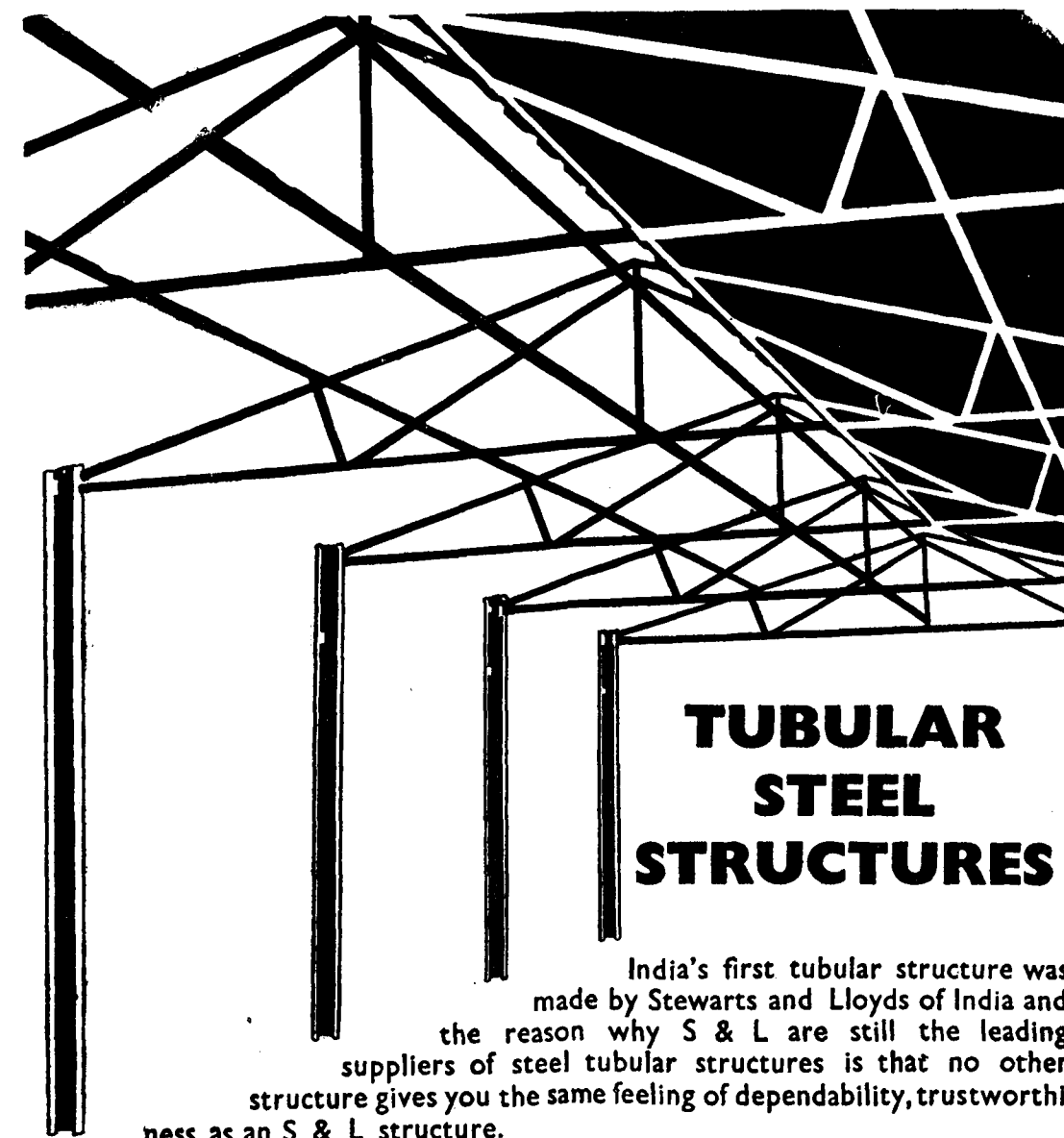
THE DEFENCE Minister, Mr. Y. B. Chavan, returned last week from Moscow, satisfied with the outcome of his mission. It was obvious, even before his visit, that the Soviet Union was inclined to assist India in her defence efforts, but Mr. Chavan seems to have returned with some precise offers. The expected supply includes MIGs, missiles, transport aircraft, light tanks and even naval equipment on comparatively easy repayment terms. As a consequence of this visit, a Soviet technical team led by a Deputy Minister or a senior official is soon expected to visit India to finalise the production schedule of the MIGs. A number of Soviet experts will follow to provide the necessary technical assistance in setting up the three MIG factories. Arrangements have also been made to train a large number of Indian technicians to run these factories and progressively assume complete control of the manufacturing programme.

India is also acquiring a number of MIG-21s, in addition to the six which are still to be delivered under the original agreement entered into in 1962 for the supply of 12 planes. The necessary agreement has been signed in Moscow for the purchase of additional aircraft and by the time deliveries are completed towards the end of next year, India will be having nearly three squadrons of supersonic MIGs. The Chief of the Army Staff, who accompanied Mr. Chavan to Moscow, returned to Delhi after inspecting light tanks which India wants to acquire from the Soviet Union on deferred payment. Indian Naval officials who accompanied the Defence Minister, inspected the Soviet frigates and submarines which Moscow is prepared to sell to India. Further talks are, however, expected between the two governments before the necessary agreements are signed.

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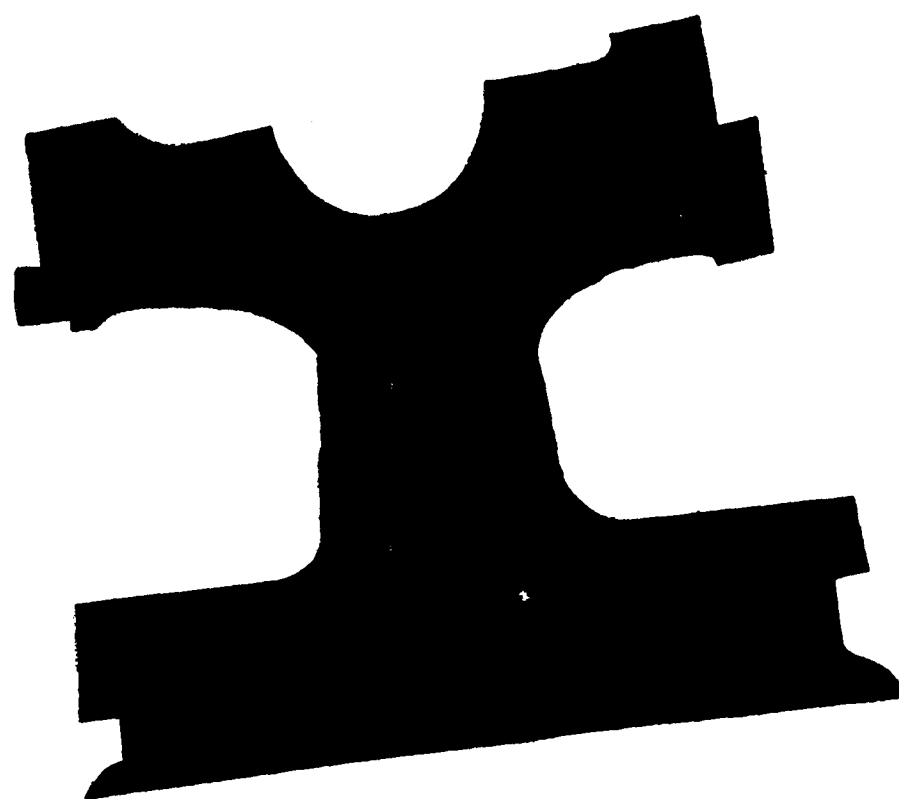


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By Our Parliamentary Correspondent

NEW DELHI:

ON THE eve of the Monsoon Session of Parliament, one could see an unusual atmosphere of seriousness in Ministerial circles. One Minister after another was declining sadly, but firmly, all engagements outside Delhi. To curious inquirers they were explaining gravely that the Prime Minister had instructed his colleagues to remain in the Capital and attend Parliament regularly during the current Session as an example to all MPs and as a discouragement to absenteeism among the latter. So impressed I for one was with all this parade of Ministerial responsibility that I was eagerly looking forward to the no-confidence debate, imagining that the strong and wise men on the Treasury Benches would not merely be physically present, but also intellectually active during this important discussion. It was rather a disappointment to me, therefore, that, in the first two days of the debate, no Minister thought it necessary or desirable to stand up and speak for the Government or its policies. This Ministerial self-denial, I dare say, will not last throughout the debate and that some big guns from the Treasury Benches will have fired their salvos before the debate is ended. Nevertheless, I am quite sure that tactically the Government has been weak in not thrusting forward some of its spokesmen into the debate at the earlier stages.

Not that the Opposition groups, jointly sponsoring the no-confidence motion, have shown any exceptional military genius. In my view, it is a psychological misconception on their part to have permitted Mr. N. C. Chatterjee, a plump and prosperous lawyer, to initiate a condemnation of the Government in the name of a starving and otherwise abjectly miserable mass of people. I must confess, of course, that I have never been an admirer of Mr. Chatterjee's parliamentary debating style. His voice lacks warmth, while his phrases do not have any note of sincerity. Often the effect, therefore, is that of an advocate speaking for a fee as well as speaking to a brief. In contrast, Mr. N. Dandekar, making his maiden speech, was far more impressive. Since, however, the Swatantra Party had already decided not to associate itself with the no-confidence motion, passages in Mr. Dandekar's speech critical of the Government's performance were largely of academic interest so far as the business before the House was concerned. It must, however, be said that he did sound quite convincing when he pleaded that the present Government should not be judged before it had had time to study — and reconsider, if it would — some of its inherited policies the unmodified maintenance of which may not be in the best interest of the country.

Food Debate

The food debate in the Lok Sabha, as could be expected, turned out to be an acrimonious and a marathon affair. But apart from taking the Government to task for rise in food prices only a few Opposition members could throw up any constructive suggestions to tackle the problem.

Mr. M. R. Masani suggested three short-term and four long-term measures for dealing with the food shortages and high prices. The short-term measures suggested by him were: (1) food zones should be abolished and movement of foodgrains throughout the country permitted at the most by October; (2) the urban poor should be supplied foodgrains from fair price shops at subsidised rates; (3) not even an ounce of food should be exported as long as the food shortage lasted, no

matter how important it might be to earn foreign exchange. Mr. Masani's long-term measures for solving the food problem were: (1) correction of the order of Plan priorities; (2) stoppage of tinkering with the security of land tenure. (3) reduction in taxation; and (4) avoidance of recourse to deficit financing. In regard to Plan priorities, Mr. Masani called for judicious apportionment of allocations to agriculture, light industry and heavy industry. Mr. A. P. Jain, a former Union Food Minister, called for strict enforcement of the Guest Control Order, announcement at the time of sowing of food-grain prices which should be paid to farmers at the harvest time (the prices, he recommended, should be fixed keeping the farmer's interest and needs in view), making available of cheap and sufficient supply of fertilisers and adoption of a liberal policy in respect of import of tractors and other agricultural implements. Most of these remedies also found favour with many other members who participated in the debate.

State Trading

The members differed widely on the question of State trading in foodgrains. While those with leftist leanings urged concerted action for instituting State trading in foodgrains, many, both from the Congress and the Opposition benches, opposed it on the ground that resort to State trading in foodgrains would only complicate matters further. The same was the case with land reforms. Many members wanted further restrictions on bank advances against foodgrains.

The Prime Minister's advice to the States some time ago that they should refrain from imposing restrictions on the movement of foodgrains to other States in the national interest found an echo in the speeches of Mr. A. C. Guha and Mr. Jaswant Rai Mehta. Mr. Guha suggested that the Government should adopt a policy of providing foodgrains at "equalised prices" all over the country. Mr. Mehta went a step further and urged that the States should be asked to surrender their autonomy in respect of food and agriculture till the food situation in the country is improved. Mr. M. S. Aney opined that the main cause of each State being concerned about its own interest, without caring for the national interest, was the irrational reorganisation of States on linguistic basis. This, he said, had corroded national patriotism.

Dr. P. S. Deshmukh did not agree with the criticism of many members that there was hoarding of foodgrains either at the farmers' or the traders' level. The present food crisis in the country, he said, had arisen because there was no proper assessment of the country's food requirements and necessary steps had not been taken in advance to meet shortages. Dr. Deshmukh suggested utilisation of waste land in the cities for growing vegetables and foods.

The reply of the Union Food Minister, Mr. C. Subramaniam, to the debate was a hard-hitting one. He took the Opposition parties to task for creating "a crisis of confidence" in the country which had led the consumers, producers, traders and even State Governments to play safe by holding on to whatever stocks they had. The Opposition parties, Mr. Subramaniam added, had thus become a colluding factor in the hoarding of grains. Mr. Subramaniam reiterated that the main problem today was to bring out hoarded stocks. The tendency to hoard stocks, he added, was there both at the producer and the trade levels. It had been accentuated by

the trade providing finance from unaccounted money to the big producers who by themselves could not hold back their produce for more than 4 to 5 months.

Mr. Subramaniam defended the Government's decision to import large quantities of foodgrains to meet the present difficult situation. While re-affirming that he was a believer in State trading and controls "to the extent necessary", he expressed the view that all the hoarded grains could not be secured by the Government by simply launching State trading. The Food Minister listed the measures he had taken to tackle the food problem both in the short and the long terms. He drew attention of the House particularly to the attempts being made to strengthen the enforcement machinery in the States, setting up of the Foodgrains Trading Corporation and provision of credit, fertilizers and other pre-requisites to agricultural production.

Another important discussion held in the Lok Sabha last week was on the non-official Bill, sponsored by Mr. Prakash Vir Shastri, seeking to abrogate Article 370 of the Constitution, which confers a special status on the State of Jammu and Kashmir. The Bill received enthusiastic support from all the sections of the House. The debate, however, could not be concluded for lack of time; it will be resumed this Friday.

Press Council Bill

The inconclusive debate on the Press Council Bill provided the highlight of the proceedings in the Rajya Sabha. The Bill, which seeks to establish a 26-member statutory body, consisting largely of newspaper representatives, charged with the function of improving the standards of newspapers in the country, was generally welcomed by the House. Some clauses of the Bill, however, came in for vehement criticism. While Mr. A. D. Mani, a newspaper editor himself, wanted the Press Council to function in an informal way on the lines of the British Council, and not like a court of law, Mr. G. S. Pathak, a lawyer of repute, supported the provision in the Bill to confer judicial powers on the Council. These, Mr. Pathak said, were necessary for the proper discharge of the Council's functions and for safeguarding the interest of the witnesses appearing before it. The provision in the Bill authorising the Chief Justice of India to select the Chairman of the Council, also was objected to by Mr. P. N. Saprú, another legal luminary, and by Mr. M. Ruthnaswamy on the ground that this would not be in keeping with the dignity of the judiciary which would be exposed to criticism. Mr. Saprú suggested that the chairman of the Press Council should be selected by a panel consisting of the Speaker of the Lok Sabha, the Chairman of the Rajya Sabha and the Chief Justice of India. Mr. Pathak also challenged the legal validity of the provisions in the Bill seeking to empower the Government to take action against newspaper editors and journalists who are censured by the Press Council more than once and making the Council's decision final and not questionable in any court of law. The Supreme Court, Mr. Pathak contended, could not be prevented from exercising its constitutional prerogatives and responsibilities or from granting leave for appeal against decisions of quasi-judicial bodies like the Press Council. There was general consensus of opinion that the Press Council should not be used by the Government as an instrument for suppressing the freedom of the Press in India.

The Rajya Sabha passed the Industrial Disputes (Amendment) Bill, 1963, which, while making some other minor changes in the Industrial Disputes Act, provides (i) for retrenchment compensation on closure of an undertaking to workmen who have been in continuous service for one year, (ii) makes the arbitration awards binding in the same force as an award of a tribunal; and (iii) prohibits strikes and lock-outs during arbitration proceedings. The Bill also prohibits termination of a settlement or an award at the request of only

a group of workmen. In future, a majority of workmen only shall have the right to terminate a settlement or an award.

The Joint Select Committee on the controversial Gold Control Bill has effected a number of modifications in this Bill. All persons having gold ornaments not exceeding Rs. 25,000 and all families having gold ornaments not exceeding Rs. 50,000 have been exempted by it from making declarations to the Government about the gold ornaments in their possession. The Committee has also exempted a family consisting of husband, wife and one or more minor children, or any two or more of them, if the total weight of gold other than ornaments owned by it does not exceed 100 grammes. The Committee has, however, suggested that the Government should retain the power to ask for declarations in this regard in order to enable it to administer gold control effectively.

The Committee has clarified that there will be no restriction as to the purity and form of gold which may be received as offering by any religious institution such as a temple, mutt, church, mosque, gurdwara or any other place of public worship. Powers have been given by the Committee to the Union Government for imposing, by rules, restrictions on the purity and weight of gold in ornaments re-manufactured out of old ornaments.

Some of the other changes effected by the Committee in the Gold Control Bill are: (1) the Gold Control Administrator can cancel the licence of a dealer or refiner if the dealer or the refiner is guilty of smuggling offences under the Customs Act or the Foreign Exchange Regulation Act; (2) the Administrator can exempt certain cases from the requirements of stamping of primary gold; (3) only an authorised officer can seize any gold or document which he finds secreted about one's person after conducting a search in accordance with the provisions of the Act. When an officer arrests a person or seizes any gold, document or other goods from the possession of a person, a copy of the statement, if any, made by such a person before that officer shall be furnished to the person concerned on demand.

Severe Criticism

The Gold Control Bill, however, has come in for severe criticism in the nine minutes of dissent appended to the Joint Committee's report. In his dissenting note, Mr. M. R. Masani, says that the only way to make people lose the glamour for gold is to offer an "honest rupee" the value of which tomorrow and 10 years hence will be the same as it is today. The rupee, Mr. Masani adds, has already depreciated so much that it is now worth only about 17 per cent of its pre-war value. Mr. Masani feels that goldsmiths will continue to make 20-carat gold ornaments and the Gold Control Bill will tempt the honest people also to become dishonest. He has advocated import of some gold within the scope of the various export promotion schemes. Mr. Dahyabhai Patel, in his note of dissent, has called for scrapping of the Gold Control Bill in its present form and has urged bringing in of a new properly considered piece of legislation. Mr. B. L. Chandak, Mr. M. M. Haq, Mr. Balgovind Verma and six others in a joint minute of dissent have said that the insistence on 14-carat purity gold ornaments is not going to bring down demand for gold. They have, therefore suggested that no restrictions should be placed on the purity of gold ornaments. They have also opposed the unlimited powers proposed to be conferred by the Gold Control Bill on the Administrator. They want a ceiling to be put on the possession of gold by an individual. They have further suggested that purchase and sale of gold should be entrusted to a statutory body like the State Trading Corporation or the Khadi Gramodyog Commission. Mr. Tridib Kumar Chaudhri has also expressed the view that the Government should have gone in for quantitative control on gold

Question Hour

Oil: — Questioned about the main features of the new agreement proposed by Burmah-Shell to replace the 1951 agreement on its Trombay refinery, the Union Minister for Petroleum and Chemicals, Mr. Humayun Kabir, informed the Rajya Sabha on September 11, that the revised agreement with Burmah-Shell had not been finalised as yet. It was, therefore, not possible for him to disclose the new terms. Asked whether proposals for the revision of the agreement on the Caltex and Esso refineries had also been received, the Minister said that though these companies had also expressed willingness to revise their existing agreements, no formal proposals had yet been received from them.

The Minister also revealed that discussions were being held with AGIP, a company in the Italian E.N.I. group, and Phillips Petroleum of the United States for associating the Oil and Natural Gas Commission as an equal partner with them in a bid to obtain a concession in District I, Area 2, in the off-shore region adjoining Iran. The joint bid, if the National Iranian Oil Company agreed to the partnership, would be submitted towards the end of October, 1964. In the event of an area being awarded to the group, a new company would be formed jointly by the group and the NIOC for carrying out oil exploration. Asked whether the foreign oil companies operating in India had agreed to utilize the crude that might be available through these efforts of the ONGC, Mr. Kabir said that the matter was under examination.

In a written reply to another question, Mr. Kabir stated that the targets for production of oil during the fourth Plan period were being formulated in consultation with the Planning Commission. It was difficult to make a precise calculation about the break-up of consumption of oil in industrial and domestic sectors.

Khetri Copper Project: In a written reply to a question, the Union Minister for Steel and Mines, Mr. N. Sanjiva Reddy stated in the Lok Sabha on September 11 that one of the principal items of work which was presently in progress at the Khetri Copper Project site was the sinking of the shaft through the departmental agency under the technical direction of the consultants of the project. Excavations for the shaft collars had been completed. The production shaft had been sunk to a depth of about 17 metres and the service shaft to about 8.5 metres. Concrete lining had been done in the production shaft over 16.5 metres below the foundation slab level, and over 8 metres in the service shaft. The headframe for the production shaft had been concreted to a height of 17 metres above the foundation. Some shaft sinking equipment had to be imported. As soon as this was procured and erected at the site, the shaft-sinking work would proceed at a faster rate. Mr. Reddy further disclosed that it had been decided to instal at flash-type smelter at the project instead of a reverberatory type as originally envisaged. This was done with a view to facilitating the recovery of by-products and for improving the economics of the project. A team of technical officers had been deputed to Helsinki (Finland) for preliminary discussions with M/s. Outokumpu, a Finnish firm which had developed the techniques of flash-type smelting. The detailed offer regarding the terms of consultancy and the cost of the flash-type smelter and other connected equipment were awaited. Mr. Reddy also indicated that the Government proposed to increase the scope of the Khetri Copper Project by adding a pyrite-pyrrhotite roaster and a sulphuric acid plant. Action had been initiated for the preparation of a revised project report for the enlarged scheme. The revised capital outlay and the revised time-schedule for the project were being worked out.

rather than qualitative control. Mr. P. Ramamurti and Mr. B. K. Gaekwad have advocated dropping of the measures altogether as the only effective way of saving foreign exchange in their opinion is the Government taking over export trade in principal commodities. Mr. Homi F. Daji and Mr. Prabhat Kar have also refrained from lending support to the Bill despite the slight improvements made in it by the Joint Select Committee. They say it is not likely to succeed in its objective and has caused great misery and unemployment. Mr. Era Sezhiyan has suggested that the remedy for smuggling lies in tightening the enforcement machinery and curbing of the anti-social activities of black marketeers and financial tycoons instead of coming down heavily on the poor goldsmiths or petty dealers. The other two minutes of dissent are by Mr. Yudhvir Singh Chaudhary and Dr. M. L. Singhvi. Among other things, Mr. Yudhvir Singh has objected to the wide powers being given to the executive in the matter. Dr. Singhvi says that the Gold Control Bill has not been based on proper analysis of the working of the Gold Control Order. He wonders if this "bull-in-a-china-shop experimentalism" has been unleashed by the Administration in a fit of absent-mindedness.

The Minister of State for Finance, Mr. B. R. Bhagat, introduced three new Bills in the Lok Sabha last week, seeking to amend the Direct Taxes Act, the Wealth Tax Act and the Company Act.

Procedural Amendment

Most of the amendments proposed in the 41-clause Wealth Tax (Amendment) Bill are of a procedural nature. There are, however, a few which will form new sections of the existing Act. Clause 34 of the Bill, for instance, introduces a new section in the Act empowering the Central Government to give immunity from prosecution to a person giving evidence relating to the concealment of particulars of net wealth or evasion of payment of tax on the net wealth. Such immunity can be withdrawn if it appears to the Central Government that that person had not complied with the conditions on which the immunity was granted or is willfully concealing anything or giving false evidence. This is in line with Section 291 of the Income Tax Act. Similarly, Clause 35 substitutes a new section for the existing Section 37 of the Wealth Tax Act and vests additional powers in the Wealth Tax Officer, Appellate Assistant Commissioner, Commissioner and the Appellate Tribunal to compel the production of account books and also vests these authorities with the power to impound and retain in custody such books and other documents. The authorities empowered to issue summons have also been vested with the power to impose upon persons who deliberately default from complying with the same a fine not exceeding Rs. 500. It is also provided that any proceeding under the Act before a wealth tax authority or the tribunal shall be deemed to be a judicial proceeding for the purpose of Section 196 of the Indian Penal Code. Clause 36 introduces a new section enabling the Commissioner of Wealth Tax to authorise in certain circumstances the Inspecting Assistant Commissioner or the Wealth Tax Officer to make a search for any account books or documents in any premises and seize them and also make an inventory of the articles or things so seized. A person objecting to such seizure may make an application to the Direct Taxes Board.

The Companies Act (Amendment) Bill seeks to provide protection to employees giving evidence against their firms to Government inspectors. The Direct Taxes (Amendment) Bill seeks to amend the Income-tax Act, 1961, the Estate Duty Act, 1953, and the Expenditure Tax Act, 1957, with a view to removing unintended hardships and providing relief to assesses in certain cases.

Exporters of Asia Unite!

JOSSLEYN HENNESSY

INDIA, AS one of the UK's "traditional suppliers" of cotton textiles, has a direct interest in the action recently taken by the Singapore government in prohibiting the import of 46 listed UK exports and in requiring specific import licences for all other UK commodities. As seen from Singapore, the UK government took "precipitate" action in barring Singapore's exports of textiles to the UK, and Singapore is merely taking retaliatory measures in self-defence.

As seen from London, the UK government's measures are intended to protect the UK's "traditional suppliers", of which Singapore is not one. In 1962, Singapore's cotton textile exports were worth a mere £1,068 (repeat £1,068). In 1963, they rose to £180,000, of which all but £2,000 came in the last five months of the year. In the first six months of 1964, Singapore exported £904,000 of finished goods to the UK. Since the UK market is extremely sensitive to changes in the volume and prices of supplies, £904,000 worth of goods constitutes a visible threat to traditional overseas suppliers and to domestic manufacturers.

Hong Kong and India have voluntarily agreements with the UK to restrain the volume of their exports, which run to the end of 1965, while an agreement with Pakistan is due for renewal at the end of this year. Voluntary agreements also exist with Malaya and other overseas centres. Some people have, however, been getting round these agreements by exporting to Macao and to South Korea, whence a rising tide of exports began to arrive in the UK. It was to control this that the Board of Trade introduced on May 1 a new system of specific import licences — "the ring fence policy" for all cotton textile imports from countries which have no long established trade with the UK in these goods. Macao, for example, has neither a spinning nor a weaving industry. Singapore appears to have six factories, but the Board of Trade's ruling cuts off the market for all new factories, amongst which these six must presumably be included, because they have not been able to produce evidence of long standing exports to the UK.

Orderly Contraction

I have repeatedly expressed my view in this column that the UK in common with all other advanced Western nations should contract their production of goods, such as textiles, which can be imported more cheaply from the developing nations, and should switch their production to goods which the developing nations are as yet incapable of producing. At

the same time, in a commodity, such as textiles, capable of virtually limitless expansion, which could throw hundreds of thousands of European and American textile employees out of work within a few months, the organisation of an orderly contraction, spread over a period jointly agreed between the several governments concerned, would be reasonable. If, without such previously organised joint action, Western markets were allowed to be dislocated by a flood of Asian cotton textile imports, the result would only be to provoke a Western outcry, which would damage East-West relations, and would do nothing to improve the prospects of Asian exports of either textiles or any other commodities.

I submit that the unilateral and isolated action of the Singapore Government is unhelpful not only to Singapore but to all Asian cotton textile exporters, because it ignores the facts of the case, and that the UK is acting in good faith towards other members of the Commonwealth. What would be constructive would be if Singapore — or failing her India — were to seek to inaugurate joint action with Hong Kong and the other exporting countries concerned, to negotiate a joint agreement with the Western governments. Perhaps the easiest way to initiate this would not be to approach all these governments separately but to go straight to the headquarters of the European Free Trade Association and the European Economic Community, which cover the whole of Europe, to which might be added the OECD in order to include the USA. I draw the attention of the Ministries of Commerce of the Asian governments concerned to an article on the advantages of EFTA-EEC market integration in textiles recently published by Mr. Mario Ludwig (director of the International Federation of Cotton and Allied Textiles Industries in Zurich) in the "Textile Mercury International".

In conclusion, it is fair to point out that, in choosing the UK to jump on, Singapore has chosen the least guilty of the Western nations in this matter. Whereas the EEC countries import only 6 per cent and the USA only 7½ per cent of their domestic requirements, the developing countries supply over 40 per cent of the UK's requirements in cotton textiles. This, I agree, is still not enough, but it is an admirable beginning, which Asian exporters could jointly hold up as an encouraging example to the EEC and the USA. But isolated action, like that of Singapore, is as useless to Singapore as it is harmful to the prospects of improved East-West trade in general.

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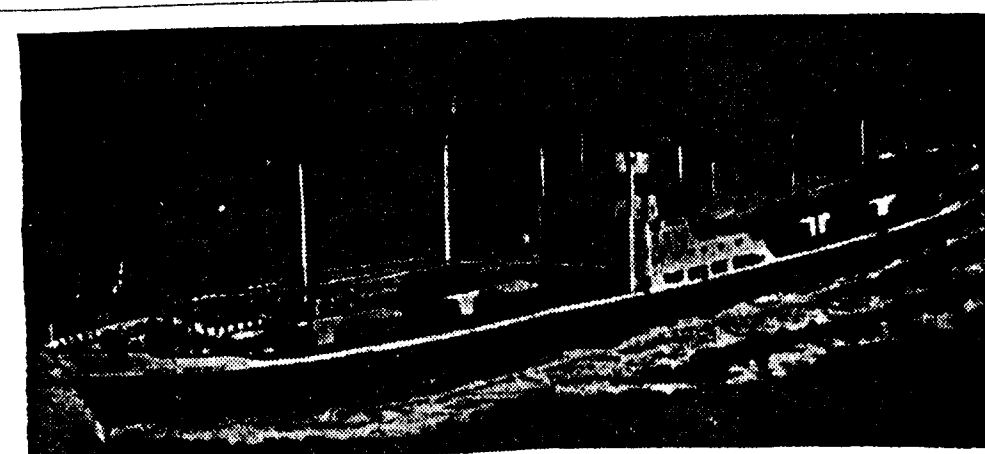
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WINDOW ON THE WORLD

Towards Higher Living Standards

M. DEKALO

SOFIA:

BULGARIA, formerly, was a country with a poorly developed industry and a fragmented and primitive agr culture, in which there was always both overt and latent unemployment. Its income per capita was among the lowest in Europe. After the War, however, Bulgaria's economy made rapid progress. The country's industrialization, the collectivization of agriculture, extended construction, modernization of transport and the advance in all sectors of material production brought about an appreciable increase in the national income. If we take the national income in 1939 as 100, by 1963 it had risen to 330. The average annual increase of the national income in the post-war years was eight per cent, whereas in the past the average annual growth of the national income had been about 3.4 to 4 per cent, dropping sharply in years of economic crisis.

The distribution of the national income in Bulgaria for accumulation and consumption is effected with a view to ensuring the development of the nation's economy at rapid rates and more fully meeting the material and cultural needs of working people in town and village. An average of about one fourth of the national income goes for accumulation, i.e. for reproduction, and three-fourths of it for consumption. This proportion has varied according to the needs of the economy during different periods of time. Irrespective, however, of the fluctuations in the ratio between accumulation and consumption, the absolute volume of the funds earmarked for consumption has steadily increased in the post-war years. Statistical data prove that, on the whole, the relative growth of consumption corresponds to the rates of increase in national income. Its average annual increase is about 8 per cent.

Incomes Double

Let us examine in brief the condition of wages, the public consumption funds and retail prices, which are in fact the main factors in determining the working people's incomes. The average wages of industrial and office workers have steadily increased in all sectors of material production as well as in the non-productive sphere. In the period of 1952-53 alone, they nearly doubled. During the same period, the real incomes of the peasant population were also doubled. Industrial and office workers of the low-income brackets received the largest wage increases in the last few years. Four years ago there was a rise in the salaries of 1.6 million people belonging to the low-income brackets. But although it is the main factor in the people's incomes, the working wage is not their only source. Retail prices play a substantial part in determining the people's real incomes. The main line pursued by the Government in its price policy is that of a systematic reduction of prices. During certain periods this factor is of paramount importance; during others its importance decreases (dependent upon the needs of the economy), but the general line is a systematic reduction of retail prices on the basis of the growth of labour productivity and the cutting down of production costs. The working people's incomes are indirectly increased through a steady reduction of prices of stable consumer goods.

Another important factor in determining the population's incomes is the public consumption funds. The significance

of these funds is constantly increasing and in the next few years they will play an ever increasing part in determining the population's incomes. During the period 1952-63 the public consumption funds have increased over 3.5 times, which means that they have increased more than the working wage and that their relative share in forming the population's real incomes has also been steadily increasing. It is a well-known fact that these funds are the only or the main source of meeting some of the population's most important requirements, such as public health, education, social security, and so forth. Expenditure on education, culture and the arts has increased 2.5 times in the period of 1952-1963, and that on public health, social insurances and physical culture over 4 times. Free medical aid and free education which have been introduced in Bulgaria are a great acquisition by the Bulgarian people. Today Bulgaria holds one of the foremost places in the world for the number of doctors and students per head of the population. There are 16 doctors to every 10,000 citizens. Bulgaria ranks fourth in the world after the USSR, the USA and Japan for the number of students per 10,000 citizens. This school year about 80,000 students study in Bulgaria, which makes approximately 100 students per 10,000 citizens.

This increase in the population's real incomes brought in its turn an increase in consumption, which is proved by the growth of retail trade. In 1963, the retail trade was four times bigger compared with what it was in 1959. Today the Bulgarian people eat and dress much better than in the past. The families of all social groups — industrial and office workers, and peasants — spend much more today on food, on goods other than foodstuffs, on various services and on cultural entertainments. These expenses have more than doubled in

Eastern Economist 20 Years Ago

SEPTEMBER 15, 1944

The question whether India should join the International Monetary Fund despite her failure to receive satisfaction on the two major points on which she had set her heart, viz., a permanent seat on the Executive and inclusion of sterling balances within its scope, will in due course have to be decided. But there is no need to be unduly hasty in coming to a judgment, as the non-official delegates to the Bretton Woods Conference have rightly pointed out. In the intervening months between now and early next year when the country will have to make up its mind, we shall be able to accumulate fresh evidence of other countries' reactions to the schemes as emerged from Bretton Woods. No one can reproach India for waiting to see how many countries ratify the scheme and agree to participate in the Fund and what amendments or reservations are proposed; for in this important matter we cannot have too much of relevant data before coming to a final decision. Knowledge of the course and outcome of the proposed talks between Britain and India regarding sterling balances will also be essential. In the circumstances the caution that has been exhibited by the public is not only justified but commendable.

the last 10 years. Expenditure on clothing, house furniture and cultural undertakings, however, has increased much more. The relative share of the expenses on food in the total of family expenses has been steadily decreasing: from 55.8 per cent in 1953 it was reduced to 44.5 per cent in 1963. This is an eloquent proof of the people's rising living standards.

The general long-term programme for Bulgaria's economic development up to 1980 has mapped out still brighter prospects for the Bulgarian people. Its main aim is the care of

man, meeting his constantly growing needs for his all-round and harmonious mental and physical development. It is envisaged that at the end of the 20-year term, the national income will have increased by four or five times compared with 1960. The population's real incomes are to rise by about 3.5 times during the same period. Consumption will also increase parallel with the rapid growth of the population's real incomes. The public consumption funds will mark the greatest increase. This will raise the Bulgarian people's living standards still further.

Balance of Payments Troubles

PAUL BAREAU

LONDON:

GREAT BRITAIN is emerging from a minor balance of payments scare. Nerves were set jangling by three developments: the overseas trade figures for July an ominous estimate by the National Institute for Economic Research that the payments gap this year would amount to £500 million and as a coping stone to this trilogy the news that in August the gold and convertible currency reserve fell by £33 million. The disturbance to confidence caused by this news was short lived. It was smoothed over by re-assuring words from the Chancellor of the Exchequer who is certain there is no crisis and that the British economy is performing wholly according to plan — save for the disappointing performance of exports which it must be said is a very important reservation.

Probably the most important of the re-assuring factors has been that the evidence of recent public opinion polls which strongly suggests that the trend of electoral opinion has recently been moving strongly in favour of the Conservatives. If this evidence is to be believed it removes one potential further factor of weakness in the situation of the foreign exchange market namely the virtual certainty of a run on sterling in the event of a Labour victory at the General Election.

Facile Explanation

The figures indicate a serious deterioration in the British balance of payments and cannot be dismissed by politically convenient re-assurances from Mr. Maudling or by the doubtful evidence of public opinion polls. There is in the first place the hard fact that in the first seven months of this year imports were 18 per cent higher than in the corresponding period of last year and exports only 4½ per cent higher. In the early months of this year this disparity received a number of facile explanations: the rise in primary commodity prices; the stocking up by industry with imported raw materials and semi-manufactured goods. But these re-assuring explanations began to wear thin when month after month the trade returns showed that the major factor in the growing volume of imports was the purchase of foreign manufactured articles. This together with the diminishing rate of expansion in British exports of manufactured goods carries the suggestion that British industry is becoming less competitive.

This conclusion has caused some astonishment given firstly the fact that most sections of British industry report a long and still growing export order book and secondly that all the evidence of recent wage and price movements indicates that inflation has been far more rampant among most of our competitors on the continent of Europe than in Great Britain. Hence all the talk about the "mystery of the missing exports". One explanation may well be that there has recently been a considerable increase in the orders for British capital goods. These take a long time to manufacture and will not appear in the trade returns until long after the order has been placed.

The position should be assessed in terms of the known facts and not of re-assuring suppositions. This is what has been

done in the National Institute's Economic Review to which I have already referred. Its estimate of a £500 million deficit for this year includes as its major component the export of long-term capital which probably accounts for more than £300 million of the total. Even so this leaves a residual current deficit sufficient to call for remedial action soon after the distractions of the general election have become a thing of the past. The National Institute says "towards the end of this year, therefore, it looks very much as if the Government will be faced with the old dilemma. It must either take measures which deal directly with the balance of payments, or it must deflate and face the prospect of another period of stagnation".

Clear Preference

The manner in which the alternatives are expressed indicates fairly clearly where the preference of the National Institute's economists lies. They would choose direct methods. Among these would be an intensification of exchange control including perhaps the operation of some restrictions on exports of capital to the sterling area and import restrictions. This is probably the choice that would be made by a Labour government though it is likely that the pressure on sterling that would follow a Labour victory in the election would also call for some use of at least one of the orthodox weapons of defence, namely dearer money.

A Conservative government would lean more heavily on the traditional mechanisms of control: taxation, Bank rate and other items of credit policy. But the Chancellor of the Exchequer has recently stated that he would not feel debarred by the label "Conservative" from using direct measures including import restrictions if he felt they were the correct answer to the problem. It seems highly unlikely that at this early and important stage in the Kennedy Round of tariff negotiations a British Conservative government would by import restrictions and higher tariffs give what would be the 'coup de grace' to this whole exercise. If a Conservative government is returned to power the resulting accentuation of the Stock Exchange boom and the further spur to private industrial investment superimposed on what is already a somewhat over stretched economy would without a doubt require the discipline of somewhat scarcer credit and a higher Bank rate.

What is decidedly 'not' on the cards is any tampering with the external value of sterling. The usual syren voices have again been heard pleading the attractions and virtues of greater flexibility of exchange rates and have used all the accepted euphemisms for devaluation. There is no support for them in official or indeed responsible quarters. Devaluation is unnecessary. It would strike a blow at the increasingly close collaboration between the monetary authorities of the world. It would leave unaffected the defects and inefficiencies which have led to the reduced competitiveness of British industry. The wherewithal to defend sterling is substantial and will be further increased as a result of the discussions at the Tokyo meeting of the International Monetary Fund.

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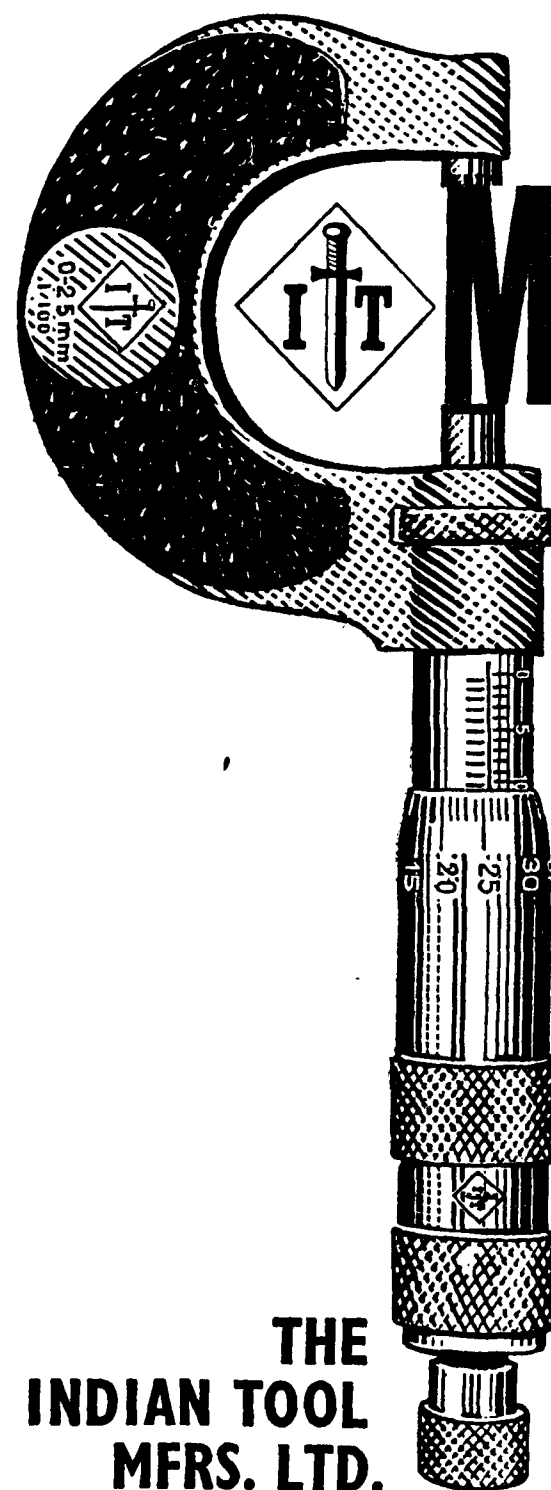


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LISTENING POSTS

Iron Ore in Fourth Plan

By Our Special Correspondent

NEW DELHI:

THE LATEST estimates prepared by the Union Ministry of Steel and Mines place the demand for iron ore in 1970-71 at 58 to 63 million tonnes — 25 to 30 million tonnes for export and nearly 33 million tonnes for consumption by the Indian steel industry. For meeting this demand, it has been decided that besides developing the existing iron ore mines, large-scale exploitation of the iron ore deposits in the Bailadila, Bellary, Goa, Hospet and Orissa areas should be undertaken expeditiously. Exploration work in these regions is envisaged to be carried out during the remaining period of the current Plan and the first half of the next one.

For meeting export requirements, it is proposed to develop iron ore mines in the Bailadila area to a capacity of 8 million tonnes per annum. The other areas where development of iron ore mines for export purposes is envisaged are the Malangtoli block in Orissa, Goa, Bellary and Hospet. The development of the Malangtoli area is proposed to be undertaken to an annual production of nearly 3 million tonnes. This, along with 2 million tonnes of iron ore from the Tomka-Daiteri mines, will make available 5 million tonnes for export through the Paradip Port. The Goa area, which is already exporting about 6 million tonnes of iron ore per annum, is expected to step up its exports to 9 to 10 million tonnes. Proving operations in the Bellary and Hospet areas have been started with a view to locating enough reserves to sustain a production of about 7 million tonnes of sized iron ore.

To meet the requirements of the Bokaro steel plant, the iron ore deposits of the Kiriburu and the adjoining area are being developed to yield about 3.5 million tonnes of lump ore and 3.5 million tonnes of beneficiated ore. The Union Ministry of Steel and Mines has also decided to have a public sector mine in the Barajamda area to produce about one million tonnes of high-grade iron ore for the public sector steel plants. Action has also been initiated for the development of the mines which are to supply iron ore to the existing steel plants, both in the public and the private sectors, under their fourth Plan expansion programmes.

The development of the iron ore mines in the Kiriburu and the adjoining area is expected to cost Rs. 45 crores, of those in Malangtoli block about Rs. 16 crores, in the Bellary and Hospet areas about Rs. 35 crores and in the Barajamda sector Rs. 5 crores.

Concerted action is also being taken for improving port facilities to handle ore exports. Work on improving the Visakhapatnam port has already been taken up with a view to enabling this port to receive 45,000-tonne ore carriers and loading them at the rate of 12,000 tonnes per hour. A number of other ports, both on the east and the west coast of India, are also to be provided with mechanised facilities to enable them to load at the rate of 2,000 to 3,000 tonnes of iron ore per hour. It is hoped that mechanisation of these ports will help in reducing ocean freight from India, thus making the Indian iron ore more competitive in the world market.

Japan has already entered into firm agreements with India for importing six million tonnes of iron ore per annum. This

will be in addition to Japan's normal purchases from this country. In its global iron ore procurement programme, Japan is understood to have put India down for 13.45 million tonnes. Italy and West Germany, which are currently importing from India about 2.2 million tonnes of iron ore, have shown interest in taking additional supplies to the tune of 2 to 3 million tonnes a year. The East European countries are expected to treble their iron ore imports from India by the end of the fourth Plan period.

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Addressing the Export-Import Advisory Council last week, the Union Minister for Commerce, Mr. Manubhai Shah, held out hopes of liberalisation in the new import policy to meet the requirements of defence, agriculture, export-oriented and basic industries as well as of the small-scale industrial sector. He, however, could not promise any liberalisation in the case of other imports due to the necessity of incurring somewhat larger expenditure in foreign exchange on rice imports from Burma, Thailand, Cambodia and Pakistan. In the long-run also, the import policy, Mr. Shah added, would have to be biased in favour of the requirements of the agricultural sector and the export-oriented and defence industries.

Mr. Shah assured that foreign exchange for export promotion would be made available to the extent required and greater facilities would be provided in future to the industrialists going abroad to market their products. He, however, made it clear that it could not be possible for the Government to meet the entire foreign exchange requirements of the industry. Certain old units still dependent on import of spares and components, should now rely on indigenous spares. He called on the bigger industrial units to develop ancillary industries.

Mr. Shah also promised to release adequate foreign exchange to units which wanted to import model tools for large-scale indigenous production. The small-scale licences, he said, would be clubbed in future up to Rs. 10,000 instead of Rs. 5,000 as at present.

Referring to the fourth Plan, Mr. Shah said that maintenance imports during the five years to 1970-71 were expected between Rs. 5,100 and Rs. 5,300 crores. Imports of capital goods and machinery were likely to be between Rs. 1,800 crores and Rs. 2,500 crores. The basic weakness of the balance of payments position in relation to the country's ever-increasing import requirements and debt-servicing obligations, Mr. Shah said, warranted maximisation of efforts to step up exports. The export target under the fourth Plan period, Mr. Shah added, had been fixed at Rs. 5,100 crores. To achieve this target, it was essential to diversify export trade. Export earnings, he suggested, could be raised substantially if greater resort was taken to export processed and finished goods.

Mr. Shah apparently did not agree with the Planning Commission that India could plan for a 7 per cent annual growth during the fourth Plan period on the basis of external assistance to approximately the same level as received during the third Plan period. Aid from foreign countries, he opined, would have to be of a much higher scale if the country was

to achieve a 7 per cent annual rate of growth between 1966-67 and 1970-71.

Talking about export prospects during the second half of the current financial year, Mr. Shah said that the last two years' up-trend in export earnings might not be continued due to the shortfalls in the production of some of the essential export items, such as oils and oil cakes, sugar, tea, etc.

The representatives of industry assembled at the meeting pleaded for bringing about greater degree of co-ordination in the action taken by the Directorate of Technical Development and import authorities in deciding what items could be allowed to be imported. They complained that delays occurred in the endorsement of lists in respect of licences for capital equipment. The Directorate, it was further alleged, took considerable time even in deciding the type of equipment that could be allowed to be imported. Early issuance of import licences for raw materials was stressed so that industry could plan production appropriately.

The representatives of industry also expressed doubts about the achievement of the contemplated fourth Plan export target. It was suggested that to push up export, a five-year industrial truce should be attempted and a crash programme drawn up for stepping up production of oilseeds as there was great scope for increasing exports in this line.

Seven loan agreements for an aggregate amount of £14.5 million have been signed last week between the Governments of India and Britain. They form part of the £30 million assistance pledged by Britain at the last May meeting of the Aid-India Consortium for India's economic development during the current financial year.

The loans are to be utilised for: (1) £4.00 million for improving the operating efficiency of manufacturers in India who traditionally look to Britain for their supplies and who are experiencing difficulties because of the tight foreign exchange position; (2) £2.00 million for import large components, such as transformers and switch-gear, by Heavy Electricals (India) Ltd., Bhopal; (3) £1.250 million for the development of the new colliery at Singareni in Andhra Pradesh (this is in addition to the aid already given by Britain for this new colliery); (4) £3.225 million for import of turbines for the power stations in Madhya Pradesh and West Bengal; (5) £1.5 million for import of oil exploration and development equipment by Oil India; (6) £1.525 million for import of capital goods by the private sector industries; and (7) £1.00 million for import of components by British-oriented industries.

The balance — £15.5 million — of the £30 million aid pledged by Britain for India's economic development during 1964-65 is to be provided in the form of general purpose loans from which the Government of India may, among other purposes, allocate funds for down payments on cargo ships to be built in British dockyards. An agreement covering £10 million credit under this form of assistance has already been signed between the Governments of India and Britain. The pact in respect of the remainder £5.5 million is expected to be entered into in the near future.

In the context of the general purpose loans being given by Britain this year, special arrangements have been made for import by India of certain types of steels, besides the quantities imported on "free" exchange account. The Government of India, in agreement with the British Government, will authorise orders up to £2.00 million for the purchase of high-speed and tool steels, steel castings and alloy, stainless and heat-resisting steels in any form of products.

All the loans signed last week are to be repaid over a period of 25 years, including a 7-year grace period. No interest is to be paid on these loans during the grace period. Taking note of the grace period, the rate of interest on these credits works out to approximately 3.5 per cent per annum.

The £30 million assistance pledged by Britain for the current year is in addition to the £7.00 million agreed to by her on July 31, 1964, for the setting up of the fifth blast furnace and associated installations at Durgapur Steel Works under this undertaking's second stage of expansion. The British Government has also indicated its readiness to discuss terms and conditions for aid in respect of the third stage of Durgapur under the fourth Plan, which will carry the capacity of this steel plant to around 3 million tonnes per annum from 1.6 million tonnes at the end of the second phase. No figure has yet been indicated in this regard, but it will obviously be quite large.

The Union Government has decided to assist Uganda in setting up four large-sized sugar mills in that country. The complex will be financed jointly by the industrialists and the Governments of the two countries. It is expected to cost £12/15 million (about Rs. 15/20 crores). To begin with an investment of approximately £10/12 million (Rs. 13/15 crores) is envisaged. Both India and Uganda will share this investment in near-equal amounts. The majority participation will be by Uganda. Most of the equipment for the entire complex will be supplied by India. A small portion of it, however, may have to be imported from other countries.

A high-powered delegation, headed by the Secretary to the Union Ministry of Commerce, Mr. D. S. Joshi, left for Uganda on September 13 for further talks on the project. Besides Mr. Joshi, the delegation consists of six technical and economic experts of the Government of India and four non-officials. The representatives of the Government are Mr. K. P. Jain, Director, Sugar and Vanaspathi Directorate; Dr. Thuljaram Rao, Sugarcane Breeding Expert of the Government of India; Mr. D. B. Anand, Member, Central Water and Power Commission; Mr. S. C. Banerji, Development Officer, Directorate-General of Technical Development; Mr. D. B. Dutt, Deputy Secretary, Ministry of Finance, Department of Economic Affairs; and Mr. N. S. Vaidyanathan, Under Secretary, Ministry of Commerce. The non-officials included in the delegation are: Mr. D. D. Puri, MP, Mr. J. P. Mukerji, Chief Engineer, Walchandnagar Industries; Mr. M. Bhandarkar, Chief Engineer, K.C.P. Private Ltd.; and A. N. Mahrotra, Development Officer, Birla Sugar Factories. The delegation will remain in Uganda for 5 to 10 days. It will have high-level discussions both with the Uganda Government and the leading businessmen in that country.

The first Industry Productivity Council to be set up in pursuance of the decision of the All-India Conference of Local Productivity Councils and Productivity Personnel held recently at New Delhi, will be for the printing industry. This Council is expected to be inaugurated by the NPC Chairman, Dr. P. S. Lokanathan, at Bombay on September 28.

According to the constitution drafted for the Council, it will concern itself with the following:

- (i) The building up of a body of knowledge of productivity techniques of interest to the printing industry;
- (ii) Disseminating information on the ways and means of promoting productivity in the printing industry;
- (iii) Organising training courses, seminars, conferences, study missions and other activities calculated to pro-

mote consciousness of productivity in the printing industry;

- (iv) Establishing liaison with the National Productivity Council, its Regional Directorates and local Productivity Councils for utilising their resources in the furtherance of the activities of the Council;
- (v) Conducting productivity surveys of individual units in the printing industry and advise management on better ways of utilising the industry's resources in manpower, materials and machines;

(vi) Providing a platform of common endeavour for management and unions in the printing industry and research and training institutions and other bodies concerned with the growth and well-being of the industry through higher productivity;

(vii) With such other activities as will contribute to higher productivity in the printing industry.

The Council will function in collaboration with National Productivity Council and its Regional Directorates and Local Productivity Councils. It will be an organising body and not



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an operational body and will be closely integrated with the present organisational structure of the productivity movement.

It is proposed to proceed with the formation of similar Councils for several other industries as well.

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Three agreements relating to exchange of letter, insured and parcel post between India and Nepal were signed here last week. The agreements will come into force from April 30, 1965, after ratification by the two Governments. Prior to April 1959, when the provisions of the Universal Postal

Convention came into force in Nepal, postal services between India and Nepal were regulated under a bilateral agreement of 1936. This agreement provided for the exchange of only unregistered correspondence between the two countries. Since 1959, Nepal has developed her own international letter post service. The other services, like insurance and parcel facilities, however, continue to be provided for Nepali citizens by the Indian Embassy Post Office at Kathmandu. The agreements signed last week envisage the P & T Department of the Union Government extending all possible assistance to Nepal for the development of her own postal services.

Trade Trends : Jute Jitters

From our Correspondent

CALCUTTA:

INDIA'S FOREIGN trade trends during the first half of the current year were encouraging. The export and import figures during the second quarter were particularly so, and were considerably better than those for the same period in 1963. Exports in the April-June period were valued at Rs. 200 crores, compared with Rs. 180 crores in the corresponding months of 1963, while imports declined from Rs. 310 crores to Rs. 272 crores. The figures need to be looked into a little more closely in order to appreciate the real character of the improvement, and to assess the prospects for the second half of the year. On the export side, it was largely purchases by the East European countries, including Russia, which pushed up the export figure by Rs. 20 crores, but this special factor may not be present during the current half of this year. Secondly, the ban on the export of vegetable oils and the reduced export quota for sugar would almost certainly affect the country's export promotion efforts. Jute goods which contributed substantially to the increase in earnings are now facing stiffer competition abroad, while their own competitive capacity is being sadly undermined by the rise in raw jute prices. Cotton textiles, another major item of export, may not be able to maintain the record achieved during the second quarter. Although the effect of the latest increase in tea labour wages on the export of this commodity remains to be seen, there can be hardly any doubt about a sharp increase in the general price level hindering our export drive seriously.

In the circumstances, the actual export trends for the current year as a whole can be judged only when the figures for the third quarter are known. Imports, on the other hand, are not likely to keep falling; they may in fact increase during the current half of 1964 if the requirements of defence, agriculture, export-oriented and basic industries are to be reasonably met. Mr. Manubhai Shah, Union Minister for Commerce, indicated at the latest meeting of the Export-Import Advisory Council, that they would. The outlook for the country's balance of payments for the year as a whole does not, therefore, seem favourable. Mr. Shah has suggested that every industry must earmark a portion of its output for exports in order to attain the targets which have been set under the third Plan as well as those which will be fixed for the next five-year period. This is one way of bridging the trade gap, but it needs to be remembered at the same time that the export performance of a country does not depend only on quantitative offerings. It depends, almost entirely, on the quality and price factors. The quality of the products, in particular, has a strong appeal for the overseas buyer. Speaking at the latest meeting of the Indian Standards Institution, Mr. K. K. Birla, Chairman of the Advisory Committee, rightly stressed this aspect. He said that the quality of the Indian goods had to improve if exports were to be raised. Quality sells itself. Considering the prospects of increasing competi-

tion abroad and India's own need to keep the balance of payments in some order, Mr. Birla's concern about this all-important economic problem should be shared by all the exporters and manufacturers in the first place.

★★

The first meeting of the Jute Textiles Consultative Board and the Jute Goods Export Promotion Advisory Committee was held, as scheduled, in Calcutta on September 9. Inaugurating the meeting, the Chief Minister of West Bengal, Mr. P. C. Sen, emphasised the special importance of the jute industry to the economy of the State. Every fourth man in West Bengal makes a living directly or indirectly from the cultivation and manufacture of jute. The industry employs 200,000 workers in Calcutta and about 2 million farmers in the State are engaged in jute cultivation. Mr. Sen was, therefore, happy that the Union Government was taking all possible steps to safeguard the interests of the jute industry.

Best Exchange Earner

The jute industry has now acquired a special importance in the economy of the country too. It is the only industry which has been able to achieve the third Plan production and export targets two years ahead of schedule, and has been the country's best foreign exchange earner. In the fourth Plan period, a target of Rs. 180 crores per year has been set for jute goods exports. In view of the increasing cut-throat competition from Pakistan, it would not be easy to achieve such a target. Both Mr. Manubhai Shah, who is the Chairman of the Jute Textiles Consultative Board, and Mr. R. H. Morrison, Chairman of the Indian Jute Mills Association, referred to this problem at some length in their respective addresses. Both of them emphasised the need for co-operation between India and Pakistan in selling jute goods in world market, and Mr. Shah, in particular, appealed to "the Government and leaders of Pakistan to realise that through mutual understanding we get the legitimate price for our goods". If the move is understandable, it is not realistic. It is not for the first time that jute goods producers in this country have expressed a desire for some kind of understanding with Pakistan in the matter, but that country has chosen to ignore all appeals. It believes that it has definite competitive advantages, and is out to make the most of them.

In the circumstances, India must take measures to neutralise Pakistan's competitive advantages by modernising jute mill machinery and by raising the yield and quality from the existing raw jute acreage. In the course of its discussions, the Jute Textiles Consultative Board did right by urging prompt action on these two fronts. The spinning sector of the jute industry has been modernised, while the weaving section still remains untouched. Immediate steps are necessary to instal modern equipment in the latter section. Mr. Shah has promised all necessary help, but so did the other Ministers in the

past. It remains to be seen how the Union Minister's promises are followed up by positive action in New Delhi. Increasing fibre yield per acre may not be easy. The output at present is something like 2.77 bales per acre. In Mr. Shah's opinion this could be raised to 3.8 bales, provided better farming methods are introduced, fertilisers are used adequately and properly and better seeds are widely distributed. But all these require some efficient organisation to do the job — an organisation which could help farmers in taking to better techniques of farming and teach them how to use fertilisers properly. According to the current division of responsibilities, this kind of work must lie in the State sphere. And West Bengal has no proud record in agr culture.

Market Research

Yet another important need is market research in order to expand the market for jute goods. A certain degree of product diversification is also necessary from this point of view. The Jute Textiles Consultative Board has recommended that the jute industry should carry out market surveys through agencies which specialize in this work. But the industry by itself will not be able to carry out the whole operation without official assistance, financial assistance in particular. Liberal help from the Market Research Development Fund, now run by Mr. Shah's Ministry, might well be given. The Board has recommended that a delegation of the jute industry and shippers be sent to Latin American countries to explore market possibilities. The industry must do this, since there must be enough scope for expanding jute goods markets in the developing Latin American economies. While trade delegations have been regularly sent to other parts of this world, this region has been relatively neglected.

The Board was appreciative of the Jute Commissioner's recent measures to curb speculative rise in raw jute. Mr. Joneja has since reinforced his actions by fixing ceiling on purchase quotas for mills in order to stop panicky buying in

the market. The maximum a jute mill can now buy per week is 100,000 bales. But if the situation so demands, this system can be altered after a proper review is made at the end of each weekly period. Raw jute prices have at present steadied around Rs. 40 per maund (basis Assam Bottoms). It is unlikely that they will fall back further. There are a number of reasons for this. In the first place, the jute grower has been hit as hard as any other by the current rise in prices and he cannot afford to sell his fibre cheaply. Secondly, world crops of jute and mesta are about enough to meet global needs, but there would be a shortage if the mills' stocking requirements are taken into account. India, of course, has not much reason to worry about a serious imbalance developing between supply and demand, but the total world situation is bound to affect sentiment here. Still there is no real reason why prices should soar. The Jute Commissioner has released a sizable buffer stock which alone should suffice for the mills' needs until October. Moreover, arrivals in Calcutta have been increasing as floods have receded and rural communications have improved. The approach of the Puja season must also be forcing the farmer to part with his stocks. Arrivals in the month of July, for example, were as high as 326,000 bales, compared with only 203,000 bales in the same month last year. The Indian crop this year is reported to be a good one. In the circumstances, the mills must plan their buying rationally so that fibre prices do not again get out of hand.

Fortunately, the overseas buyer has taken a cautious view of the market situation and he is not rushing in with orders for jute goods. This explains that relative stability in the goods market. The mills have made it known that stocks with them are quite high, capable of meeting demands on a big scale. The August-end figure was a record for many months. Normally it should have been causing them much worry, which it in fact did when stocks rose sharply at the end of July, but this has now turned out to be a blessing in disguise.

Economics of Kerala Quandary

From Our Correspondent

MADRAS:

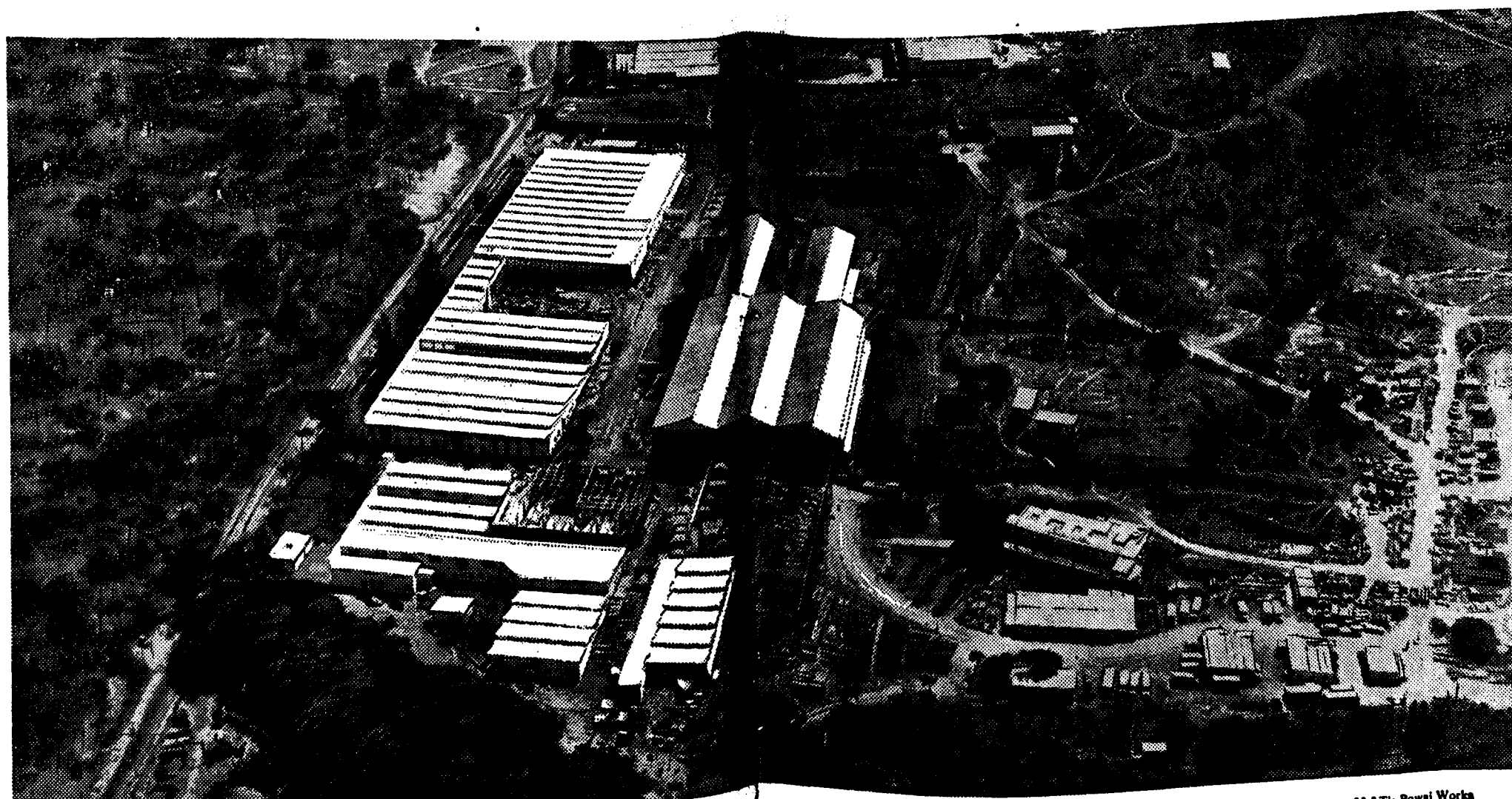
THE DEFEAT of the Sankar Ministry, as a result of the dissident group in the Congress voting with the Opposition on the 'no-confidence' motion, has brought about a ticklish situation again after two years. Following the resignation of the Sankar Cabinet, President's Rule has been imposed on Kerala and there is now speculation over the date of general elections. An Administrator has also been named and it has been indicated that any change in the date of elections will be decided upon by the Election Commissioner. There will no doubt have to be elections within the next four months as the Assembly was due to be dissolved in any case. But the whole picture has altered as a result of the dramatic developments in the past two weeks and there is an apprehension that it would not be possible for the Congress Party or the Communists to form the Ministry as the votes would be split between different parties. The demand for an inquiry into the charges against the Chief Minister, who has just resigned, could not be agreed to immediately as the Congress High Command was of the view that dissidents can create similar trouble in other States and that there was opportunity for unseating Mr. Sankar if the party could be convinced of the validity of the charges and the public also was made aware of the true state of affairs.

The future of the Congress Party in Kerala is itself in doubt as communal considerations have crept in and the dissidents along with the Muslim League candidates could always

have the determining voice in forming future ministries. The Communists are also divided in their ranks and it would be difficult to predict the opinion of the electorate and how exactly the various parties will emerge successful. It is rather unfortunate that the clock of progress has been put back and there is actually fear in particular quarters that the happenings of the first two Plans would not be repeated.

It was only by the end of the second Plan that significant progress was recorded in particular directions. Even though the State has a large hydel potential it was not properly harnessed. Even now the position in regard to availability of electricity is very difficult and many industrial units have been unable to utilise their capacity on account of the difficulties of the Kerala State Electricity Board to provide the full requirements of the industrial units in terms of electricity. It is only latterly that industrial progress has been gratifying and new complexes are emerging. In the next two or three years many new schemes would be completed and it should not happen that the newly created capacity at heavy cost could not be utilised fully for lack of power.

It is in the interests of the citizens of Kerala that a serious effort should be made to achieve political stability and eliminate mutual distrust. It is rather pathetic to note that in spite of a high level of literacy and intelligence of the population, political squabbles have created serious obstacles in the way of economic progress. Unless there was concentrated attention on the development of irrigation and power projects



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and the promotion of new industries, the large number of educated unemployed cannot be satisfactorily absorbed in different occupations. The leaders of the different communities should ponder over the serious harm that would be caused by continued instability and resolve their differences so that democratic forces can have freer and fuller play.

That there is need for a vigorous effort in many directions will be evident from the fact that the per capita consumption of power is very low at present and it will be a long time before the level of other progressive States like Madras and Maharashtra can be reached. Indeed, it has been pointed out in the annual report of Fertilisers and Chemicals Travancore Limited that against the firm demand for power of 31,000 kW. only 22,220 kW. was made available. This restricted supply too could not be had in the summer months when drastic cuts had to be imposed on account of the poor water storage in the hydel reservoirs. As a consequence, the company could not utilise in full its capacity. FACT is now engaged in the implementation of the third stage of its expansion programme which is expected to cost Rs. 12 crores. The finances required for this scheme are being provided by the Central Government and it is expected that the project will be completed ahead of schedule in 1964-65. The requirements of power will naturally increase to 50,000 kW. But it is not expected that full power supply will be available before 1965-66 which would suggest that the expenditure of Rs. 20 crores incurred on the three stages over a period of years would start yielding full benefits only after a long period of waiting. Apart from the fact that there would be a substantial loss of output of fertilisers which are so badly needed for raising agricultural production, the profitability of investment has been impaired and the shareholders have to wait unnecessarily for a long time in order to receive satisfactory dividends.

Since in Cochin also a number of industrial units are coming up and around the new refinery new petro-chemical units can be started, the opportunity before the State for overcoming the losses sustained in earlier years, in the shape of slow economic growth, should not be missed. Some way should be found to resolve the political muddle and steps should be taken to ensure that there would be no repetition of the dismal happenings in recent years and months.

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The paper industry in this part of the country is growing in stature and the scope for further development has been greatly appreciated by the State Governments concerned. The Madras Minister for Industries was naturally proud that the large-sized paper mill of Seshasayee Paper and Boards Limited, constructed with the collaboration of Parsons and Whittemore of USA, was making a significant contribution to the total production of the country. He was participating in a function organised by the company for releasing the 50,000th reel by the Governor of Madras. The Chief Minister, Mr. M. Bhakthavatsalam, inaugurated the pulp plant for manufacturing pulp from bagasse. The location of this new unit costing about Rs. 8 crores has been selected at Pallipalayam, near Erode, because it will be centrally situated for receiving supplies of bagasse and bamboo, the former raw material from the Pugalur Sugar Factory of the Parry group and the latter from the forest

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areas of the Madras State in the Bhavanisagar region.

The Governor of Madras naturally referred to the good work done by Seshasayees in different directions while the Chairman of the company drew pointed attention to the difficulties encountered by the paper industry. Representations have been made for a suitable increase in selling prices as the margin of profit is now very restricted and it is feared that the new units particularly would not be able to set aside sufficient amounts towards depreciation and development re-

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bate not to speak of declaring a satisfactory dividend on the equity capital. The difficulties facing the industry are such that it has not been possible for Mandya National Paper Mills, which is producing paper based on bagasse, to implement its expansion programme for raising capacity to 70 tons daily by issuing fresh equity capital. The required permission for such an issue has already been obtained from the Controller of Capital Issues. But the mill has not been able to operate on a profitable basis and attract fresh capital.

Further development of the industry can take place easily if only the necessary incentives can be provided by the Central Government. Besides Mandya National Paper Mills, Mysore Paper Mills can undertake a further expansion of its capacity to 100 tons daily. West Coast Paper Mills, also in Mysore State, can be encouraged to grow further in size as the management is in good hands. This company is also presently engaged in the development of Andhra Paper Mills while another unit, Sirpur Paper Mills in Andhra Pradesh, has its own expansion plans. Between these six units an output of 1.2 lakh tons can be easily achieved. In the fourth Plan the capacity can be raised further to 2 lakh tons, if not more. Only, the operations of the paper mills should be more remunerative. There are also schemes for starting two entirely new units, one at Bodhan in Andhra Pradesh, and another at Shimoga in Mysore. The availability of bagasse and forest products on a large scale should be very useful.

Mr. R. Venkataraman has also emphasised the need for manufacturing newsprint out of bagasse to the extent of 80 per cent and by importing chemical pulp for about 20 per cent. He has urged that the established paper mills should conduct further research in regard to utilisation of bagasse for the manufacture of newsprint and has promised that the State Government should provide the necessary financial assistance for entrepreneurs who were prepared to take up this work. There is, no doubt, genuine anxiety to undertake the manufacture of newsprint based on bagasse. But a close examination of the costs of production has revealed that newsprint mills can be erected only if the Centre agrees to offer a special development rebate and waive the excise duty now being levied on Nepa newsprint.

Also, it has been suggested that new projects should be allowed to manufacture newsprint as well as printing and writing paper so that the profitability of investment could be

Wanted a Policy for Labour

From Our Correspondent

BOMBAY:

IF IT has prompted so sober an employer as Mr. Naval H. Tata to suggest that "the time has come for Government to reconsider their approach and policy towards labour" and to assert that "labour legislation of the country is out of tune with the industrial requirements and it is far too out-moded to fulfil the ambitious planning of our Government to develop our national economy at an accelerated pace", then, there must be something really rotten in the Government of India's labour policy. And the few instances that he gave of the way in which labour matters are being handled, in the course of his Presidential Address at the Thirty-first Annual General Meeting of the Employers' Federation of India (EFI), last week, serve fully to confirm that conclusion.

Take, for example, the way in which the question of

ensured. There is no escape from the fact that newsprint can be manufactured on a large scale in this country only by utilising bagasse for producing pulp. Some quantities of chemical pulp can, of course, be imported for purposes of mixing. It remains to be seen whether any project for newsprint would fructify in the fourth Plan.

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The sugar industry is proving to be helpful to the economy in other respects as well. It has recently been announced that the US Export-Import Bank has agreed to grant a loan for \$2.1 million to the Mysore Acetate and Chemical Company Limited for purchasing plant and machinery to produce cellulose and acetate flakes. Alcohol will be manufactured from molasses by Mysore Sugar Company Limited while cotton linters will be available from nearby sources. The new company, in which Mysore Sugar will be interested as a shareholder, will have the advantage of technical and financial collaboration from American and Swedish interests. Another company is also engaged in the manufacture of cellulose and acetate flakes. The factory of East Anglia Plastics (India) Limited is being constructed at Vishakhapatnam in Andhra Pradesh. The required raw materials are available locally.

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Mr. T. T. Krishnamachari's observations in Hyderabad recently have been well received by the citizens of Andhra Pradesh. It is now more or less certain that big projects costing more than Rs. 50 crores would be taken over by the Central Government and financed fully. Indeed, the Union Finance Minister has indicated that support from the Centre for the schemes of the States in the fourth Plan period will be substantial and that the special requirement of individual States will be given serious consideration. It has, however, to be decided how the project financed fully by the Centre should be executed and the benefits derived in as short a period as possible. Under the new arrangement, the remaining work on the Nagarjunasagar Project could be completed more expeditiously. As large acreage will be brought under cultivation by this project and there will be need for developing intensively new acreage, the various problems should be carefully examined and the necessary arrangements completed early in order to derive substantial benefits out of the large expenditure that has been and will be incurred. Mysore, too, will benefit by the new proposals and the big projects that are proposed to be undertaken in the next Plan period should not be difficult of execution.

opening of fair price shops by employers has been handled. The whole approach seems to be: any stick is good enough to beat the employer with. If employers don't open fair price shops, whatever the difficulties in the way may be, a deliberate attempt is made by some circles, it is alleged, to mislead the workers into believing that prices are going up because employers have not opened fair price shops. If this is done by disgruntled labour leaders of a particular political hue, one can understand it, but if the Government also becomes privy to such misrepresentation of facts, however keen it may be to increase the number of such shops, maybe to make a debating point in the Union Parliament or the State Legislatures, the position of employers is bound to become unenviable, apart from the sheer unethicality of it. It is relevant to recall here that, whereas employers have scrupulously en-

deavoured to set up consumer co-operatives in their establishments in accordance with the Industrial Truce Resolution of 1962, the Government as well as labour leaders have been systematically campaigning for fair price shops, and the former has even gone to the extent of threatening to enact legislation to compel employers to open fair price shops. Mr. D. Sanjivayya, the Union Minister for Labour, only recently reiterated this threat. What is unfortunate is that the Government—why talk of some irresponsible labour leaders—has, by this insistence, created the wrong impression that consumers' co-operatives don't charge fair prices and thereby hampered the growth of such co-operatives. Apparently the authorities appear to believe that, in order to keep prices in check, all that they need do is to compel employers to open fair price shops. This may be all right to satisfy labour agitation or to meet the criticism of the Opposition in Parliament, but if these shops are not assured of a continuous supply of the essentials of life at a stable price level, which is Government's responsibility, what can ever these shops do? Who does not know that the Government has miserably failed to ensure this. Surely it cannot be Mr. Sanjivayya's thesis that to open fair price shops is the same as to hold the price line.

Then, again, look at the bungling with regard to recognition of trade unions. Can anything be worse than the Union Ministry of Labour's insistence on employers, lately, to deal with "unrecognised" unions, after propounding all the philosophy under the Code of Discipline in favour of progressive recognition of unions with the object of determining the ultimate sole bargaining agents in an industrial dispute? The Code of Discipline in industry was adopted in 1958 and, at that time, certain criteria were specifically evolved for recognition of trade unions, the main aim being to recognise one union only, either in a unit or in an industry. And it was to avoid all inter-union rivalry that the then Union Labour Minister, Mr. G. L. Nanda, secured the agreement of the four central labour organisations in the country to an Inter-Union Code of Conduct. Even a machinery was contemplated to implement the Code. But what has happened in the event? The Code has hardly been respected by the parties concerned, nor has the contemplated machinery been brought into existence. Meanwhile, the Union Labour Ministry wants employers to deal with even "unrecognised" unions! While employers have been resisting this, without appreciating it, labour leaders have been accusing them of exploiting the multiplicity of unions by resorting to a policy of "divide and rule". Here, too, the Labour Ministry has not bothered to visualise the repercussions of its new directive. As Mr. Tata has pertinently posed, what will the INTUC, which enjoys industry-wise recognition in the Bombay and Ahmedabad Textile Industry, say if a Bombay or Ahmedabad mill-owner chooses to deal with an "unrecognised" union? This is perhaps the coping stone in the structure that seems to be dedulously under construction, albeit unwittingly, by the Government itself to entomb the Industrial Truce Resolution. Mr. Tata is, therefore, fully justified in holding that "unless the Truce Resolution is enforced equitably, by insisting on the observance of all its obligations by both the labour and the employer uniformly — and I would add the Government also — the spirit behind the Resolution, let alone the letter, is

bound to be lost for ever." The Government has itself to thank if employers have lost their faith in the Truce. Its frequent and deliberate misinterpretations of the text of the Truce Resolution on such matters as arbitration have done the greatest damage.

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The truth of the old saying that union is strength appears to have dawned even on those ethereal beings of the film world. The recent raids on the houses and studios of some well-known film stars have undoubtedly precipitated the pace as regards the closing of the ranks in the profession. Three separate guilds, one for film stars, one for film producers and one for film distributors, are proposed to be registered, to look after the interests of each of these categories of film interests. The need for three different bodies is presumably because of the mutually conflicting interests of members of these different professions. There may also be certain cases of overlapping interests where one is both a star and a producer as, for example, in the case of Raj Kapoor.

Peculiarities of the Profession

The new organisations may not involve themselves in the question of the recent raids, but they seem to have quite a few points on which they need to seek and obtain clarification from the income-tax authorities and the Central Board of Revenue. Few will concede that the tax authorities are always fair, but film interests in India have special reasons to feel that their case has not been sympathetically treated by the Government. Indeed, they complain that the Department has not cared to pay any heed to the peculiarities of the profession and pattern its taxation scheme accordingly, as is being done in Japan and America. In Japan, for instance, film stars are taxed at a flat rate of 33-1/3 per cent and allowed to keep all the rest of their earnings for themselves. Similarly, in the United States film stars are allowed a tidy expenses account to enable them to live the sort of artificially high life they are obliged to live whilst they last as stars and have their fans to reckon with.

It may be argued: What is the need for a separate tax scheme for film stars? The answer is that every film star, whatever the degree of popularity, enjoys only a few years of vogue. After she or he has strutted and fretted her or his brief hour on the screen, she or he is heard of no more. If it is admitted that film stars play a useful role in society, the State has an obligation to devise for them a scheme of taxation which enables them to deposit the bulk of their earnings with the Government and withdraw them in subsequent years as and when they may come to feel the need for funds. Of course, they cannot escape paying taxes on the amount earned by them, but they may be allowed to pay tax only on that part of their earnings which they may retain for their expenditure during a given period, or draw over a period, as and when they draw, at the rates applicable to the fiscal year in which the withdrawal is made. I gather that it is primarily to persuade the powers-that-be to evolve some such scheme that they have decided to organise themselves, as stated.

The moving finger writes

I AM GLAD that the President has at last been able to fulfil his engagement of a State visit to the Soviet Union. Dr. Radhakrishnan is peculiarly well-qualified to make this gesture of friendship and goodwill on behalf of our Government and our people. After Nehru his is the Indian name best known and respected in the Soviet Union. Dr. Radhakrishnan's journey, however, is more than a formal assignment. It takes place at a time when the Soviet Government is giving impressive demonstrations of its desire for the continuance of friendship and co-operation between the two countries in the post-Nehru phase. There is, for instance, the Soviet offer of financial and technical collaboration with our Government on the Bokaro steel project. It is true that this offer of assistance was made during Jawaharlal Nehru's lifetime. But it is, nevertheless, of importance that the Soviet interest in the project is being fully maintained in the context of the new set-up in New Delhi. More significant still is the magnificent Soviet response to the military delegation under our Defence Minister, Mr. Y. B. Chavan, which returned from Moscow last week after discussing the supply of Soviet defence equipment for this country. President Radhakrishnan's State visit could well serve as a graceful acknowledgement on our part of Moscow's friendliness.

Incidentally, some days ago, "The Times of India" had a news story on Soviet preparations for our President's visit. The report said that the Soviet Government had decided to arrange for the President visiting a nuclear arms plant as a mark of its respect for and trust in the Indian President. The 'respect' I readily understand; but the mention of 'trust' rather intrigues me. The Soviet Government, I suggest, is taking little risk with classified information since our philosopher-President is hardly likely to be much wiser about the intricacies of nuclear weapon-making even after he has had a look at the Soviet plant. In any case, the Soviet Union, I dare say, is not much concerned over the prospects of a nuclear arms challenge from India. Let President Ayub worry if he will.

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Kerala, politically ill again, has once more been put on its favourite diet of President's rule. It is true that this arrangement is intended to be a temporary one pending the general election for the State legislature which, in the normal course, is due to take place early in the new year. But it is doubtful that the poll would be able to spawn a stable Ministry for the State. Kerala's Communists are as sharply divided as Kerala's Congressmen, while the Samyukta Socialist Party (SSP) cannot hope to govern the State except in uneasy alliance with one or more groups of Congress or Communist apostates. The Muslim League, of course, is very much there — able and willing to drive a hard bargain with the sponsors of any possible coalition. In certain quarters there is already speculation about the possibility of a Congress alliance with what is described as the official (or right-wing) Communist Party. That such a suggestion could have been made at all speaks eloquently of the mess which the Congress has made of itself in Kerala. It is possible that the so-called "progressives" within the Congress Party will attempt to sell some such idea to the Congress High Command and I expect gentlemen such as Mr. K. D. Malaviya, for instance, to be active in this cause. I do hope, however, that they will receive no encouragement from leaders, such as, Mrs. Indira Gandhi. I must hasten to add that I quite remember Mrs. Indira Gan-

dhi's role as Congress President in 1959 when President's rule had to be imposed on Kerala following the breakdown of administration under the Communist Ministry of Mr. E. M. S. Namboodiripad. But times are known to change as also men (which includes women).

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The tragic murder of the Solicitor-General has incited hysterical outbursts in high places demanding security arrangements for VIPs. I submit that much of this agitation is misconceived. The burglary which culminated in the murder was committed in a locality in the heart of a New Delhi area which must be presumed to have been reasonably policed in the normal manner. It would have been a different matter had the crime been committed in an outlying suburb, ill-served in the matter of normal police vigilance or maintenance of law and order. The mere fact that the victim of the Akbar Road tragedy happened to be a VIP should not make us lose our perspective. It is just not possible for the police of any city anywhere in the world to provide hundred per cent security for the person or property of any citizen, no matter how high his status is. It is, again, quite impractical to suggest that the police should make special security arrangements for all high-placed officials as a matter of course. While protection must be given to any citizen, high or low, who approaches the police for protection on reasonable evidence of a threat to his person or property, it is certainly not within the resources of the authorities concerned to organize constant vigil for VIPs as a class on the same or similar lines as is and must be done for a very limited number of holders of public office, such as the President or the Prime Minister. While we must certainly deplore crimes such as the one committed at 22, Akbar Road in the early hours of September 9, the brutal fact remains that so long as there are men who would kill from cupidity or other passions, there must always be occasions when they manage to find victims.

Incidentally, a highly imaginative staff reporter of "The Statesman", working on the story of the murder, spun out a yarn about a white Bull terrier which, according to him, was found to have mysteriously disappeared after the crime. Within 24 hours the story was curtly contradicted by an annoyed police official who said that the dog was not missing at all but had all along been in the servants' quarters of Mr. Sanyal's residence. In confirmation, he took Pressmen to where the dog was tied up and the animal, it turned out, was no ferocious mastiff but simply a likable mongrel. Now, why I am recounting all this is because I want to share with my readers my admiration of the slickness in the subsequent reporting in "The Statesman" of the "recovery" of the dog which, in the first instance, had not been missing at all. Said "The Statesman" with a perfectly straight face: ".....Mr. Sanyal's dog, Tippy, which was missing since Tuesday night, has been found. It was discovered in the servants' quarters on Thursday morning". That reminds me of Columbus' discovery of Red Indians. In the first place, they were neither "red", nor were they "Indians"; secondly, nobody had ever said that he had lost or mislaid any "Red Indians"; and, finally, Columbus did not discover them, but only invented them — just as "The Statesman" invented the white Bull terrier mysteriously lost somewhere on the murder trail.

V.B.



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INTERNATIONAL PAYMENTS

PRESENTING THE annual survey of the activities of the International Monetary Fund, at its meeting in Tokyo, on September 7, 1964, its Managing Director, Mr. Paul Schweitzer, paid glowing tributes to Japan where rate of growth in recent years had considerably exceeded that of any other industrial country and although the very rapid transformation of the economy had at times given rise to certain strains, this progress had been achieved with a substantial degree of monetary stability. For the developing countries, he said, the example of Japan was an inspiration. Here was a country which, although densely populated and not endowed with rich natural resources, had, through the efforts of its people, succeeded in developing into a major industrial power. Proceeding to the review of the past year, he pointed out that the exchange markets, generally, had been calm. Among the less developed countries, there were fewer cases of balance of payments strains than in other recent years. One of the most encouraging developments in world payments last year was a considerable improvement in the position of a large number of less developed countries, mainly as a result of the rise in their export receipts. This has naturally diminished the need of these countries for Fund assistance. Thus, since the two transactions in the summer and autumn of 1963, the Fund has received no further requests for drawings under the compensatory financing facility that was created last year to meet temporary short-falls in export receipts. The past twelve months have nevertheless been among the more active in the Fund's history in the field of its financial operations. Stand-by arrangements attained a record level and drawings have been higher only in three previous years. As external conditions have been relatively more favourable for the developing countries in the past year, the IMF's financial support to them has tended to be associated, more than has been usual, with imbalance arising largely from internal causes: in particular, large budget deficits seem often to have been the major cause of payments difficulties. In such cases, Fund assistance is normally granted only in association with a stabilization programme undertaken by the member.

Export prices, after years of decline, showed a marked revival in 1963 and, for the first time in some years, export receipts of developing countries grew at the same rate as those of developed countries. As a result, the over-all balance of payments positions of the less developed countries improved greatly, and a deficit of \$650 million in 1962 was replaced by a surplus of \$850 million in 1963. Though exports have expanded further in the first few months of 1964, there are signs that the surplus will be diminishing. The rise in prices seems to have levelled off in recent months, but economic activity in the industrial countries remains generally strong and the chances appear good that demand for primary products will continue on a high level. Nevertheless, judging from past experience, it is to be expected that the imports of the developing countries will sooner or later catch up with the improvement in their export earnings, bringing their reserve accumulation to a halt. Although pressures on the balances of payments of the developing countries are, therefore, likely to increase, a rise in their imports is in itself desirable, for without it the development of real resources will be much slower.

The general prosperity in the industrial countries during the past year provides the major part of the explanation of the recent strong export position of the primary producing countries. It is of major concern to the whole world that favourable conditions should continue in the industrial countries. Fortu-

nately, the immediate outlook in these countries is favourable. During the first half of 1964, industrial production has continued to increase in most of them although there have been significant changes in the rates of expansion. In the United States the rise in output accelerated in response to the tax cut introduced earlier this year. The official forecast is that the present expansion will continue well into 1965, with a further reduction in unemployment, which is now at its lowest level in five years. This continued expansion in the United States, which proceeds under conditions of virtual price stability, cannot fail to have a stimulating impact on business conditions in the world at large. At the same time measures in which balance of payments considerations have played a prominent part have recently moderated the economic expansion in both the United Kingdom and Japan, and indications are that their rates of growth will be slower in 1964 than in 1963. Although the current rate of increase of output in Japan is still high by the standards of the other industrial countries, it appears to be compatible with balance of payments equilibrium in the foreseeable future. In the United Kingdom, the moderating policies adopted earlier this year appear to have lowered the increase in demand to an annual rate of 4 per cent which is more in line with what the authorities consider sustainable over the longer run. During the past year, several countries on the European continent have also taken measures of financial restraint, but predominantly to counter inflationary pressures rather than on balance of payments grounds. For some time the restraining measures have been taking effect, and there has recently been a slowdown in the rate of increase in industrial production in several countries and, in some, a marked strengthening of their balance of payments positions. At the same time, cost increases in several countries have continued to cause concern and it is understandable that the authorities must continue to pay considerable attention to restraining pressures on prices.

PUNJAB CHAMBER

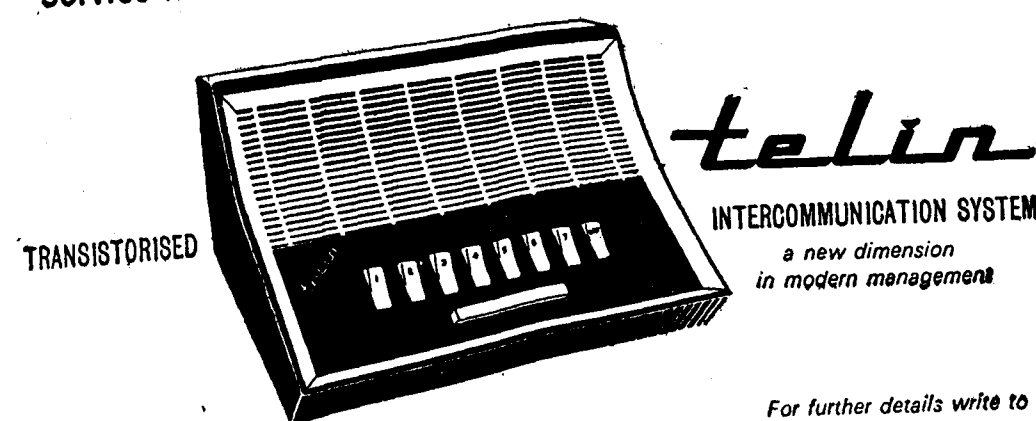
Speaking at a meeting of the Punjab and Delhi Chamber of Commerce held recently in New Delhi, the Chief Minister of Punjab, Mr. Ram Kishan, invited the industrialists to set up such industries as would help modernise agriculture. In this connection, he emphasised the importance of producing improved types of agricultural implements, tractors and power tillers and pesticides. He opined that Punjab had the potential to produce superior quality cotton comparable to that produced in the Sudan and Egypt. He visualised the development of the water resources of Punjab on the pattern of Switzerland and its dairy resources on the pattern of Denmark. The policy of his Government, he added, was to reduce the pressure on land by providing rural population with employment opportunities in the industrial field. With this aim in view, the State would take steps to ensure that shortage of land and power was not allowed to stand in the way of industrial development. He particularly emphasised the role which the new administration was going to play in the development of the State and said that all doors would be open to the industrialists and that they would no longer need to follow the back-door methods. In his welcome speech, the Chairman of the Chamber, Mr. Charat Ram, referred to the problem of 'food and prices' and emphasised that the hoarding of foodgrains at the producer's or distributor's level must be distinguished from normal stocking, for unlike green vegetables which were brought for day to day consumption, foodgrains were harvested two or three times in a year and were, therefore, stocked for sale in the ensuing months. The hoarding could, therefore, take place only till the arrival of the next crops. If the Government was

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not interested in finding temporary scapegoats it should, he added, realise the inadequacy of indigenous production and take steps to increase agricultural yield.

METALS SCRAP CORPORATION

With a view to putting an end to the uncertainties resulting from disorganised efforts and unhealthy trade practices, a 'Metals Scrap Trade Corporation' has been constituted and registered in Calcutta, as a public limited company, for the purpose of collecting and processing of ferrous scrap for supply to the domestic furnace owners and for exports. It will be a tripartite joint enterprise of the Government-owned Minerals and Metals Trading Corporation, the ferrous scrap collecting and exporting interests, and the domestic users of scrap (indigenous melting furnace owners), all holding equal shares. It will negotiate long-term contracts with overseas parties for the export of scrap at favourable international prices. The authorised and issued capital of the Corporation will be Rs. 2 crores and Rs. 30 lakhs respectively. The annual turnover of the Corporation will be about Rs. 10 crores, consisting largely of exports.

The trade in metal scraps has hitherto been affected by quantitative and qualitative uncertainties, price fluctuations and disorganisation, both on the domestic and export fronts. While scrap exporters have been facing problems concerning availability, proper pricing and shipping for export, the indigenous furnace owners also have been experiencing difficulties in keeping their melting furnaces going. On the whole, these circumstances have led to slackness in the collection of scrap from all over the country on an organised mass scale. It is, therefore, of great significance that the divergent interests in this trade have become partners, along with the Government-owned Minerals and Metals Trading Corporation, in a joint enterprise aimed at not only augmenting the indigenous production of steel castings and re-rolled material, but also furthering the exports of scrap on a long-term export contract basis on the lines of the export contracts for iron ore. The main problem in this field is the collection on a mass scale of ferrous scrap which is available from big and small engineering factories and in the form of disused capital scrap (discarded iron and steel articles, vehicles, rails, worn-out machinery etc.) scattered all over the country. Whether for domestic use or for export, such scrap often needs processing in various forms like skull cracking, baling, briquetting and detinning. The Corporation will undertake the collection and processing of such scrap. Mr. K. J. Cleetus, former Director of the Hindustan Steel Limited, has been appointed as the Chairman-cum-Managing Director of the Metals Scrap Trade Corporation.

INDUSTRIAL PRODUCTION

Though generally the industrial production has been rising from year to year, the increase in the rate of growth has not been encouraging. Latest figures are available for the past five months (January to May) of 1964, during which the general index of industrial production rose by 11 points to 170.9 as compared to the corresponding period in 1963 when the general index had increased by 12.1 per cent as compared to the corresponding period in 1962. In terms of percentage, the rise in industrial production during January-May, 1964 was only 6.9 per cent as compared to the corresponding period in 1963 when the rise was 8.2 per cent as compared to the corresponding period in 1962. The industries leading in the increase in output in January-May 1964 as compared to the same period in 1963, include railway wagons (+33 per cent), automobiles (+31 per cent), caustic soda (+26 per cent), machine tools (+24 per cent), bicycles and sulphuric acid (+23 per cent each), rayon yarn, power transformers and electricity generation (+18 per cent, each). The industries that have shown a decline in production in January-May 1964, as compared to the same period in 1963, include sewing machines (-73.3 per cent), electric fans (-32.6

per cent), ammonium sulphate (-5.9 per cent), mining and quarrying (-4.3 per cent), coal (-4.1 per cent), tea (-3.3 per cent) electric motors (-2.4 per cent), chemicals and chemical products (-2 per cent) and iron and steel basic industries (-0.5 per cent).

PRICE BOOST TO CEMENT

In order to achieve maximum utilisation of the existing capacity for cement manufacture in the country, the Government of India has sanctioned an extra price, ranging from Rs. 2.50 to Rs. 5.50 per tonne, to cement producers in respect of production in 1964 in excess of the best annual production during three years ending 1962. This extra price is meant to compensate the producers for the additional expenditure which they may have to incur in maximising production with the existing capacity. The increase in the price payable to some of the producers will not affect the consumer prices which remain unchanged. Details of the gazette notification giving the name of the producer, the extra amount per tonne payable and the limit of the quantity in tonnes over and above which the extra amount is allowed are as follows:

U.P. Government Cement Works, Churk — Rs. 5.50 — 2,20,000 in any year ending October 31; K.C.P. Ltd., Machheria — Rs. 5.50 — 1,15,000 in any year ending October 31; Shree Digvijay Cement Co. Ltd., Sikka works — Rs. 2.50 — 2,60,000 in any year ending December 31 provided the combined production of the Sikka and Bombay works of the company is not less than 4,10,000 tonnes in that year, and the Bombay works — Rs. 2.50 — 1,50,000 in the year ending December 31, 1964, provided the combined production of the Sikka and Bombay works is not less than 4,10,000 tonnes in the said period; Dalmia Cement (Bharat) Ltd., Dalmiapuram — Rs. 5.50 — 4,95,000 in the year ending December 31, 1964; Andhra Cement Co. Ltd., Vijayawada — Rs. 5.50 — 1,72,000 in the year ending December 31, 1964; Orissa Cement Ltd., Rajgarh — Rs. 5.50 — 3,80,000 in the year ending December 31, 1964; Rohtas Industries Ltd., Dalmianagar — Rs. 5.50 — 3,27,000 in the year ending December 31, 1964 provided the combined production of the factories of Rohtas Industries and Ashoka Cement Ltd., Dalmianagar, is not less than 5,02,000 tonnes in the said period; Ashoka Cement Ltd., Dalmianagar — Rs. 5.50 — 1,75,000 in the year ending December 31, 1964, provided the combined production of the factories of Ashoka Cement and Rohtas Industries, Dalmianagar is not less than 5,02,000 tonnes in the said period; Mysore Iron and Steel Works Ltd., Bhadravati — Rs. 5.50 — 81,000 in the year ending December 31, 1964; Associated Cement Co. Ltd., Bombay, of which (A) Lakheri (Rajasthan) Works — Rs. 5.50 — 36,000, (B) Dwarka (Gujarat) — Rs. 5.50 — 2,61,000, (C) Banmore (M.P.) — Rs. 5.50 — 64,000, (D) Kymore (M.P.) — Rs. 5.50 — 5,03,000, (E) Shahabad (Mysore) — Rs. 5.50 — 4,98,000, (F) Madukkarai (Madras) — Rs. 5.50 — 2,93,000, (G) Khilari (Bihar) — Rs. 5.50 — 1,13,000, (I) Surajpur (Punjab) — Rs. 5.50 — 4,64,000, (J) Kistna (Andhra) — Rs. 5.50 — 2,53,000, (K) Chaibasa (Bihar) — Rs. 5.50 — 3,24,000, (L) Sevalia (Gujarat) — Rs. 5.50 — 2,03,000, (M) Sindri (Bihar) — Rs. 5.50 — 2,77,000, (N) Mancherla (Andhra) — Rs. 5.50 — 2,28,000 all in the year ending December 31, 1964; Dalmia Dadri Cement Co. Ltd., Dalmia Dadri — Rs. 5.50 — 1,76,000 in the year ending December 31, 1964; Bagalkot Cement Co. Ltd., Bagalkot — Rs. 5.50 — 1,80,000 in the year ending December 31, 1964; Jaipur Udyog Ltd., Sawaimadhopur — Rs. 5.50 — 7,55,000 in the year ending December 31, 1964; India Cement Ltd., Madras, Talaiyuthu Works — Rs. 2.50 — 4,52,000 in the year ending December 31, 1964; Birla Jute Manufacturing Co. Ltd., Cement Department, Satna — Rs. 2.50 — 2,44,000 in the year ending December 31, 1964; Kalyanpur Lime and Cement Works Ltd., Banjari — Rs. 2.50 — 1,42,000 in the year ending December 31, 1964; and Sone Valley Portland Cement Co. Ltd., Japla — Rs. 5.50 — 2,35,000 in the year ending December 31, 1964.

RESERVE BANK OF INDIA

Applications are invited for the following posts in the undernoted departments of the Reserve Bank of India:—

(A) POSTS AND SCALES OF PAY:

- (i) Deputy Directors : Rs. 850-60-1150.
- (ii) Research Officers : Rs. 430-430-55-815 EB 55-925-60-1045.
- (iii) Junior Officers Grade II in the Legal Department : Rs. 375-20-535-25-560 EB 25-660-30-720.

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

In addition to pay the selected candidates in all categories mentioned above will be eligible to draw local pay, (at centres where it is admissible), house allowance and dearness allowance at the rates prescribed by the Bank from time to time.

(B) QUALIFICATIONS:

(i) **Deputy Directors, Economic Department:** Applicants should possess first or high second class Master's degree in Economics of an Indian or foreign University or a Doctorate degree in Economics of an Indian or foreign University. They must have experience of research work for at least five years in one or more of the following subjects: (a) Monetary Economics, (b) Banking Theory, and Practice, (c) International Trade and Finance, (d) Agricultural Economics and (e) Planning and Development.

(ii) **Research Officers, Economic Department:** Applicants should possess first or high second class Master's degree in Economics or Commerce of an Indian or foreign University or a Doctorate degree in Economics of an Indian or foreign University, and a period of research work in one or more of the following subjects: (a) Monetary Economics, (b) Banking Theory and Practice, (c) International Trade and Finance, (d) Agricultural Economics and (e) Planning and Development. Applicants are expected to be proficient in economic analysis. A period of practical banking training will be an additional qualification in respect of applicants with specialisation in (a), (b), and (c) above and experience of agricultural surveys in respect of (d) above.

(iii) **Junior Officers Grade II, Legal Department:** Applicants should be Advocates or Solicitors and should possess in addition to high academic qualifications in Law, practical experience of work in an Advocate's or Solicitor's office or have practised independently, for at least 3 years. Preference will be given to candidates having M.L. or LL.M. or other equivalent qualifications and special knowledge of Banking and Company Law.

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

(C) AGE LIMITS AS ON 1ST SEPTEMBER, 1964:

(i) **Deputy Directors:** Candidates should be between 30 and 40 years of age but the age limit may be relaxed in the case of candidates possessing exceptional qualifications.

(ii) **Research Officers:** Candidates should not ordinarily be over 35 years of age but the age limit may be slightly relaxed in the case of candidates with exceptionally good qualifications and/or experience of value to the Bank.

(iii) **Junior Officers Grade II:** Between 21 and 27 years. The maximum age limit is relaxable but not beyond 32 years in the case of:

(a) candidates possessing special qualifications and experience of value to the Bank; and

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

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

3. Applicants for the above posts must remit with their applications a fee of Rs. 7.50 for each post by cheque or bank draft on a scheduled bank payable at Bombay or by Postal Order. The application fee is in no case refundable. In the case of candidates belonging to Scheduled Castes/Tribes the fee will be reduced to one fourth.

4. Applications in the candidate's own handwriting in the prescribed forms obtainable from the Reserve Bank's offices at Bombay, Calcutta, Kanpur, New Delhi, Nagpur, Madras, Bangalore, Hyderabad, Trivandrum, Lucknow, Patna and Jaipur accompanied by copies (originals should not be sent) of certificates regarding age and educational qualifications, statements of marks secured in the graduate and post-graduate degree examinations and copies of two testimonials should be forwarded to the Secretary, Central Recruitment Board, Reserve Bank of India, Central Office, Post Box No. 406, Bombay-1 so as to reach him on or before the 3rd October, 1964.

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

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

7. Candidates must be prepared to serve in any office of the Bank in India or group of departments to which they are posted and to undertake tours when required.

8. Selected candidates will have to appear for interview/s before the Selection Board at any of the Bank's offices.

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

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

11. Canvassing in any form will be regarded as disqualification.

Company Affairs

MUKAND IRON

WHILE ADDRESSING the annual general meeting, Mr. Kamalnayan Bajaj, Chairman, Mukand Iron & Steel Works Limited, referred to the chronic shortage of steel in the country. It appeared that the situation would further deteriorate as a result of the failure of negotiations with the USA for setting up the Bokaro plant. The Union Government recovered from this setback as a result of its determination to go ahead with the project, possibly with Sov'et assistance. Although the final shape of the project was not yet clear, negotiations were proceeding smoothly. The Chairman pointed out that the misunderstanding of the Western countries had largely been cleared and India could expect assistance from the West for two more steel plants in the public sector as well as increased capacity in the two main private sector projects.

The Chairman highlighted the fact that the re-rolling industry found a considerable portion of its capacity idle for want of adequate supply of billets. It would, therefore, be a national waste to allow the main producers of steel to increase their capacity for similar products. This fact, the Chairman pointed out, had been brought to the notice of the Government repeatedly and he hoped that due consideration would be given for the allocation of adequate supply of billets to re-rollers while formulating the steel expansion project during the fourth Plan. They could also be allowed to develop additional capacity which they could do with much less investment. He also suggested that the Government should encourage the re-rollers to instal large-scale billet making plants.

Mr. Kamalnayan Bajaj indicated that the re-rolling industry through the Steel Re-rolling Mills Association periodically announced the selling prices so that the consumers did not have any complaint regarding their selling prices. He added that in spite of the increase in cost of production the selling prices had remained comparable with the prices at which identical products of the major producers were sold. The Government's billet pricing and freight policies placed the re-rollers at a considerable disadvantage.

The Chairman informed the shareholders that the company's expansion programmes both at Kurla and Kalwa were in their process of execution and it was hoped that Kalwa project would go into actual production by the middle of 1965. The machine building and structurals project at Kurla was being implemented. In the steel foundry, the Chairman expects a target of 10,000 tonnes to be achieved during the current year. The progress achieved by a subsidiary of the company, the Bata Engineering Co., in the Rallabgarh project was also quite satisfactory.

The Chairman welcomed the recognition by the Planning Commission that in the formulation of the fourth Plan, it was desirable to divide the projects into two specific categories consisting of core projects comprising basic industries and agriculture which would be implemented fully from available resources and non-core projects which were to be implemented depending upon availability of further funds.

ADITYA MILLS

Mr. B. Kanoria, Chairman of the Aditya Mills Limited, while addressing the annual general meeting held recently, expressed considerable satisfaction about the working. He stated that a few thousand spindles started operating in March 1963 although the mill faced various teething troubles on account of untrained workers and high speed machines. Among the problems that the mills faced, power supply was considered to be a major one. There were frequent interruptions

which ranged from a few minutes to long intervals of as much as 103 hours at a stretch, which caused a big loss of production. The company has, however, approached the Rajasthan State Electricity Board which supplies power from the Chambal Hydel project, with a request to give more serious thought to the matter. The Chairman was hopeful that necessary steps would be taken to ensure regular and uninterrupted supply of power.

The spinning mills in Rajasthan State were also at a considerable disadvantage because they have to sell their production of yarn outside the State in the absence of adequate number of power looms in the region. This means a considerable amount of additional expenditure on transport charges, as against the spinning mills in other States such as Maharashtra and Madhya Pradesh, where an adequate number of power looms exist. Handicap is also felt by the spinners in the absence of a properly developed hosiery industry in the State. The Chairman observed that it could be run on small scale and could help in increasing the consumption of yarn and also provide employment to a larger number of population. The Chairman added that it was more profitable to spin artificial fibre rather than cotton and, therefore, the company had purchased a small quantity of such fibre to take a trial.

Referring to the Second Wage Board for the textile industry announced by the Government, the Chairman indicated that the recommendation of the First Wage Board regarding the large-scale rationalisation along with wage increase was not put into practice. In actual fact the wages went up without the mills getting much of the benefit. He hoped, therefore, that the present Board will keep in mind these recommendations.

BIRLA COTTON

The Birla Cotton Spinning and Weaving Mills Limited had reported encouraging working results during the year ended March 31, 1964. Sales went up steeply from Rs 7.3 crores to Rs. 9.7 crores while profits after providing for directors' and managing agents' remuneration showed a distinct improvement from Rs. 42.39 lakhs to Rs. 65.90 lakhs. The directors have maintained the dividend at Rs. 2 per ordinary share (subject to deduction of tax) which absorbs Rs 7.99 lakhs.

Though there was further increase in the manufacturing cost on account of the increase in prices of raw materials, stores and spare parts, fuel, power, dyes and chemicals, and rise in the wage bill due to the enhanced dearness allowance paid to the employees, the working results of the Textile Mills have been better. The stock of finished products has gone down to a considerable extent at the close of the financial year.

The ginning and pressing factories also have shown satisfactory results during the year under review. Steps are being taken to establish two more ginning and pressing factories, one at Fatehabad (Punjab) and another at Sangar (Rajasthan). The directors hope that these factories will start working in the ensuing cotton season.

At the request of the defence department, the capacity of the Tent factory was stepped up during the year. The production of this factory is significantly higher than in the previous year. The working results are also better than last year.

The Chenab Textile Mills could not go into production in the beginning of 1964 as scheduled. This was mainly due to the delay in providing electric power load to the factory by the State Electricity Undertaking and partly due to the late arrival of Blow Room machine from Japan. The

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THE BUCKINGHAM & CARNATIC COMPANY LIMITED. A SUBSIDIARY OF BINNY & CO. LIMITED, MADRAS.

factory is expected to go into production very shortly.

Some land has been purchased at Khurja for the U.P. Textile Mills. As it was not possible to get the entire land directly, the company has requested the U.P. Government for acquiring the necessary land. In spite of the company's continued representations and strenuous efforts the U.P. Government has done nothing so far in this respect. Orders for most of the machinery and plant have already been placed for this unit.

The provision for depreciation is substantially higher at Rs. 13.68 lakhs as compared with Rs. 9.19 lakhs in the preceding year. Development rebate reserve claims Rs. 5.44 lakhs against Rs. 2.44 lakhs while general reserve absorbs Rs. 16.60 lakhs against 11.75 lakhs. A sum of Rs. 22.20 lakhs is set apart for deferred taxation reserve against Rs. 12.50 lakhs while Rs. 6.44 lakhs (Rs. 3.67 lakhs) is provided for managing agents' and directors' remuneration.

HINDUSTAN DOWIDAT TOOLS

The building and the construction of the plant and equipment of the Hand Tool Factory of the Hindustan Dowidat Tools Limited were successfully completed towards the close of the year 1963-64 and the plant commenced production in the first week of April 1964. Though there were a few teething troubles in the initial stage, the working of the factory after the start-up has been very satisfactory. The production started with Open Ended Spanners of various sizes which is being followed by the inclusion of other items like Ring Spanners, Adjustable Wrenches, Multigrip Pliers etc. The company's products have been well received by the market and their reputation for quality is well established.

The training of Indian workers and personnel under the guidance and supervision of foreign technicians is proceeding satisfactorily and efforts are being made to accelerate the training programme so that the company could introduce the second shift as early as possible.

The company had been experiencing some difficulties in the import of raw materials. But the position has improved lately and the directors hope that adequate import licences will be available to meet the requirements.

The profit and loss account for the year ended March 31, 1964 shows a deficit of Rs. 9,613, after capitalising a sum of Rs. 5,57,300 (including Rs. 29,849 for depreciation) as Project Cost, making the total cost of the fixed assets at Rs. 44.43 lakhs. The deficit of Rs. 9,613 is carried forward to the next year's account.

HIND CYCLES

Despite a steady increase in production and sharp rise in sales, Hind Cycles Limited has earned a lower gross profit of Rs. 6.95 lakhs for the year ended March 31, 1964 as compared with Rs. 7.87 lakhs in the previous year. Provision for depreciation is slightly higher at Rs. 6.28 lakhs against Rs. 6.21 lakhs, while the allocation to development rebate reserve is substantially lower at Rs. 0.25 lakh as compared with Rs. 0.94 lakh in the previous year. No provision has been made for arrears of depreciation aggregating Rs. 11.45 lakhs and arrears of preference dividend amounting to Rs. 7.13 lakhs. As the working results are not encouraging no dividend either on preference shares or on equity shares has been declared for the year.

During the year under review the company produced 1.60 lakh cycles against 1.28 lakh cycles in the preceding year and 1.12 lakh cycles in 1961-62. In spite of the steady rise in production, the financial results have not shown any marked improvement over the previous year. This is mainly due to the steep increase in the prices of raw materials and stores such as steel tubes, wires, tyres etc. and the rise in wage bill.

Despite this all-round rise in manufacturing costs the Government has forzen the price of bicycles on the basis of the price prevailing in July, 1963.

The company has been appointed as selling agents of looms, spare parts etc. of CIMMCO in the territory of Greater Bombay with effect from April 1, 1964. The company has applied to the Government for the approval of the selling agency.

FRICK INDIA

Frick India Limited will enter the capital market shortly with a public issue of Rs. 10.25 lakhs. It has been sanctioned a Cooley loan of Rs. 25 lakhs under PL 480 against the guarantee of its collaborators, Frick Company of Waynesbone, USA. It has been granted an import licence of the value of Rs. 11.36 lakhs to import machinery against foreign capital participation. Orders for indigenous machinery have also been placed. It has an authorised capital of Rs. one crore and issued capital of Rs. 25 lakhs, all in equity shares of Rs. 10 each. Bombay Ammonia Private Limited, the Indian promoters, have been allotted 5,000 shares and additional 15,037 shares have been taken up by the directors, their friends and associates. The foreign collaborators have agreed to subscribe for 127,500 shares. The balance of 102,493 shares of Rs. 10 each will be offered for public subscription.

The company will manufacture refrigeration equipment for cold stores, food processing plants, ice plants, etc. The capital outlay on the project is estimated at Rs. 78 lakhs which will be financed to the extent of Rs. 25 lakhs through share capital, Rs. 25 lakhs through US AID loan and Rs. 23 lakhs through bank borrowings. The technical collaborators will also act as technical advisers and will lend their trade name "Frick."

CAPITAL ISSUES

Six companies have been authorised to raise capital aggregating Rs. 139.43 lakhs. Of these, three will be issuing bonus capital, one is issuing debentures, another equities, and the sixth equity plus preference shares. Foreign collaboration is involved in the case of one company. The consent of the Controller of Capital Issues is valid for 12 months in all cases.

Polychem Limited, Bombay, is to issue Rs. 24 lakhs bonus capital in 48,000 equity shares of Rs. 50 each, on capitalisation of the Share Premium Account to a like extent. The bonus shares will be offered on the existing equity shareholders of the company in the proportion of 3 bonus shares for every 7 equity shares held.

The Deccan Sugar & Abkhari Company Limited, Madras, is to issue shares of the value of Rs. 6.64 lakhs on capitalisation of share premium account. The bonus shares will be issued in the ratio of one bonus share for six shares held now.

Alcock Ashdown & Company Ltd., Bombay, is to issue Rs. 3,47,000 bonus capital in shares of Rs. 100 each, on capitalisation of Share Premium Account to a like extent. The bonus shares will be allotted to the existing equity shareholders in the proportion of one bonus share for every fifteen shares held.

Bharat Collieries Limited, Calcutta, is to issue 29,853, 6½ per cent unsecured perpetual debentures of Rs. 100 each at par to the preference shareholders in lieu of their 5½ per cent cumulative preference shares of Rs. 100 each, in accordance with the Calcutta High Court's order dated January 29, 1963.

Sundaram-Clayton Limited, a public company, is to issue privately a further capital of Rs. 35,47,700 divided into 35,477 equity shares of Rs. 100 each, for cash, at a premium of Rs. 7 per share. Of the issue, 17,477 equity shares will be offered to Adwest Engineering Limited, England, for cash in sterling to be utilised for the purchase of plant and machinery and the balance shares of the value of Rs. 18 lakhs would be subscrib-

ed by T. V. Sundram Iyengar & Sons Pvt. Ltd. and their associates. The money will be extended for implementing the company's steering gear manufacturing project.

Hub Bolts & Nuts India Limited, a public company proposed to be incorporated in the State of Gujarat, is to issue capital of Rs. 40 lakhs, for cash at par, divided into 27,000 equity and 13,000 preference shares of Rs. 100, each carrying dividend not exceeding 9.5 per cent. The money will be utilised for financing the manufacture of starter gear rings, wheel bolts, nuts, etc.

LICENCES ISSUED

The following licences were issued under the Industries (Development and Regulation) Act, 1951 during the week ended August 22, 1964. The list contains the names and addresses of the licensees, articles of manufacture and annual installed capacity.

AUTOMOBILES

Sankey Wheels Ltd., Wakefield House, Sprott Road, Bal-lard Estate, Bombay-1 (Durgapur, West Bengal) — Tractor Wheels — 20,000 Nos. per annum.

MINING MACHINERY

Meameco Limited, 4, Clive Row, Calcutta-I (Dhanbad, Bihar) — 15", Anderson Boyes Coal Cutting Machines & Spares 36 Nos. per annum.

MACHINE TOOLS

Beegee Corporation Pvt. Ltd., 25, Factory Area, Patiala (Patiala, Punjab) — Special Hydraulic Presses up to 100 tonnes — 600 Nos. per annum.

DRUGS AND PHARMACEUTICALS

Boots Pure Drugs Co. (India) Pvt. Ltd., Sion Works, Bombay-22 (DD) (Bombay, Maharashtra) — Intramammary Injections of Penicillin B, Vet. C.—720 litre per annum, Paxedin tablets—60,00,000 tablets per annum. Burroughs Wellcome & Co. (India) Pvt. Ltd., 16, Bank Street, Bombay-1 (Bombay Maharashtra) — 'Mantadil' Cream — 1,00,800 tubes of 5 grams each per annum; Pfizer Private Ltd., ICICI Building, 163, Backbay Reclamation, Bombay-1 (Maharashtra) — Fenocin-Sulfa Tablets (Penicillin V+Triple Sulfas) — 60,00,000 tab. per annum; Isozone Tablets (Isoniazid with Thiaciazone) 6,00,000 tablets per annum; Diapec Liquid (Ant-diarrheal liquid) 15,600 litres per annum; British Drugs Houses (India) Private Ltd., Graham Road, Bombay-1 (Bombay, Maharashtra) — Tova tablets — 20,00,000 tablets per annum.

Burroughs Wellcome and Co. (India) Pvt., Ltd., 16, Bank Street, Bombay-1 (Bombay, Maharashtra) — (Substantial Expansion): Cyclizine Hydrochloride (antihistamine) 26 kgs.; Diethylcarbamazine Citrate (antifilarial) 1,640 kgs.; Isoprenaline sulphate (Vaso constrictor for Asthma Sympathomimetic agent) 44 kgs.; d-N-Methylamphetamine (Vasodilator, Sympathomimetic Agent) 5 kgs.; Zinc Undecylenate (Antifungal) 40 kgs.; Regularisation of Increased Production Capacity: Tablets 116 million; Ampoules 2.36 million; New Articles: Angised Brand tablets of Glyceryl Trinitrate 24,00,000 tablets; Cardilate Brand tablets of Erythrityl Tetranitrate 12,00,000 tablets; Midarine Brand injection of Suxemethoniumchloride B.P. 16,000 ampoules; Keradrin Brand tablets of Procyclidine B.P. 3,00,000 tablets; Puri-Nethol Brand tablets of Mercaptopurine B.P. 36,000 tablets; Lanoxin Brand injection of Digoxin 50,000 ampoules.

MAN-MADE FIBRES

Bharat Commerce & Industries Ltd., 9, Parsee Church Street, Calcutta (Thana, Maharashtra) — Staple fibre yarn: (Shifting from Agra Road, Ghatkopar, Bombay, to Kolshet Road, Thana Distt. Maharashtra); Ambika Silk Mills Co. Ltd., 11/12, Haines Rd., Mahaluxmi, Bombay-13 (Maharashtra) — Knitted fabrics out of nylon, Perlon, Terylene viscose and Acetate filament and spun rayon yarn — 4 warp knitting

machines; Eldee Velvet & Silk Mills (P) Ltd., Opposite Bawla Mosque, Delisle Road, Bombay-13 (Maharashtra) — Cotton fabric 12 looms; Artsilk fabric 27 looms.

ALCOHOL

Ugar Sugar Works Ltd., Ugarkhurd, Distt. Belgaun (Ugarkhurd, Mysore) — Industrial Alcohol — 6,00,000 gis.

LETTERS OF INTENT

The following statement shows the letters of intent issued during the week ended 22nd August, 1964, under the Industries (Development and Regulation) Act, 1951.

M/s. Textile Machinery Corporation Ltd., Belgharia, 24, Parganas Distt. (Belgharia, West Bengal) — Ward 3C capstan lathes 100 Nos. per annum (after expansion 200 Nos. per annum); M/s. Perfect Valves & Machine Tools Corporation, 29/B, Aichambers, Dean Lane, Fort Bombay- (Maharashtra) — Bicycle tube valve; Brass reeds; M/s. Digvijay Spinning & Weaving Co. Ltd., Lalbag, Parel, Bombay-23. (DD) (Baroda, Gujarat or Kalyan Maharashtra)—Vinylon-Polyvinyl alcohol fibre. Mr. B B. Bhargava, Barakhana, Gwalior (Gwalior, Madhya Pradesh) — Heavy Duty low nickel cast iron S.G. Iron castings and Malleable Iron casting 3,000 tons per annum; M/s. Berkeley Guest Switchgears, Maramar, Opp. Colaba P.O., Bombay-5 (Punjab) — Transformers up to 33 Kv 150,000 KVA per annum; M/s. J.B. Advani-Oerlikon Electrodes (P) Ltd., Radia House, 6, Rampart Row, Fort, Bombay-1 (Maharashtra) — Automatic submerged Arc Welding Machines — 120 Nos. per annum; Automatic & Semi-automatic Gas shielded welders (AD-40-Argon Arc) 120 Nos. per annum; Automatic & Semiautomatic Gas shielded welders (citrofil) 30 Nos. per annum; Automatic & semiautomatic Gas shield welders (ASA-56 type) — 30 Nos. per annum; M/s. Sleeves India 3-B/5, Northern Extension Area, Poorvi Marg, New Delhi-5 (Maharashtra) — Cylinder liners and cylinder blocks — 10,20,000 Nos. per annum; Mr. Kishore Rasiklal, Vasant Vilas, Babulnath Road, Bombay-7 (Maharashtra) — Micrometers 8,400 Nos.; Verniers caliper 8,400 Nos.; Dial indicates 9,600 Nos.; Sine bars 6,000 Nos.; Sine Tables 3,000 Nos.; Straight edge 6,000 Nos.; Engine divided scales 6,000 Nos.; Precision Squires 6,000 Nos.; Vee blocks 6,000 Nos.; Combination sets 3,000 Nos.; Height & Depth gauges 3,000 Nos.; Ring, snap, plug & thread gauges 6,000 Nos.; Scribers 2,400 Nos.; Centre punches 6,000 Nos.; Revel Protractors 2,400 Nos.; M/s. Birla Jute Manufacturing Co. Ltd., (Cement Deptt.), 15, India Exchange Place, Calcutta (Jagdalpur, Madhya Pradesh) — Portland cement 2,00,000 tonnes per annum. M/s. Bose Investment Private Limited, D'Mello Bhavan, 4th Floor, 5A, P.D'Mello Road, Fort, Bombay-1 (Jagdalpur, Madhya Pradesh) — Portland cement 2,00,000 tonnes per annum.

CHANGE IN NAMES (Owners or Undertakings)

During the week ended August 22, 1964

(Information pertains to particular licences only)

From M/s. Parry & Company Ltd., (Kidderpur Works), Calcutta to M/s. James Warren & Company Limited, Calcutta; From M/s. The Ellore Electric Supply Corporation Ltd., Madras to M/s. Ellore Engineering Company Ltd., Madras; From Mr. Chandulal Virchand, Nasik to Mr. Sumantilal Chandulal, Nasik. From M/s. Punjab State Air Rifles Limited, Chandigarh to M/s. Punjab Air Rifles Ltd., Chandigarh.

LICENCES REVOKED OR SURRENDERED

During the week ended August 22, 1964

(Information pertains to particular licences only)

M/s. Birla Gwalior Private Ltd., Calcutta — Pig iron. Name of Licensee: M/s. Babu & Company, Ahmedabad. Name of undertaking: M/s. Indian Bearings Limited, Ahmedabad — Ball bearings, roller bearings, tapered bearings, roller bearings and needle roller bearings. M/s. Indian Tap & Die Private Limited, Bombay — Taps, dies, milling cutters, twist drills, etc.

COMPANY MEETING

THE INDIA CEMENTS LIMITED MADRAS

Speech Delivered by Sri P. Suryanarayana at the Eighteenth Annual General Meeting of the Company Held on the 7th September, 1964.

Gentlemen and friends,

On behalf of the management and on my own behalf, I extend to you all a cordial welcome to the Eighteenth Annual General Meeting of your Company and place before you the annual accounts of the Company for the year ended the 31st March, 1964, the Directors' Report and the Auditors' Report thereon.

Since we last met, as you are all aware, the nation has suffered an irreparable and grievous loss in the very sad and sudden demise of our revered leader and beloved Prime Minister, Pandit Jawaharlal Nehru. Jawaharlal Nehru was not only a valiant fighter for our freedom under the leadership of Mahatma Gandhi, but also the principal architect of the post-independent India. To Panditji, we owe a lot and in particular to the concept of planned development of this country. As Chairman of the Planning Commission during his full tenure of Prime-Ministership, he was the author and originator of the three five-year Plans, under which this country has made phenomenal progress in the social, economic and industrial development. May I request you all to observe two minutes silence in honour of the great departed leader?

(The members observed two minutes silence in memory of late Prime Minister, Pandit Jawaharlal Nehru, all standing.)

It is no doubt a source of great relief to all of us in this country and to people elsewhere that after the death of Pandit Jawaharlal Nehru, Sri Lal Bahadur Shastri has been unanimously and immediately elected to succeed the departed Prime Minister and it has been proved beyond doubt that we have an organised and disciplined democracy, that we can rise to the occasion in cases of emergency and we can set aside all petty differences. It is now certain that we can look forward with confidence to another era of peaceful, orderly and stable Government, which is a pre-requisite for planned development.

Printed copies of the statement of accounts have been circulated to all the members and with your kind permission, I will take them as read.

The year under review brings us to the close of the third year of the Third Five-Year Plan, and perhaps this has been the most anxious period for both the Planners and the people. On the one hand, the effect of spiralling prices on almost every commodity and particularly that of food and other essential articles keeps staring at one, while on the other hand, the lack of higher production both on the agricultural and industrial sectors, which is the need of the hour, is indeed perturbing the minds of the planners, the Government and the industrialists. The word "inflation" seems to be on everybody's mind and as far as I am able to see, none of the measures taken by Government so far appears to have curbed the tendency of rising prices. A developing country like ours, which is attempting to make the quickest progress, within the shortest time possible has to contend with the basic fact of fewer resources available than what is required, to achieve the desired object. As long as the tendency persists to spend more money than the production costs of goods and services available at a particular time, so long will the inflationary trend, as is being witnessed now, continue. With the cost of living rising rapidly the demand for more and more wages

cannot be avoided. Large wage increase, in turn, further raises the cost and inevitably leads to further upward rise in prices. In turn this phenomenon tends to make people lose faith in their money because they find past savings disappearing quickly. Unless very effective measures are taken immediately and put into action the inevitable consequences of the present trend is bound to lead to the most disastrous consequences. I trust both the Government and the people will present a united front to combat this situation.

Coming to our own affairs, I am glad to inform you that there has been an all-round improvement in the affairs of the Company. The production at the Company's Talaiyuthu factory has been almost to rated capacity. The first unit of the Plant at Sankari went into commercial production during February, 1964 and has been working satisfactorily since then. The Company will have the benefit of a full year's working of the Sankari Plant for the current year and an increase of 33-1/3 per cent over its present production is expected for the year ended 31st March, 1965. Work on the second stage of the Sankari Plant is well underway and every effort is being made to commission that Plant by the latter half of 1965. As I have already reported to you on a previous occasion, your Company will be producing nearly a million tonnes of cement on the completion of the second stage at the Sankari Plant.

During the year under review, we have produced 5,28,554 tonnes of cement as against 4,19,149 tonnes of cement in the previous year. The Statement of Accounts has been in your hands for some time now and you would have noted the profit before the deduction of Depreciation and the Managing Agents' Commission has increased by Rs. 25,40,097 in comparison with the previous year. This is no doubt due to higher production and the consequent large sales of cement. The production of clinker, cement and sales were higher at 5,34,349 tonnes, 5,28,554 tonnes and 5,26,777 tonnes, respectively.

There has again been a steady increase in the cost of production during the year on account of the increase in price of coal, freight rates and surcharge on electricity. As you know, these increases in the cost are beyond our control and naturally lower the profits of your Company. In spite of this, the Company has been able to show better working results during the year. Our appeals to the Government for adequate increases in the retention price have not met with full success. Between 1st November, 1961 and 31st March, 1964, the cost of production has gone up by Rs. 5.92 per tonne, while the price increases sanctioned by the Government during the same period has been only Rs. 3.75 per tonne. Even this ad hoc adjustment has not been given retrospective effect resulting in further losses to the industry. The recent increase of Rs. 1.25 per tonne announced by the Government is applicable only from 1-7-1964, while the impact of the increased cost has been there even prior to the last increase granted during June 1963.

In this connection I would like to mention a point which has to be taken serious note of, if the cement industry is to progress and contribute its share to the country's planned and developing economy. Cement is a vital construction material

required in every phase of the nation building activity and an overall shortage of this commodity is certain to slow down all construction activity. The target of 13 million tons set up for the Second Plan has still to be achieved, at the end of the third year of the Third Plan. It is rather surprising in this context to hear that the Government are envisaging a production target of 23 million tonnes during the Fourth Plan. The reasons for the shortage in the estimated plan targets are not far to seek. The cement industry is highly capital intensive and there is very little scope for any plough back of profits at the current level of return allowed by Government on the existing price structure. Unless the Government realise this and fix prices at more realistic levels to ensure at least a net return of 10 per cent to the shareholders there seems to be little hope of our achieving the phenomenal expansion in production capacity so much desired by the Government.

Some members have indicated their disappointment at the reduction in the dividend rate this year in spite of increased profits made during the period. You will appreciate that the entire profits came out of the existing unit at Talaiyuthu from which the expansion cost in the shape of Development Rebate on the new unit at Sankaridrug has to be met. A sizable appropriation towards the Statutory Development Rebate Reserve was required to be provided on the new unit at Salem. This has naturally reduced the profits which would otherwise have been available for distribution. It might perhaps be argued that a portion of the past reserves could have been utilised for payment of higher dividend than 6 per

cent. But in view of the fact that the second unit at Salem is well under way, it was considered prudent to conserve the existing resources so that the overall financial position of the Company is strengthened to meet any future contingencies.

The reserves of your Company have gone up to just over Rs. one crore, as on the date of the Balance Sheet for the year ended 31st March, 1964, you are now considering.

I am sure many members would have realised by now that with the completion of the expansion scheme the future working of the Company will considerably improve.

I am glad to inform you that our educational institutions have had another satisfactory year of working and the results of the Sankar Institute of Polytechnic are highly encouraging. A new hostel has been constructed for the Sankar Institute of Polytechnic.

The relations with labour at the factory and the staff at the head office and also at the factories continue 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 co-operation 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.

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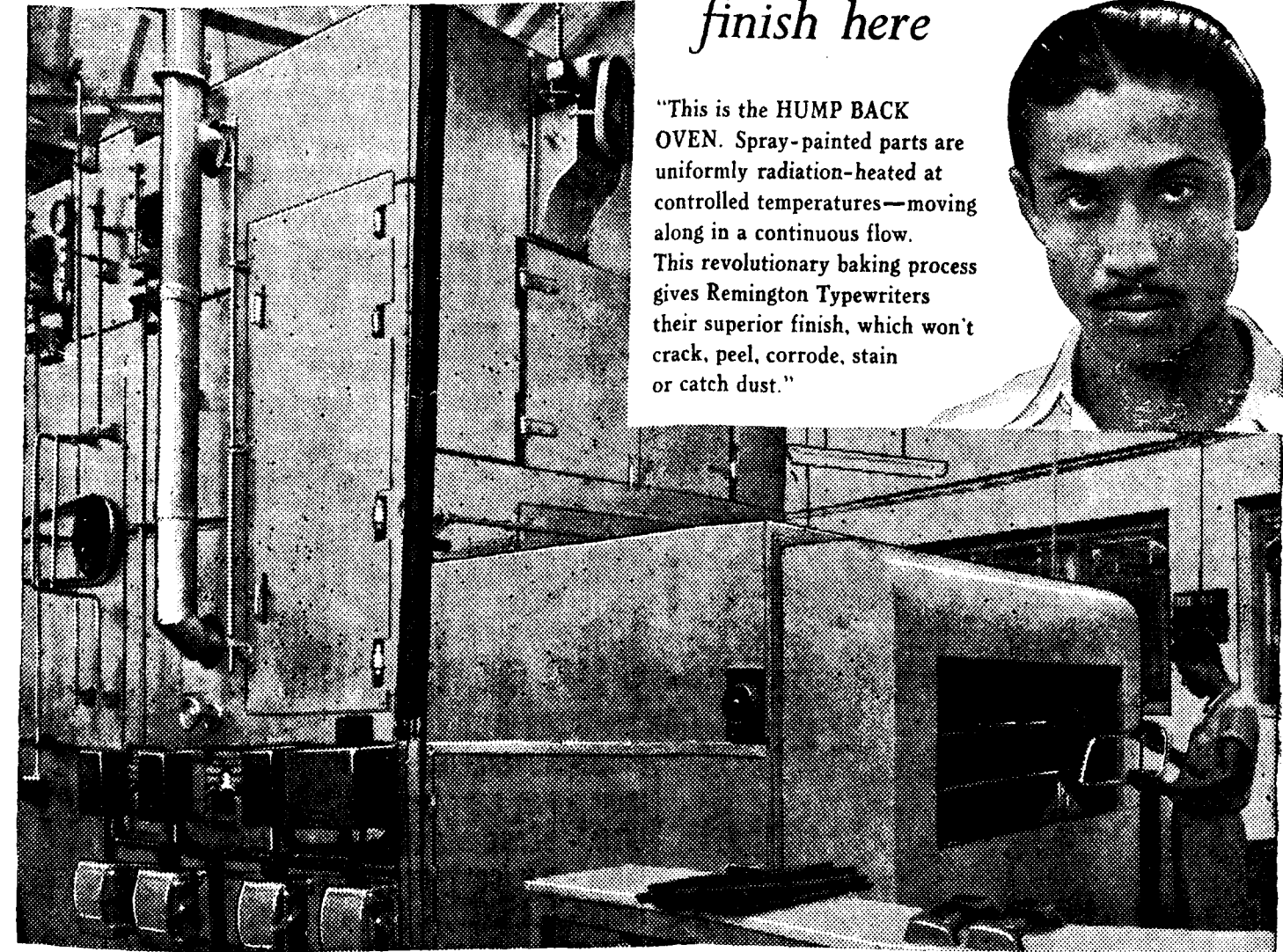
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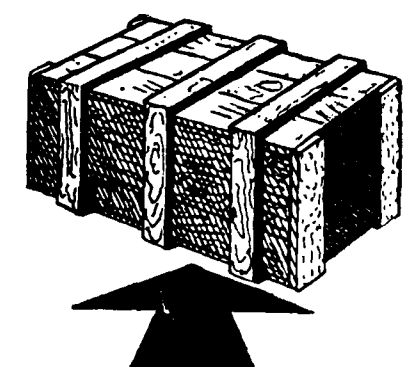


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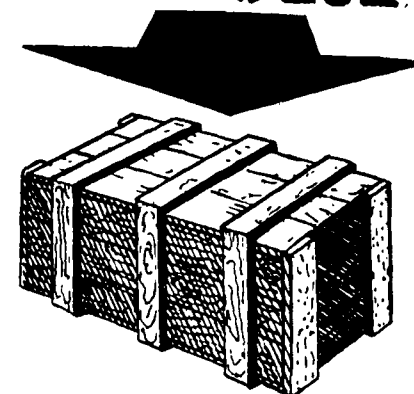
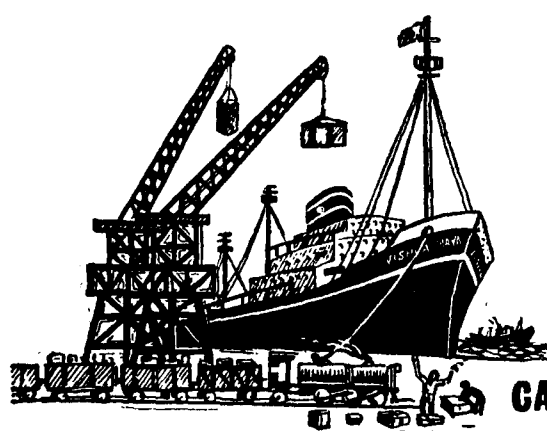
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Agents At All Principal Ports of The World

BOOKS BRIEFLY

International Liquidity Again

International Currency Plans and Expansion of World Trade:
By K. Venkatagiri Gowda; Asia Publishing House, Bombay; Pp. 216; Price Rs. 18/-.

Reviewed by D. KRISHNASWAMI RAO

THIS IS a fuller study by Dr. Venkatagiri Gowda of a subject on which he had brought out a pamphlet two years ago. The author sets out the purpose of the book as follows: "In this book we trace the intellectual origins of the Triffin Plan, examine its provisions critically, make a comparative and critical study of the other rival but less radical plans and propose a few modifications so as to make them conform to the realities of the international monetary situation."

Since the Triffin plan owes its inspiration to Keynes's plan for an International Clearing Union, the latter is first explained and commented upon. In this context the author makes a statement which is puzzling: "Thus the monetary reserve of the country (under the Keynes plan) is actually the total monetary gold stocks plus the sum of the quotas of all the countries". (Page 11). It is difficult to see how any country under any scheme could count in the gold stocks and the sum of the quotas of all countries as its monetary reserves.

Dr. Gowda next takes up the Triffin plan for detailed consideration, devoting 92 pages (nearly half the book) to it. He sets out the usual counter-arguments to Triffin's rejection of a rise in the official dollar price of gold. The real argument in this regard, namely that the dollar price of gold today is the figure that was set when the US dollar was devalued in 1934 — since when the dollar has lost nearly 60 per cent of its purchasing power in terms of every other commodity—gets no mention. Alluding in this connection to the problem of gold shortage that contributed to the collapse of the gold standard in the inter-War period, Dr. Gowda remarks that the difficulty could have been overcome by raising the price of gold periodically (page 33). But under the gold standard such a thing is just not permissible.

At this point we are led off on an eleven-page digression on the causes of the breakdown of the gold standard in the 1930's (pages 35 to 45) which cannot be said to have any direct bearing on the subject of the book. Similarly in the

discussion of the Triffin plan we find ourselves led back into details of the Keynes plan to a greater extent than is necessary for purposes of comparison (vide pages 87 to 98).

It is Dr. Gowda's view that Triffin's proposal for the transformation of the IMF into an international central bank is too radical to be accepted now by national governments and financiers. This is what most people have said (and what Triffin himself expected them to say). But there is no ground for the assertion (made on page 103) that the British Government has been against such a transformation as a long-run objective. In fact, Mr. Harold Macmillan as Prime Minister had said: "Just as each individual country painfully acquired a central banking system, so there ought — ideally — to be a central banking system for all the countries of the free world". (Speech at the Massachusetts Institute of Technology, April 7, 1961).

Then follows a discussion of the Bernstein and Stamp plans, Jacobsson's scheme of stand-by credit for the Fund, and Mr. R. V. Roosa's bilateral currency "swap" agreements. The book takes no account of the modifications that Sir Maxwell Stamp made in his proposals, in an article that he wrote for 'Moorgate And Wall Street' Autumn 1962 number, to meet criticisms of his original plan. It is difficult to understand Dr. Gowda's view that "Roosa would like to revisit (sic) the traditional gold standard and make the countries sacrifice their internal stability for the sake of exchange stability" (page 128). The scheme of \$6 billion stand-by credits for the Fund is criticised on the ground that such credits carry a gold guarantee and therefore deprive the participating countries of "their right to manipulate their exchanges" (page 133). The IMF was itself born out of the realisation that this "right" was entirely wrong.

The next chapter, bearing the caption "Conclusion", treats us again to a comparison of the Keynes plan and the Triffin plan and to certain observations on other plans.

One finds that facts, arguments and conclusions are frequently repeated in this book. Even quotations from other books are repeated more than once: a passage from Triffin is reproduced at four places (pages 64, 71, 91 and 99), and one from Keynes at three (pages 81, 89 and 113).

Readers' Roundtable

HIGH COST OF STATISM

Sir,

Ideological cries of nationalisation and expansion of the Public Sector were raised at a recent A - ICC session in Bombay. A look at the contemporary scene, at home and abroad, shows the distressing record of nationalised and Public Sector industries, particularly if they are monopolies.

Year by year, travel by the Indian Railways and IAC, two state monopolies, is becoming an ordeal. During the holiday season, the woes of travellers become unbearable. State transport undertakings are known for their inefficiency and the recent abnormal rise in fares in Madras and Delhi should make people think whether private competition to these enterprises is not the easiest way of getting cheap and comfortable transport.

Another large state monopoly, P & T, not infrequently sends telegrams by post. Recently, it has raised telegraphic address charges from Rs. 25 to Rs. 50 per year, a 100 per cent increase. The Comptroller and Auditor-General has revealed that on an investment of Rs. 1,294 crores in 46 Public Sector undertakings, the net result of operation in 1962-63 was a loss of Rs. 12.38 crores.

Ceylon, which resorted to heavy doses of socialism, finds itself in economic distress. The Burmese experiment has thrown the economy out of gear.

Thus it is clear that nationalisation and the Public Sector as such do not lead to the best use of scarce resources; that they have an inherent tendency towards inefficiency and exploitation of consumers in the absence of competition: that the employees, working under monopoly conditions, get a rough deal; and, since those who run these enterprises have no personal stake in them there is complete divorce of power from accountability, thus subverting a basic democratic precept.

The present statist economic policy should be changed to allow competition by private enterprise to State monopolies like LIC and IAC and the example of the Andhra Government in selling majority shares of a losing paper mill to a private enterprise needs to be emulated. That will help to arrest prices, by increasing productivity and ensuring better use of resources.

M. R. PAI.

Bombay.

RECORDS AND STATISTICS .....	44

Troika of World Bank

THE WORLD BANK and its affiliates continued to broaden and intensify their efforts in 1963-64 to tackle the problems of economic development of developing countries by imparting increasing flexibility in their lending operations, widening technical and planning assistance to member countries, building up local institutions to mobilise capital for productive purposes and organizing international consultative groups to co-ordinate the flow of external aid. In spite of this all-round intensification of aid efforts, the Bank's financial strength continued to grow and its reserves have now reached the impressive figure of \$845 million.

For the second year in the Bank's history, economic development commitments were made in excess of \$1,000 million in loans, credits and investments. The total comprised 37 World Bank loans of \$810 million, 18 IDA credits of \$283 million and 18 IFC's loan and equity commitments for \$21 million.

Two developments were reported which foreshadowed higher levels of activity by IDA and IFC. Formalities have been completed for the replenishment of IDA's resources through new contributions from 18 of the wealthier nations to aggregate more than \$753 million. The proposed contributions in millions of dollars are: Australia 19.8; Austria 5.0; Belgium 16.5; Canada 41.7; Denmark 7.5; Finland 2.3; France 61.9; Germany 72.6; Italy 30; Japan 41.3; Luxembourg 0.75; Netherlands 16.5; Norway 6.6; South Africa 4.0; Sweden 15.0; the UK 96.6; the United States 312.0; and Kuwait 3.36. (Another commitment in favour of IDA was undertaken by the Government of Sweden which over and above its participation in the general replenishment of IDA resources, offered to make its third special supplementary contribution amounting to \$5,045,000 in convertible kroner). The new funds will be payable to the Association over a period of three years instead of five as in the case of the original subscriptions.

Grant to IDA

In a report to the Governors on the allocation of net income, which totalled \$97 million for the year, the Executive Directors found that only \$47 million was required for reserves and that amount has been applied to the Supplemental Reserve, increasing it to \$605 million. They proposed that the balance of \$50 million, which otherwise would be available for distribution as dividend, should instead be transferred to IDA in the form of a grant.

By the time the replenishment of IDA's resources became effective towards the close of the fiscal year, the Association had committed virtually all its funds available upto that time, totalling \$782 million. This figure will go up to \$1,540 million when all replenishment contributions have been made.

The Governors also had before them a proposal to amend the Articles of Agreement of the Bank and IFC to make it possible for the Bank to lend to the Corporation for re-lending to private industry in the less developed countries. The Bank itself is not authorised to lend directly to private companies except with a guarantee by the host government, which private entrepreneurs often hesitate to seek or accept and governments are often reluctant to grant; IFC neither seeks nor accepts government guarantees. If the proposal is approved, IFC's potential for the stimulation and support of private enter-

prise development will be substantially expanded, since IFC would be empowered to borrow from the Bank not more than four times its capital and surplus. IFC would thus have access to additional resources to increase its present activities, to make loans with no equity features when appropriate, and to enter into larger commitments than its present resources permit.

The Annual Report for the World Bank and IDA lists 37 Bank loans and 18 IDA credits in 34 countries. As in the past years, the heaviest volume of lending was in Asia and the Middle East, which accounted for more than \$527 million. Total loans and credits in Western Hemisphere were approximately \$269 million, in Europe \$145 million, in Africa \$111 million and in Australasia \$40 million. Most of European lending was in Portugal, Spain, Yugoslavia, and in three Scandinavian countries.

The Bank's 37 loans included its first loans to eight countries: China, Liberia, Malta, Mauritius, New Zealand, Portugal, Spain and Tunisia. IDA had four new borrowers during the year: Ecuador, Niger, Syria and Tanganyika.

Transportation again took the largest amount in both Bank loans and IDA credits, for a combined total of more than \$420 million. Electric power was a close second with \$375 million, followed by industry with \$163 million, water supply \$55 million, agriculture \$42 million, tele-communications \$19 million and education \$18 million.

While disbursements of the Bank loans to its borrowers were less by \$61 million than in the previous year to \$559 million, IDA's disbursements were up by \$68 million to \$124 million.

The membership of the Bank continued to rise rapidly during the year. Seventeen countries, including 16 in Africa, joined carrying the total membership to 102. Several mem-

SUBSCRIPTIONS OF NEW MEMBERS

(In millions of dollars)		
Member country	To Bank	To IDA
Algeria	80.00	4.03
Burundi	15.00	0.76
Cameroon	20.00	1.01
Central African Republic	10.00	0.50
Chad	10.00	0.50
Congo (Brazzaville)	10.00	0.50
Congo (Leopoldville)	60.00	3.02
Dahomey	10.00	0.50
Gabon	10.00	0.50
Guinea	20.00	..
Kenya	32.30	1.68
Laos	..	0.50
Luxembourg	..	0.38
Malagasy Republic	20.00	1.01
Mali	17.30	0.87
Mauritania	10.00	0.50
Rwanda	15.00	0.76
Trinidad and Tobago	26.70	..
Uganda	33.30	1.68

bers increased their capital subscriptions to the Bank: Ecuador from 12.8 to 17.1 million dollars. El Salvador from 6.0 to 10.7 million dollars; Israel from 33.3 to 66.6 million dollars and the Syrian Arab Republic from 20 to 33.3 million dollars. As on June 30, the total subscribed capital of the Bank stood at \$21,186 million.

The membership of the IDA also rose by 17 to 93. Including subscriptions of the new members, initial subscriptions of IDA increased to \$987,445,000. The new members of the Bank and IDA together with their subscriptions is given in the table on page 558.

The Bank and IDA Report reflects an active year for both organisations in action to carry out major new lines of policy which were forecast by Mr. Woods at the Annual Meetings last year in Washington. One of these is heavier emphasis on agricultural and educational projects. To help governments in identifying and preparing such projects for financing by the Bank or IDA and to help in their appraisal, the Bank worked out co-operative agreements during the year with the Food and Agriculture Organisation of the United Nations and the United Nations Educational, Scientific and Cultural Organisation. The agreement with UNESCO had already been ratified by both sides by the close of the fiscal year, while the arrangement with FAO was being carried out informally pending action by the FAO Council at its annual meeting in October.

IDA made its first loan of a new type during the year. It was not for a specific project, but to make it possible for major capital goods producing industries in India to import components and materials essential to full-scale operation of existing plants. The Executive Directors also confirmed the principle that the Bank or IDA should be prepared to finance part of the local currency cost of high-priority projects if lending for direct imports alone would not provide adequate support.

Major Steps

The Annual Report records action in several cases to lengthen the grace period and extend the term of Bank loans. Other major steps affecting financial policy during the year were a decision to discontinue the automatic allocation of 1 per cent per annum of charges on disbursed and outstanding Bank loans to a Special Reserve, in the form of a commission, and to reduce the commitment charge on the undisbursed portion of Bank loans from $\frac{3}{4}$ per cent to $\frac{3}{8}$ per cent per year. These decisions do not affect the Bank's interest rate, which remained at 5 $\frac{1}{2}$ per cent throughout the year.

The year saw the final disposition of the last of the Bank's holdings of its first and largest loan, of \$250 million made to France in 1947. During the fiscal year, the Bank sold the last \$58.6 million of its holdings to the Credit National of France.

No new money was raised by the Bank during the year and its funded debt was reduced for the second year in a row, by \$27.4 million. One refunding issue was placed during the year, consisting of \$100 million of Two-Year 4 per cent US dollar bonds; it was placed entirely outside the United States, with Central banks and governmental accounts in 29 countries.

The Bank's Executive Directors and staff continued work throughout the year on a proposal to establish a centre for conciliation or arbitration of investment disputes arising between foreign investors and governments. A preliminary draft convention incorporating the proposal was considered at four regional consultative meetings attended by legal experts designated by 86 governments. Under a proposal pend-

ing before the Board of Governors, the Executive Directors would be asked to work out a final draft with the advice of a legal committee representing interested governments, and to submit the convention to governments in 1965.

The Report reflects the expanded activities in the field of technical assistance, with particular emphasis on the problems of project identification and preparation and in the conduct of sector studies and general economic surveys. Altogether, the Bank has financed or is helping to finance 14 project and sector studies in 12 member countries. The Bank also continued to act as Executive Agency for project and sector studies financed by the United Nations Special Fund. Bank missions were concerned with advice on national development programmes in 10 countries; the Bank was helping to carry on a score of studies designed to further the development of particular economic sectors or to advance the planning of specific projects and help was being given in a growing number of special assignments.

The Economic Development Institute, a senior staff college maintained by the Bank for officials of the less developed member countries, continued to expand its teaching programme. To the end of the fiscal year, 317 officials from 84 countries had participated in EDI's courses.

International Finance Corporation

The fiscal year 1963-64 was a significant one for the International Finance Corporation. The Corporation's commitments during the year amounted to \$21 million. This was the first year during which IFC made more than half of its investments in the form of subscriptions to capital shares rather than in loans. At the end of the year, the proportion of its portfolio invested in equity stood at 30 per cent, compared with 17 per cent last year. The all-time total of IFC's commitments reached \$111 million, more than the total of IFC's subscribed capital.

Commitments made during the year numbered 18 for enterprises in 13 countries. Eleven of these commitments were for establishing or expanding private companies engaged in manufacturing or processing. The remainder were for the purpose of establishing or strengthening private companies for financing and assisting the development of industry. The geographic diversification of IFC's portfolio was widened by the first investments the Corporation has made in enterprises in Honduras, Malaysia, Nigeria, the Sudan and Turkey.

All but two of the year's investments consisted entirely of subscriptions to shares. Of the exceptions, one was a loan which carried rights to purchase shares; the other was a loan made as part of a capital reorganization in which IFC received shares for notes it had previously held (see table overleaf). Of investments in industry, two were made to expand the nascent textile industry of Africa (in Nigeria and the Sudan); another was to establish a tanning industry in Honduras, and another was to expand the output of refined sugar for domestic consumption in Tanganyika. Other investments of the year favoured heavier branches of industry: they were concerned with the output of cement in Peru, of alloy steel, cables and textile machinery in India, of steel forgings in Colombia, of heavy construction equipment in Mexico, and of steel in Venezuela.

IFC continued to take the lead in considering proposals for assistance to industrial development finance companies. IFC acted during the year to help establish new companies of this kind or to strengthen existing companies by helping to

recapitalize them and make substantial additions to their resources. IFC's investments in the Finnish industrialization Fund, Malaysian Industrial Development Finance Ltd., and Industrial Finance Corporation of Thailand were made in conjunction with loans to these companies by the World Bank; and a fourth IFC investment was made, in the Industrial Development Bank of Turkey, an institution which had already received loans from the World Bank and IDA. Other IFC investments were made in industrial finance companies in Columbia, Nigeria and Venezuela.

IFC has now assumed 87 commitments for a wide variety of projects such as steel and metals industries, chemical production, the manufacture of automotive equipment, the processing of wood products, cement production, copper mining and many other industries; it has helped in the capitalization of 13 different development finance companies throughout the world. In all, IFC investments have been made for projects in 29 different countries, on six continents. The gross total

IFC's INVESTMENT COMMITMENTS IN 1963-64

(In millions of U.S. dollars)

Industries	Loan	Equity	Total
Colombia			
Forjas de Columbia, S.A.	1.5	1.5	
Honduras			
Empresa de Curtidos Centro Americana, S.A.	0.3	0.055	0.35
India			
Fort Gloster Industries, Limited	0.8	0.4	1.2
Mahindra Ugin Steel Company Limited	2.3	1.1	3.5
Lakshmi Machine Works Limited	1.0	0.4	1.4
Mexico			
Industria del Hierro, S.A.	1.6	1.6	
Nigeria			
Arewa Textiles Limited	0.4	0.3	0.8
Peru			
Compania de Cemento Pacasmayo S.A.	1.6	—	1.6
Sudan			
Khartoum Spinning & Weaving Co. Ltd.	0.35	0.34	0.69
Tanganyika			
Kilombero Sugar Company Limited (Supplemental Investment)	1.9	—	1.9
Venezuela			
Siderurgica Venezolana "Sivensa" S.A. (Supplemental Investment)	—	0.1	0.1
INDUSTRIAL FINANCE COMPANIES			
Colombia			
Corporation Financiera de Caldas	0.7	0.7	
Finland			
Industrialization Fund (Teollistamiskorasto Oy)	0.3	0.3	
Malaysia			
Malaysian Industrial Development Finance Limited	1.3	1.3	
Nigeria			
Nigerian Industrial Development Bank Limited	1.4	1.4	
Thailand			
Industrial Finance Corporation of Thailand	0.2	0.2	
Turkey			
Industrial Development Bank of Turkey	0.9	0.9	
Venezuela			
C.A. Venezolana de Desarrollo (Sociedad Financiera)	1.3	1.3	
TOTAL	8.7	12.1	20.8

of IFC commitments has reached \$111 million.

Five countries joined IFC during the year, increasing the subscribed capital by \$766,000. The new member countries with their subscriptions (in thousand dollars) are: Jamaica 148; Kenya 184; Korea 139; Malagasy Republic 111; Uganda 184. At the close of the year, 78 countries were members of IFC and their subscribed capital, totalled \$98.96 million. The Corporation's net income for the year was \$2.9 million. This amount, together with \$0.3 million net profit on portfolio sales, was added to IFC reserves which reached \$20.2 million.

BANK LOANS AND IDA CREDITS IN 1963-64 BY AREA

(In millions of U.S. dollars)

	Bank Loans	IDA Credits	Total
Africa :			
Algeria	20.50	—	20.50
Ethiopia	23.50	—	23.50
Liberia	3.25	—	3.25
Mauritius	7.00	—	7.00
Niger	—	1.50	1.50
Nigeria	30.00	—	30.00
Tanganyika	—	18.60	18.60
Tunisia	7.00	—	7.00
	91.25	20.10	111.35
Asia and Middle East			
China	7.80	—	7.80
India	—	90.00	90.00
Iran	18.50	—	18.50
Japan	125.00	—	125.00
Jordan	—	6.50	6.50
Malaysia	59.90	—	59.90
Pakistan	62.00	146.50	208.50
Syria	—	8.50	8.50
Thailand	2.50	—	2.50
	275.70	251.50	527.20
Australasia			
New Zealand	40.30	—	40.30
Europe			
Denmark	25.00	—	25.00
Finland	7.00	—	7.00
Malta	7.50	—	7.50
Norway	25.00	—	25.00
Portugal	12.50	—	12.50
Spain	33.00	—	33.00
Yugoslavia	35.00	—	35.00
	145.00	—	145.00
Western Hemisphere			
Chile	24.00	—	24.00
Colombia	50.00	—	50.00
Costa Rica	22.00	—	22.00
Ecuador	9.00	8.00	17.00
El Salvador	9.50	—	9.50
Mexico	40.00	—	40.00
Paraguay	—	3.60	3.60
Peru	18.10	—	18.10
Venezuela	85.00	—	85.00
	257.60	11.60	269.20
TOTAL	809.85	283.20	1,093.05

BANK LOANS AND IDA CREDITS IN 1963-64 BY PURPOSE

(In millions of U.S. dollars)

	Bank Loans	IDA Credits	Total
Transportation			
Ecuador—Highways	9.00	8.00	17.00
Iran—Highways	18.50	—	18.50
Japan—Highways	125.00	—	125.00
Liberia—Highways	3.25	—	3.25
Mexico—Highways	40.00	—	40.00
New Zealand—Ports	7.80	—	7.80
Niger—Roads	—	1.50	1.50
Pakistan—Port	17.00	—	17.00
Pakistan—Gas Pipeline	15.00	—	15.00
Pakistan—Highways	—	39.50	39.50
Pakistan—Railways	—	35.00	35.00
Peru—Port	3.10	—	3.10
Spain—Highways	33.00	—	33.00
Syria—Highways	—	8.50	8.50
Tanganyika—Highways	—	14.00	14.00
Tunisia—Port	7.00	—	7.00
Yugoslavia—Railways	35.00	—	35.00
	313.65	106.50	420.15
Electric Power			
Columbia	50.00	—	50.00
Costa Rica	12.10	—	12.10
Denmark	25.00	—	25.00
Ethiopia	23.50	—	23.50
Malaysia	51.90	—	51.90
Malta	5.63	—	5.63
Mauritius	7.00	—	7.00
New Zealand	32.50	—	32.50
Nigeria	30.00	—	30.00
Norway	25.00	—	25.00
Peru	15.00	—	15.00
Portugal	12.50	—	12.50
Venezuela	85.00	—	85.00
	375.13	—	375.13
Industry			
Algeria—Gas Liquefaction Plant	20.50	—	20.50
Chile—Meat and Milk Processing	5.00	—	5.00
Finland — Development Finance Company	7.00	—	7.00
India—Industrial Imports	—	90.00	90.00
Malaysia — Development Finance Company	8.00	—	8.00
Pakistan — Development Finance Company	30.00	—	30.00
Thailand — Development Finance Company	2.50	—	2.50
	73.00	90.00	163.00
Agriculture			
Chile—Livestock Production	19.00	—	19.00
China—Fishing Vessels	7.80	—	7.80
Jordan—Agricultural Credit	—	3.00	3.00
Pakistan — Flood Control, Drainage and Irrigation	—	9.00	9.00
Paraguay—Livestock Production	—	3.60	3.60
	26.80	15.60	42.40
Telecommunications			
Costa Rica	9.90	—	9.90
El Salvador	9.50	—	9.50
	19.40	—	19.40
Water Supply			
Jordan—Urban Water Supply	—	3.50	3.50
Malta—Sea Water Distillation	1.87	—	1.87
Pakistan — Urban Water Supply and Sewerage	—	50.00	50.00
	1.87	53.50	55.37
Education Projects			
Pakistan	—	13.00	13.00
Tanganyika	—	4.60	4.60
	—	17.60	17.60
TOTAL	809.85	283.20	1,093.05

DEVELOPMENT CREDIT BY IDA

(As on June 30, 1964)

(In Millions of U.S. dollars)

Member countries*	Effective development credits held by Association			Development credits not yet effective†
	Disbursed portion	Undisbursed portion**	Total	
Chile	3.4	15.6	19.0	..
China	8.5	6.8	15.3	..
Colombia	7.4	12.1	19.5	..
Costa Rica	1.2	4.3	5.5	..
Ecuador	—	—	—	8.0
El Salvador	0.3	7.7	8.0	..
Ethiopia	2.2	11.3	13.5	..
Ha'ti	0.3	—	0.3	..
Honduras	4.4	4.6	9.0	..
India	133.7	166.3	300.0	90.0
Jordan	0.7	7.8	8.5	..
Korea	13.8	0.2	14.0	..
Nicaragua	0.4	2.6	3.0	..
Niger	—	—	—	1.5
Pakistan	2.0	89.5	91.5	87.5
Paraguay	0.2	9.4	9.6	..
Sudan	5.2	7.8	13.0	..
Syria	—	—	—	8.5
Tanganyika	0.5	18.1	18.6	..
Tunisia	0.5	4.5	5.0	..
Turkey	5.0	21.7	26.7	..
United Kingdom, Swaziland	2.7	0.06	2.8	..
TOTAL	192.5	390.4	582.8	195.5

*All development credits have been made to member governments or to the government of a territory of a member.

**Of the undisbursed balance the Association had entered into to irrevocable commitments to disburse \$3.5 million.

†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.

BANK LOANS AND IDA CREDITS CLASSIFIED BY PURPOSE AND AREA

(As on June 30, 1964)

(In millions of U.S. dollars)

Purpose	Areas					
	Total	Africa	Asia and Middle East	Australasia	Europe	Western Hemisphere
Electric Power						
Generation and Distribution	2,767.8	312.1	624.0	161.8	533.3	1,136.6
Transportation	2,897.8	463.9	1,434.7	140.1	171.4	687.6
Telecommunications	88.2	4.4	42.0	—	0.2	41.6
Agriculture, Forestry and Fishing						
Farm Mechanization	681.4	65.4	282.5	103.4	107.8	122.3
Irrigation and Flood Control	120.7	—	—	89.4	2.0	29.3
Land Clearance, Farm Improvement, Etc. .. .	458.3	48.0	258.6	6.0	93.3	52.4
Crop Processing and Storage	45.8	17.1	15.1	6.0	2.2	5.5
Livestock Improvement	6.4	0.3	—	—	4.2	1.8
Forestry and Fishing	34.2	—	1.0	—	—	33.2
Industry	16.0	—	7.8	2.0	6.2	—
Iron and Steel	1,306.2	140.5	704.1	52.7	322.2	86.6
Paper and Pulp	380.1	—	314.0	13.4	22.7	30.0
Fertilizer and Other Chemicals	138.6	—	4.2	1.1	113.4	20.0
Other Industries	82.0	—	25.0	0.3	56.7	—
Mining	219.0	20.5	101.7	23.8	58.8	14.3
Development Finance Companies	203.5	101.0	54.5	14.2	11.9	21.8
Water Supply	282.9	19.0	204.7	—	58.7	0.5
Education Projects	66.8	—	59.9	—	3.9	3.0
General Development	22.6	9.6	13.0	—	—	—
Post-War Reconstruction	205.0	40.0	75.0	—	90.0	—
GRAND TOTAL	496.8	—	—	—	496.8	—
	8,532.5	1,036.0	3,235.2	458.0	1,725.6	2,077.7

Annuity Deposit Scheme

THE ANNUITY Deposit Scheme, provided for in the Finance Act, 1964 will come into force on October 1, 1964. A Gazette of India Extraordinary containing the text of the scheme has been published.

From the 1st of October, deposits under the Scheme will be accepted at all offices of the Reserve Bank and branches of the State Bank of India and its subsidiaries. Deposits may be made in cash or by cheque drawn in favour of the Bank at which the deposit is made. Accompanying the deposit money, will be an application for the issue of ten-year Annuity Deposit Certificates for the amount. Where the deposit is made by an unregistered firm, an association of persons or a body of individuals, a declaration regarding its constitution should be attached to the application. Deposits can be made in instalments during a year. When the deposit money is tendered at a Bank, an interim receipt will be given. This would, after a given period, be exchanged for Annuity Deposit Certificates issued by the Public Debt Office.

These Certificates will be issued in denominations of Rs. 10, Rs. 100 and Rs. 1,000. Beginning from one year after the date on which the deposit has been made, the depositor will receive an annuity of Rs. 1.25 for every ten rupees. The rate of interest works out at a little over 4½ per cent. Payment of the annuities will be spread over ten years. Depositors may draw their annuities either through their bankers or ask for remittance by postal money order. Individual depositors may nominate a person or persons who will receive the annuities in the event of their death. In computing the taxable income of the depositor, the amount of the deposit at the rates prescribed in the Finance Act will be allowed as a deduction. The annuities are, however, liable to tax as income. When a depositor receives his Annuity Deposit Certificates, he should inform the Income-tax Officer within fourteen days

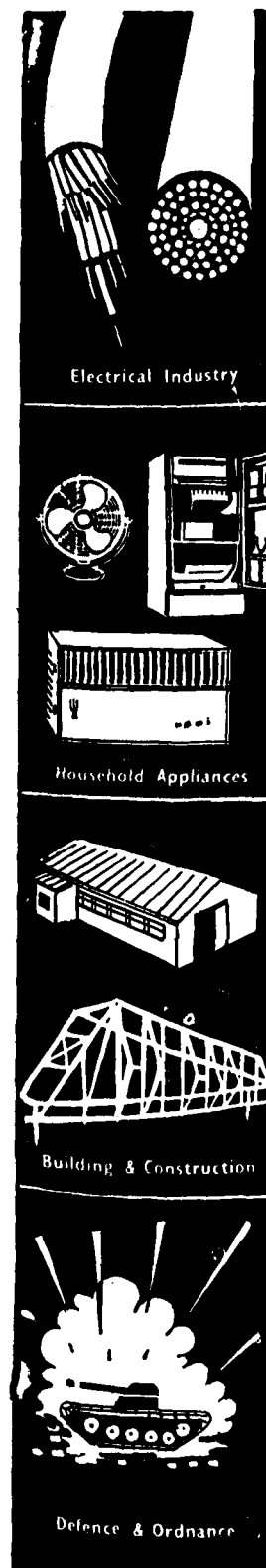
that he has made the deposit and send him the counterfoils of the Annuity Deposit Certificates.

Application forms for ten-year Annuity Deposit Certificates and other relevant forms will be available at the deposit offices. The annuity deposits to be made during the financial year 1964-65 fall into two categories, namely:-

- (1) Deposits to be made for the assessment year 1964-65.
- (2) Deposits to be made in advance for the assessment year 1965-66.

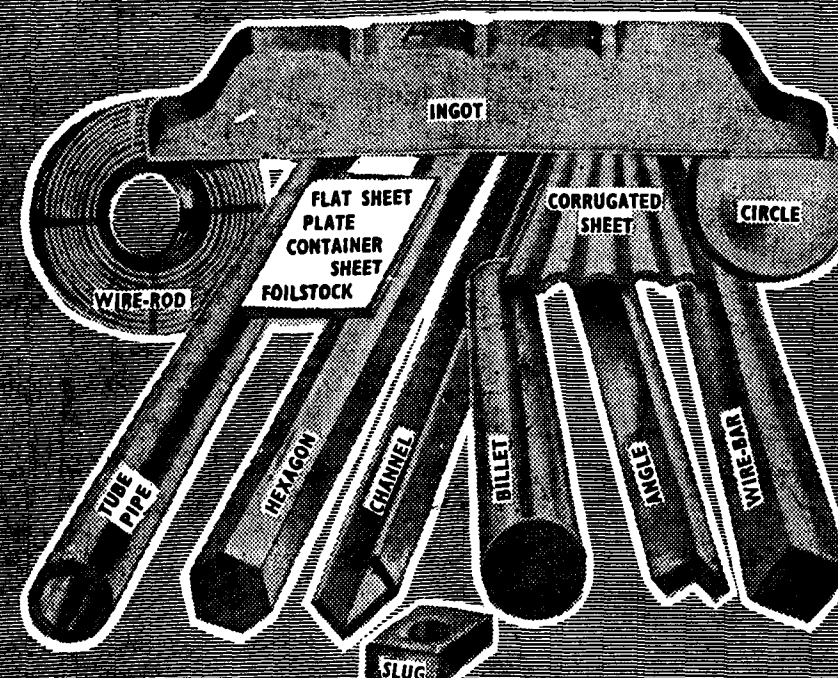
For the current assessment year, deposits may be made on the basis of an assessment of income-tax made by the assessee himself or by the Income-tax Officer. Where a self-assessment has been made, the annuity deposit is required to be made within 30 days of an assessee's filing his income-tax return. However, assessee who have already filed their returns of income or file them by the end of September 1964, can make their annuity deposits by October 31, 1964.

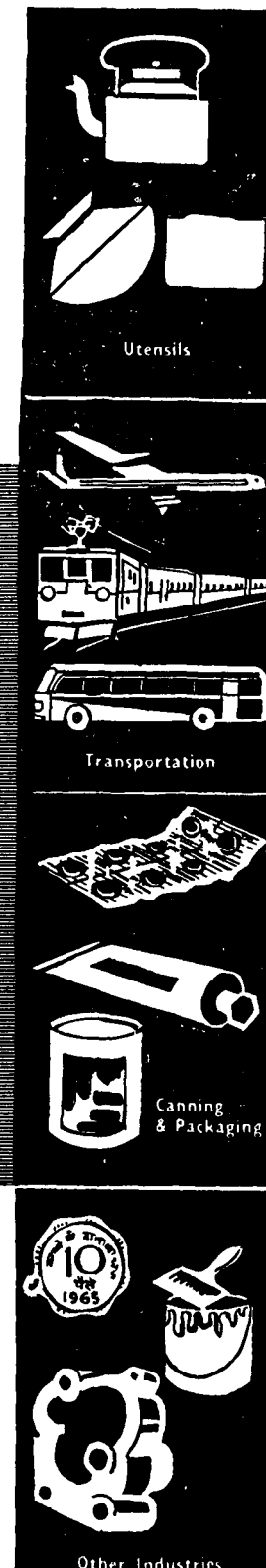
In cases where the assessment is made by the Income-tax Officer, he will also determine the amount of annuity deposit due and call upon the assessee to make the deposit. In regard to deposits to be made in advance for the assessment year 1965-66, the Income-tax Officer will issue a notice of demand. He will also lay down the number of instalments in which the deposit could be made and the dates on which they should be made. However, individuals who have not been assessed to income-tax so far and who expect their assessable income to exceed Rs. 15,000, should themselves make an estimate of their annuity deposit liability. They should inform the Income-tax Officer accordingly before March 1, 1965 and also make the deposit by that date. Assessee may make their annuity deposits even before they are formally called upon to do so by the Income-tax Officer.



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September 18, 1964

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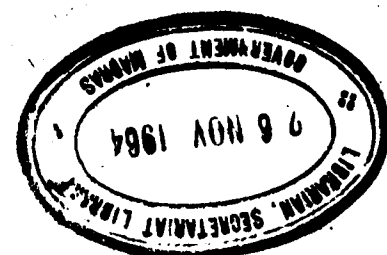
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EASTERN ECONOMIST

SEPTEMBER 25, 1964.

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Out of His Swaddling-Clothes?

THESE ARE, indeed, strange times. Roughly a year and a month ago the Opposition groups in the Lok Sabha attempted to castigate the Central Government through a no-confidence motion on the ground that it was dissatisfied with the then Prime Minister's policies in affairs, economic or international. Last week there was again a no-confidence motion, but on this latter occasion the main complaint appeared to be that the present Prime Minister seemed to be in the process of "deviating" from his predecessor's policies. To us, at any rate, this jugglery with political attitudes does not make sense. If the Opposition groups disapproved in August, 1963 of the late Jawaharlal Nehru's policies, it seems to us to be logical and proper that they should not have been in a hurry to come forward with a no-confidence motion against the present Government, especially when, according to their own admissions, Mr. Lal Bahadur and his Government show signs of fresh thinking in many directions of public affairs. We have, therefore, no hesitation in holding the recent no-confidence motion in the Lok Sabha to have been totally misconceived and singularly ill-timed. By the same token we could appreciate the wisdom of the stand taken by the Swatantra party which disassociated itself from the motion on the sensible plea that the present Government should be allowed reasonable time to think and act for itself. As it is, the principal beneficiaries of the no-confidence motion are the Communist groups in the Lok Sabha. Prof. Hiren Mukerjee cannot be blamed, of course, for making adroit use of the opportunity provided by the no-confidence motion to charge Mr. Lal Bahadur with the hypocrisy of paying lip service to the Nehru ideals while getting ready to scuttle them in practice. But, even a political innocent such as Mr. Dandekar cannot hope to escape criticism for having given the Communist spokesman his chance.

We said that the Communist party was the main beneficiary of the no-confidence debate. We must add, however, that the Government generally and the Prime Minister in particular have not done too badly either — and this in spite of the worst that Mr. Krishna Menon, speaking from the Congress benches, could do. If we allow for a difference in phrasing, Mr. Krishna Menon, surely, was hinting at what Prof. Mukerjee could more openly demand, viz., that the Prime Minister should give a solemn undertaking to Parliament and the nation that he and his Government would change not a comma in (nor introduce a foot-note into) the decisions, programmes and policies of the past 17 years. In many ways it was good that this monstrous challenge to the self-respect of the present Government from both within the Congress and outside was posed so early in the life of the Lal Bahadur administration. It certainly gave an opportunity to the present Prime Minister to display both grit and gumption and it must be said to Mr. Lal Bahadur's credit that he acquitted himself very well indeed.

The nation certainly has no use for a Prime Minister who would be content to reign in the shadow of a great name. The dead past must always be allowed to bury its dead. During a career of immense splendour, the late Jawaharlal Nehru did many wonderful things for our country. But no country's problems are ever solved fully or finally. It is even more true that adequate solutions for all problems are just not found during any single individual's lifetime. Our country particularly has so many unsolved or half-solved problems of political consolidation, economic development or social improvement that it cannot possibly make do with

leaders content merely to walk in a dead man's shoes. The tax-payer here pays a goodly amount of his meagre income for the expenses of government and he is certainly not going to be satisfied with any kind of a caretaker administration. The nation was proud of Jawaharlal Nehru as its Prime Minister. It cannot surely take any pride in having in Mr. Lal Bahadur a pale imitation of the Master. To put it bluntly, the present Prime Minister has not been chosen to be the faithful trustee or executor of any political testament of Jawaharlal Nehru. He has become Prime Minister because an overwhelming majority of his countrymen think — we believe, rightly — that he is the man who, in the present circumstances, is most likely to keep the nation's largest political party together and with its strength and support, make the Government function effectively to maintain or promote political stability and economic progress. To put it differently, Mr. Lal Bahadur will be judged not by his personal, political or ideological loyalties to his predecessor, but by his proved performance in giving the country a good and clean administration, greater political and social coherence and more substantial and rapid economic development. We, therefore, are glad indeed that the Prime Minister has promptly grasped the real import of the no-confidence motion and asserted very firmly his right to function as Prime Minister in fact as well as in name and to run the Government in terms of a total assumption of the authority and responsibility "that doth hedge" the Prime Ministers in parliamentary democracies. In our view, it is precisely this assertion of his democratic right to rule the country as the duly elected leader of the dominant political party which Mr. Lal Bahadur, in his courteous but characteristically unequivocal manner, made in his reply to the no-confidence motion that gave the debate such meaning as it had and justified the tax-payer's time devoted to it.

It is hardly necessary for us or, indeed, for the Indian Press to assure the Prime Minister that he will have the nation's backing in every practical programme he decides to implement for improving the living conditions of our people, giving them more employment opportunities, more not merely of the bare necessities of life but also of at least some of the good things of life. The Prime Minister himself has often said that the immediate purpose of economic development must be to show improvement in the conditions of the people with regard to such matters as food, clothing and shelter, but we would point out that modest as this purpose seems, its achievement in a country of 460 million people, steeped traditionally in mass poverty, is not going to be easy or simple. As the Finance Minister, in his excellent, analytical speech during the debate pointed out, the population of this country cannot be fed satisfactorily by primitive farming. It takes modern scientific agriculture to meet the food and raw material needs of the country. Modern scientific agriculture, in turn, demands a whole series of technologically advanced industries embracing many fields of development, such as

advanced mechanical engineering and the latest proliferations of the chemical industries. Not dissimilar is the situation with cloth. The illusion that the *charkha*, even an *Ambar charkha*, could clothe our people, unfortunately, is not yet dead but its days surely are numbered. The world is moving fast and any government which finally believes that it can solve the cloth problem by selling standard cloth at controlled prices through fair price shops is deceiving itself. People are not going to be satisfied with austere definitions of utility. They yearn for comfort and even elegance. And there is nothing particularly ethical in lecturing them on the virtues of self-denial. Science and technology today are competent to give man what he wants to the limits, if any, of his desire for variety. No sensible society, therefore, need accept the incompetence of the government of the day as the decisive factor in determining the extent to which science and technology can be left free to serve it.

The Prime Minister speaks of housing. Here again, thatched roofs over mud walls are not going to be accepted as a social good for very long. Modern housing is the end-product of a diversified industrial structure. There is thus great substance in the Finance Minister's firm plea that the country should not demand that the Government should be half-hearted about industrialization in the fourth Plan. It is sometimes made to appear that if we demand more for the future it is because we think that little has been done in the past. This is not necessarily so. It is because in 12 or 13 years of planning we have achieved some results in many fields that we are now becoming intolerant of stagnation and impatient for more rapid progress. If some of the old attitudes are to be revised, if fresh thinking is needed to speed up the rate of progress, it is not only the right of the present Government to change policies or programmes, but it is its obligation to do so. The Prime Minister showed that he was not afraid of change when, in discussing agricultural development, he made it clear that he was convinced of the importance of more realistic down-to-earth programmes. Characteristic of his attitude is the fact that he accepts the community development programme while rightly refusing to accept its fleet of jeeps. Mr. Lal Bahadur stressed the importance of helping the small man in agriculture in small ways. We fully endorse his view, but would also submit that the small man in agriculture is not, nor can he be, the only man in agriculture.

Indian agriculture — if we may use a phrase which seems to cause some uneasiness to the Prime Minister — is a "split personality". There is, first, that large part which is subsistence agriculture, that is, agriculture carried on mostly in uneconomic holdings as a way of life rather than as an adequate means of livelihood. Possibly some 50 per cent of the nation's food production is on a wholly subsistence basis of this kind. But the subsistence which this agriculture affords to its practitioners is merely bare subsistence. Here are the small

men of whom the Prime Minister spoke and who could be helped in small ways by the Government and its agencies to improve their subsistence by getting a little more out of their land. But subsistence agriculture, by definition, does not and cannot feed those who are not living on the land or are not dependent on it directly or indirectly. Here is where the other personality in Indian agriculture enters, to wit, market agriculture. It is because market agriculture has not only been neglected but penalized by many of the agrarian measures, alleged to be reforms, carried out by the Government from time to time, that there is today this food-grains crisis in the country. We submit that the Government, while supporting and even subsidising subsistence agriculture, should at least permit market agriculture to function in terms of its own economic validity.

We have no doubt in our mind at all that neither social purpose nor economic profit for the community testifies a redistribution of land away from market agriculture on the justification that every man who tills must also own. Given the land-man ratio in this country, the proposition is arithmetically absurd and politically grossly dishonest. It is true that from 50 to 60 per cent of our population is directly or indirectly dependent on agriculture, but the main interest of the bulk of this population lies largely in finding employment outside agriculture, and to the extent that this cannot be done, in securing more regular employment in and higher wages from farming operations. The first part of this desire could be fulfilled only by industrial expansion, while the second part can be met by market agriculture attracting sufficient capital, enterprise and technical skills. Not until the Government realizes the split personality in Indian agriculture and is able to formulate satisfactory policies for subsistence agri-

Hanging in the Air

FOR FOUR days from September 9, IAC Caravelles were off the air. For quite some time previously most of IAC services were apt to be in the air only off and on. The resumption of Caravelle flights from September 13 does not mean that normalcy has returned to IAC operations. An Indian Airlines advertisement announces that full restoration of services by various aircraft and on various routes will be progressively carried through in the period ending October 4. The advertisement has been preceded by a cryptic statement issued by the Minister for Civil Aviation through a news agency that an understanding had been reached during the discussions between the Secretary of his Ministry in consultation with the IAC management and Indian Commercial Pilots' Association. The public must naturally be interested in the particulars of this reported understanding. We hope Mr. Kanungo will make a more detailed announcement in Lok Sabha where he was handled rather roughly during question hour last week.

culture and market agriculture separately will there be any prospects of dynamic agriculture in this country. Mr. C. Rajagopalachari, during his recent visit to the Capital, happened to touch on this problem in the course of a public speech. If the present Food and Agriculture Minister at the Centre, whose association with the founder of the Swatantra Party was at one time that of a *chela* to his *guru*, is still willing to learn from his former preceptor, he would do well to mull over what we have written here.

It is possible that the Government also needs similar admonition where industry is concerned, although the speech of the Finance Minister, at any rate, shows that the Government is at least aware of what needs to be done. Mr. Krishnamachari, describing the build-up of industry that will be needed in the fourth Plan, rightly said that effort had to be concentrated on a wide spectrum of basic as well as consumer goods industries. The question is whether the Government may be relied on to take steps promptly to create the climate appropriate for the vast effort envisaged. We have read carefully through the Finance Minister's speech, but we are sorry to say that we find there no positive assurance or even indication of how the Government proposes to energize capital and enterprise in the nation on an adequate scale. It is true that the Soviet Union has offered to take up Bokaro. It is true also that the Americans have volunteered to mount a crash programme for a series of fertilizer projects. But it surely cannot be the intention of the Government of India that the Americans and the Russians develop this country for us. It should be interesting to know whether Mr. Lal Bahadur and his esteemed colleagues in the Central Government have any idea of letting Indians too take some part in what Jawaharlal Nehru used to describe as the mighty adventure of building a new India.

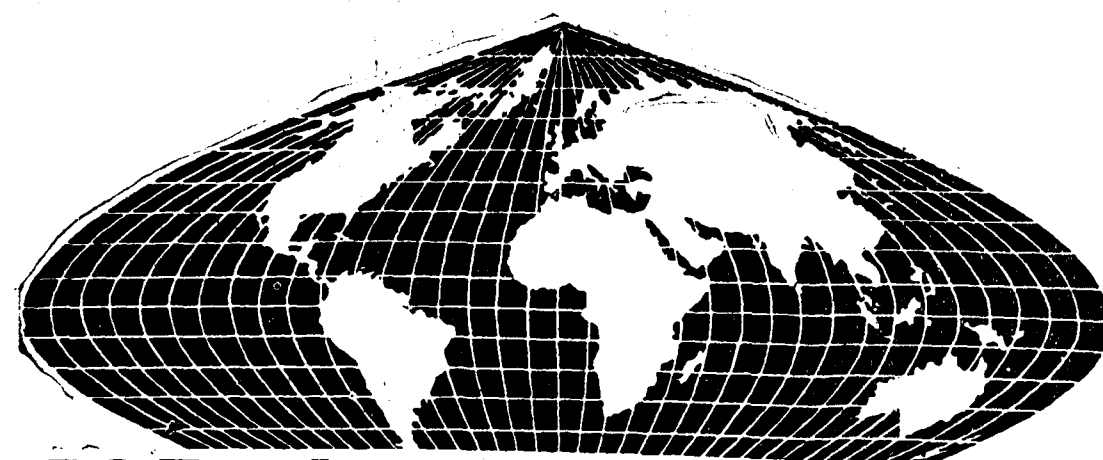
The annoyance exhibited in Parliament was natural and legitimate. It is only a reflection of the irritation in the public mind over the inefficiency and irresponsibility of the IAC operations, as a result of which conditions of travel by our domestic airlines have become the greatest single deterrent to foreign tourists and a punishment inflicted on travellers of all descriptions who fly because they must. It is true, however, that the Minister did his very worst to provoke hostile supplementaries. His statement on September 9, on the nature and course of the dispute between the Indian Airlines Corporation and the Indian Commercial Pilots' Association, did nothing to improve the public image of the Corporation as a feckless and drifting mass. In particular, his disclosure of the contention on the part of the Corporation that for a considerable time it was not aware of an agreement which its Chief Operations and Planning Manager had admittedly entered into with its pilots providing for duty and flight-time limitations

has damned beyond redemption the chaotic manner in which the Corporation is conducting its house-keeping. Surely, there must ordinarily be some line of communication between the Chief Operations and Planning Manager and those above him who lay down or manage policy for the Corporation. If a situation is to be conceded in which the Corporation could reserve to itself the right to remain blissfully ignorant of discussions or agreements which its Chief Operations and Planning Manager may have with its pilots or other employees, it follows that the Corporation's staff would be justified should they begin to insist that they would discuss their problems only with the Chairman in the presence of the General Manager and preferably under the auspices of the Secretary, Ministry of Civil Aviation and with the blessings of the Minister for Civil Aviation. In the circumstances, it is not surprising that Mr. S. M. Banerjee was moved to ask in sheer exasperation, at one stage during the supplementaries, whether there was at all any apparatus in the IAC to deal with employees' problems.

It seems to us that the Indian Airlines Corporation is taking its employee relations far too casually for its staff to respect it or its customers to trust it. A com-

plaint was heard in Lok Sabha that an assurance given to the pilots by an earlier Minister that a commission would be asked to go into their claims or complaints was being quietly dishonoured. The Prime Minister, intervening, explained that the Civil Aviation Minister, as well as the Finance Minister, was taking a personal interest in bringing about a settlement of the dispute. To the labours of those dedicated men presumably was due the triumph of September 13, when the suspended Caravelles took to the skies again. But we must confess that we are not impressed. On the contrary, we would urge that the Indian Airlines Corporation should attempt to manage its domestic affairs without calling for such special aid. To begin with, the Chairman and the General Manager of the IAC, we suggest, had better start keeping themselves informed of what other senior officials, including the Chief Operations and Planning Manager, may be doing from day to day in an attempt to earn their salaries.

The agreement between the pilots and the Chief Operations and Planning Manager was made on July 29, 1963. The Corporation which claimed to be unaware of the agreement "for some considerable time", seems somehow to have obtained knowledge of it by



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April-May, 1964, when the duty and flight-time limitations mentioned in the agreement were enforced as an experimental measure. This experiment, it is stated, did not work satisfactorily, but gave rise to dislocation of services as well as rostering difficulties and anomalies. Thus the last phase of the dispute began, and skipping merrily from one deadlock to the next, ended up with the Government making a reference to the National Industrial Tribunal for adjudication, but the Pilots' Association decided unilaterally to enforce the duty and flight-time limitations, thereby bringing about a progressive curtailment of services since August 22. Thus for at least some four months, the Corporation does not seem to have displayed any sense of urgency in settling a dispute, the prolongation of which was bound to damage the morale of a strategically very important category of its staff. It is possible that the chopping and changing of Ministers in the Ministry of Civil Aviation might have led to a situation where key decisions could not be promptly made. But had the Corporation been successful in developing some personality of its own, it could still have acted effectively even during this unsettled period. Harsh words were said in Lok Sabha about the present Minister of Civil Aviation, but in fairness to Mr. Kanungo, it must be said that he did inherit a frightful mess.

The dislocation in air services, following the enforcement of duty and flight-time limitations by the Pilots' Association started on August 22, and it was on September 9 that the Corporation finally gave up and suspended its Caravelle services. During this interval of 18 days, those who travelled or attempted to travel by the Indian Airlines did so with inconvenience, sometimes very serious. We wonder whether it was really not possible for the Corporation to have avoided causing this harassment. In his statement in Lok Sabha on September 9, Mr. Kanungo said, in conclusion, that he was "very sorry for the inconvenience, hardship and discomfort that have been caused to so many passengers every day, but, as my brief account of the happening would show, every attempt was made to prevent this development, but without success." We are not satisfied that this expression of regret was more than formal nor are we convinced that the claim in the latter part of this observation is not open to dispute. In fact, it is evident that the Corporation did not competently act at any stage in the dispute, but on the contrary allowed it to fester in the earlier stages, when it was callous in its indifference to the pilots' demands even to the point of making the outrageous assertion that it was not aware of what its Chief Operations and Planning Manager might have agreed to. Later, after arriving at the point where the Government took a decision to refer the dispute to the National Industrial Tribunal and being faced with the unilateral enforcement of the duty and flight-time limitations by the Pilots' Association, it failed to act with firmness or with a sense of responsibility to the taxpayer who finances it or to the travelling public. It should be interesting to know whether it is

the Corporation's and the Government's view that, in the event of non-co-operation from the pilots, the Corporation just cannot take any step at all to maintain the services. While we concede readily and fully the desirability of the just demands of pilots being met promptly and fully, we are reluctant to accept the position that the pilots, acting arbitrarily, may always have the air services grounded until the Corporation or the Government is prepared to yield. We urge very strongly that the Government ought to be prepared with a scheme or schemes for keeping the flights operating in emergencies such as the one recently brought about by the Pilots' Association.

In any case, where it becomes impossible to operate all the services according to schedule, the Corporation should immediately cut down the number of flights, but see that those flights at least are operated to schedule. Rationalization of this kind could considerably reduce the inconvenience or discomfort caused to travellers or would-be travellers. It certainly indicated gross neglect of the travellers' interests on the part of the IAC when, during some 18 days, the scheduled flights were reduced to chaotic timings and those who would travel by them driven crazy by anxieties and uncertainties. We wonder whether in emergencies such as the recent one it is not open to the Corporation to indent on the IAF for pilots or other flight personnel. It may not always be a happy thought that the personnel of the defence services should be employed to break strikes or near-strikes in the civil community, but the fact remains that defence personnel have been so used where strategic or vital services are concerned. The IAC pilots having demonstrated their capacity to ground the airlines on any occasion when they feel that they are justified in so doing, the community is surely not to be left unprotected against their tactics. Finally, as we had said at the outset, we do not yet know on what terms the Pilots' Association has made it possible for the Corporation to resume its flights. Mr. Kanungo confessed to discomfort at the thought of apportioning blame between the Corporation and its pilots, but there is no need for the public to share his nervousness or embarrassment. Knowledge of the understanding now reached between the pilots and the Corporation will help us in judging the merits of the dispute as well as the Corporation's handling of it. This apart, the Government has taken a decision of referring the dispute to the National Industrial Tribunal. Does this reference still stand or the understanding now arrived at provides for any alternative agency or means of settlement? It is obvious that answers to questions such as these are needed and must be provided, since they have a bearing not only on the capacity and competence of the IAC in the future to deal fairly and firmly with its staff or responsibly with its customers, but also on the much larger problem of the Government's ability and willingness to preserve industrial peace on terms which are fair to the community.



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Highlights of the Week

BOOSTING FERTILIZER MANUFACTURE

ADDRESSING A Press Conference after the five-day confabulations they had with the Union Government last week, General Lucius D. Clay, the US Military Engineer now turned a well-known business manager and investment planner, and Mr. Stephen D. Bechtel, Chairman of the internationally-known Bechtel Corporation, gave some details of the crash programme they had suggested for stepping up production of fertilizers in India through setting up of a complex of five giant plants, each with a capacity to manufacture 200,000 tons of nitrogen per annum, with assistance from a consortium of American fertilizer manufacturers. The scheme, they outlined, envisages formation of a new fertilizer corporation in India with a share capital of approximately Rs. 60 crores (\$125 million) which will be subscribed by the Government of India, private entrepreneurs and the general Indian investing public on the one hand, and by the industrialists and other citizens of the United States on the other, in 50:50 ratio. The US participation in the venture may, however, be scaled down slightly if the Government of India so desired.

The entire foreign exchange component of the complex, nearly half of the Rs. 250 crores (\$500 million) estimated cost, will be made available by the US collaborators in the form of their participation in the equity capital of the proposed corporation or in the shape of loans to be contracted from various sources, including the USAID and possibly the World Bank. Suppliers of fertilizer manufacturing equipment from outside the United States would also be welcomed to extend commercial credits for this massive programme. Supplies of equipment and services from indigenous sources will be made use of to the fullest extent so that machinery manufacture in India gets a new impetus.

It will be the endeavour of the Corporation to make use of the most modern fertilizer manufacturing techniques so that the plants to be set up are able to produce fertilizers at the most competitive rates in the world. With a view to keeping the manufacturing cost at the barest minimum, it is proposed to set up standardised plants. Stress will be laid mostly on the production of nitrogenous fertilizers. But composite fertilizers may also be manufactured, if necessary. The Corporation will also launch an ambitious programme for educating the agriculturists in the use of fertilizers as application of chemical manures is not a hit-and-miss process.

A feasibility study has been agreed to be undertaken by the Bechtel Corporation with assistance from the Stanford Research Institute, California, and the Government of India, for drawing up detailed proposals for this project. The study will cover such aspects as actual location and sizes of the new plants, the pattern of end-products, financial pattern, marketing and distribution arrangements, pricing, raw materials to be used, etc. It is expected to be completed by the end of this year. The plants are anticipated to be commissioned into production in about 2 years' time from the date of the scheme being improved.

This one million tons fertilizer production crash programme, energetically being pursued by the US Ambassador in India, Mr. Chester Bowles, will not only help in achieving the proposed fourth Plan target of raising the fertilizer manufacturing capacity in India to 2.25 million tonnes, but will also enable foodgrains production being stepped up by about 10 million tonnes.

BONN AID

AN AGREEMENT has been signed last week between the Governments of India and the Federal Republic of Germany for the utilisation of the DM 380 million (Rs. 45.24 crores) assistance committed by the latter at the last May meeting

of the Aid-India Consortium for India's economic development during the current financial year. Of this, a sum of DM 270 million (Rs. 32.14 crores) is being provided as aid on governmental account and the balance of DM 110 million (Rs. 13.10 crores) as guarantees for suppliers' credit.

The DM 270 million assistance on governmental account is to be utilised as follows:

- (i) DM 90 million (Rs. 10.71 crores) for refinancing liabilities of the Rourkela Steel Plant;
- (ii) DM 55 million (Rs. 6.55 crores) for purchase of goods and services in Germany (in the use of this money, the requirements of Indo-German enterprises in India will be taken into consideration);
- (iii) DM 40 million (Rs. 4.76 crores) for further financing of certain German-aided development projects nearing completion;
- (iv) DM 60 million (Rs. 7.14 crores) for spending on new development projects.
- (v) DM 25 million (Rs. 2.93 crores) for the Industrial Credit and Investment Corporation of India, the Industrial Finance Corporation of India and the National Small Industries Corporation for granting loans to medium and small undertakings.

Of the DM 110 million credit, which is in the nature of a suppliers' credit, DM 82 million (Rs. 9.76 crores) is to be used for the purchase of new ships from German shipyards and DM 28 million (Rs. 3.34 crores) for purchase of other goods and services from Germany.

The Rourkela refinance credit of DM 90 million carries interest at the rate of 5.5 per cent per annum and is repayable in 16 years. The other loans, totalling DM 180 million (Rs. 21.43 crores), carry interest at the rate of 3 per cent per annum and are to be repaid over a period of 25 years, including a grace period of 7 years. The terms of the suppliers' credit will be settled between the buyers and the sellers both in the private and public sectors.

Including the new credit, the total assistance made available by the Federal Republic of Germany for India's economic development so far aggregates DM 3,409.56 million (Rs. 405.90 crores). Of this, a sum of DM 1,176.6 million (Rs. 140.06 crores) was made available during the second Plan period. The remainder DM 2,233 million (Rs. 265.83 crores) has been provided under the current Plan. India has been importing from Germany equipment for various industries viz., automobiles, chemicals, engineering, power, steel, etc. Among the important projects undertaken with German assistance are the Rourkela Steel Project, the Rourkela and Neyveli fertilizer factories, the Neyveli Briquetting and Carbonisation Plant, the Durgapur Power Station (5th Unit), expansion of the Mysore Iron and Steel Works and its conversion into an alloy and special steel plant, the Government Electric Factory, Mysore, expansion of the Kalinga Pig Iron Plant, the Kargali coal washery extension and TELCO.

"FULL" AND FAR-REACHING

IF THE RECENT visit to the Soviet Union of Mr. Y. B. Chavan, Minister for Defence, was "fruitful and friendly", the nine-day State visit of the President might well be described as "full" and far-reaching. The joint communique issued on Saturday last on the conclusion of Dr. Radhakrishnan's visit bears sufficient testimony to this. While the communique

is fairly vocal on many points where agreement on and identity of approach has been reaffirmed, it is more than suggestive on a good deal of others. Among the many subjects on which accord has been reiterated are the solution of international disputes by peaceful means, peaceful co-existence, complete disarmament, the elimination of colonialism and imperialism, and the stoppage of racial discrimination. These were the ideals which the late Jawaharlal Nehru had always held very dear to his heart and in which the present Government has declared its unequivocal faith. It was only natural, therefore, that the personal equations that the late Prime Minister had forged with the Soviet leaders should have been carried forward. The President's visit has confirmed that while Jawaharlal Nehru, as the architect of India's foreign policy, was instrumental in the formulation of these equations, the cordial relations built on personal levels must certainly endure between the two countries. The projected visits to this country of the Soviet President and the Prime Minister will surely strengthen these bonds.

What is, perhaps, more important than anything else in the communique is that it calls upon the nations of the world to "refrain from the use of force in the solution of their territorial and border disputes". The communique pleads that they should "pay due regard to historically formed boundaries". The suggestion is obviously directed at China, who, having pitched its guns against India, is now claiming one and a half million square miles of the Russian territory. China might as well profit from another piece of sound advice contained in the communique; the communique stresses the need for good relations among countries with different political and social systems.

A REPORT ON POWERLOOMS

THE COMMITTEE appointed under the chairmanship of Mr. Asoka Mehta to enquire into the problems of the powerloom industry has recommended the adoption of various measures to strengthen this industry. As a broad measure of providing more facilities for production by powerlooms and handlooms, the Committee has suggested that the gap in the present output and demand of cloth should be filled by stepping up production in the decentralised sector. Cloth production at the end of the current Plan is estimated around 8,500/8,600 million yards which requires an additional output of 500 to 600 million yards during the remaining period of the Plan. The report expects the mill cloth production to go up to 5,000 to 5,100 million yards (which was the level at the end of the second Plan) from the current output of 4,850 million yards. The gap of 250 to 350 million yards, it is recommended, should be made up by increasing the number of handlooms and powerlooms at various places.

The total investment in the cotton powerloom sector at current prices has been estimated at about Rs. 18 crores. The Committee opines that adequate working finance for the proper functioning of the powerloom industry has to be provided at fair rates of interest. The State Finance Corporations, Government loans under the State Aid to Industries Act and commercial banks, particularly the State Bank of India, may have to step in in a big way to fill the gap.

It is stated that the scheme sanctioned during the second Plan period for the conversion of handlooms into powerlooms did not meet with full success, not because the weavers did not take to the scheme with enthusiasm but mainly because of insufficient financial assistance provided for working capital. This scheme has now been recommended to be resumed and it is proposed that 10,000 powerlooms should be introduced in the handloom sector, with official assistance at the rate of Rs. 8,700 per loom.

The technical opinion placed before the Committee indicated that the economic size of the medium range powerloom establishments should be 24 to 36 looms, although a unit of four powerlooms is considered as a fairly average sized unit

to be worked by a weaver's family. It has also suggested that powerlooms in clusters of 300 each within convenient distance of one another, in and around a small town, would provide a feasible pattern.

The Committee does not consider it proper that the rate and pattern of growth of industry should be left to be determined by the vagaries of excise levy. It should be so employed as to keep in view the paying capacity and the differentials as between different sections of the industry. Moreover excise duty should be levied to realise the developmental objectives. The Committee feels that the system of charging excise duty at different rates for different sizes of powerloom units and concessions allowed for small units has been a major factor in causing an unhealthy and undesirable distortion in the structure of the powerloom sector.

The Committee has recommended that the All-India Handloom Board, which at present functions in an advisory capacity, should be made a statutory body and entrusted with the implementation of all the development schemes relating to the handloom and powerloom industry. The Board, it says, should be given adequate funds for the purpose.

BATTLE AGAINST CORRUPTION

VARIOUS MEASURES are proposed to be taken to translate into action the recommendations of the Santhanam Committee for eliminating corruption among ministers, politicians and officials. The Union Cabinet last week approved a comprehensive code of conduct for ministers and politicians. The ministers will be required to declare their assets and liabilities before assuming office and submit annual returns as long as they remain in office. They will also be required to eschew ostentatious living and not accept hospitality from business men having dealings with departments under their charge. The code also prescribes the procedures to be followed in the event of allegations of graft against ministers. The authority to inquire into these allegations has been vested in the Prime Minister in the case of Central ministers and in the Chief Minister of the State concerned and the Union Home Minister when charges are levelled against State ministers. The Union Home Minister, Mr. G. L. Nanda, has made it clear that investigations would start as soon as the Government received relevant information about any person in high office, but has emphasised that the tendency to make frivolous charges would not be encouraged.

The Union Government has also decided to amend the existing anti-corruption laws with a view to curbing corruption among officials. It will ensure speedy trial of cases of bribery, corruption and criminal misconduct in discharging of official duties. The anti-corruption laws to be amended are the Indian Panel Code, the Criminal Procedure Code, the Criminal Law Ordinance, 1944, the Delhi Special Police Establishment Act, the Prevention of Corruption Act and the Criminal Law (Amendment) Act, 1952.

The changes proposed in the anti-corruption laws will provide for attachment of money and other property obtained by committing certain offences under the Prevention of Corruption Act. The possession of disproportionate assets by public servants is envisaged to be made a substantive offence. So also the practice of habitually corrupting public servants and attempts to commit certain offences covered by the Prevention of Corruption Act. It is also proposed to give powers to the police to inspect bank books and to take certified copies of relevant vouchers while investigating suspected cases of corruption. As a precaution, these powers will be allowed to be exercised only by police official not below the rank of the Superintendent of Police. The definition of "public servant" is to be enlarged so as to cover certain additional categories of public functionaries such as those in the public undertakings. Some new offences are also being created. Multiplicity of proceedings in the case of certain offences and unnecessary adjournments or stay of proceedings are to be avoided.

U.S. Industry in Europe

ANALYST

OF THE total value of US direct investments abroad of \$37 billion in 1962, Europe accounted for \$8.8 billion, that is, a fourth of the total investments. It would be interesting to analyse the structure of this investment in recent years as also the earnings from all these investments.* Since, for our economic growth, US capital is likely to play an important part, such an analysis is also likely to throw light on the characteristics of US capital investments abroad.

Table I shows the value of US direct investments in Europe as also its composition in certain important industrial groups. It will be seen from Table I that the total value of US investments abroad which stood at \$12 billion in 1950 increased to \$37 billion in 1962, that is, a three-fold increase whereas the investments in Europe have recorded a five-fold increase from 1.7 billion in 1950 to 8.8 billion dollars in 1962. Owing to this, 1.7 billion in 1950 to 8.8 billion dollars in 1962. Owing to this, investments in Europe, which accounted only for 15 per cent of US investments in 1950, formed, in 1962, 24 per cent of the total investments. The European countries in which US investments are concentrated are United Kingdom (\$3.8 billion), Germany (\$1.5 billion) and France (\$1 billion). Since the United Kingdom is not in the Common Market, US investments in non-Common Market countries of Europe are higher than in the Common Market. As regards the main fields of US investments, it would be seen from Table I that investment in Manufacturing which formed \$4.8 billion is more than half of the total investment of \$8.8 billion. The other two important fields of US investments are Petroleum (\$2.4 billion) and Trade (\$1 billion).

Table II shows the share of US stock-holders and US parent companies in the earnings of the foreign subsidiaries, affiliates

TABLE II. EARNINGS

Country	1961	1962				
		Total	Mining and Smelting	Petroleum	Manufacturing	Other
France	58	59	xx	14	28	15
Germany	184	197	x	27	145	25
United Kingdom	359	319	—	20	226	73
Common Market Total	344	360	x	57	233	70
Non-Common Market Europe	494	491	x	15	261	215
All Europe Total	837	851	5	72	493	281
All Areas Total	3815	4245	367	1716	1310	852

x Combined with other countries.
xx Less than \$500,000.

TABLE I. U.S. DIRECT INVESTMENTS IN EUROPE

Country	1950	1957	1960	1961	1962						
					Total	Mining and Smelting	Petroleum	Manufacturing	Public Utilities	Trade	Others
Belgium & Luxembourg	69	192	231	261	283	—	58	174	1	41	9
France	217	464	741	857	1096	9	257	582	10	122	26
Germany	204	581	1006	1177	1472	x	376	956	3	94	43
Italy	63	252	383	483	540	x	229	232	2	47	30
Netherlands	84	191	283	310	370	—	163	119	15	59	14
Common Market Total	637	1680	2644	3087	3671	9	1083	2063	31	361	124
Austria	13	45	48	52	56	x	x	x	x	x	56
Denmark	32	42	67	96	115	1	77	20	xx	14	3
Norway	24	51	83	93	107	x	56	25	xx	10	16
Portugal	16	25	31	36	37	x	x	x	x	x	37
Spain	31	44	59	74	85	x	27	36	4	14	4
Sweden	58	109	116	141	176	xx	103	24	xx	41	8
Switzerland	25	69	254	389	555	xx	38	105	xx	228	184
Turkey	16	63	65	98	108	x	89	5	xx	10	4
United Kingdom	847	1974	3231	3542	3805	xx	790	2512	12	348	343
Other Countries	34	49	83	105	128	10	65	11	1	39	2
Other Europe Total	1096	2471	4037	4626	1572	40	1282	2763	18	721	348
Europe Total	1733	4151	6681	7713	8843	49	2365	4826	49	1082	472
Total U.S. Investments Abroad	11788	25394	32778	34664	37145	3183	12661	13212	2039	3015	3035

Notes: x Combined in other countries. xx Less than \$5,00,000.
* Statistical data for this analysis have been derived from August & October 1963 issues of the 'Survey of Current Business'.

and branches, the investment of which is shown in Table I.

It would be seen from Table II that of the total earnings from direct investment of \$4 billion in 1962, 0.9 billion, that is about a quarter, comes from Europe. The earning from non-Common Market countries of Europe is slightly higher than from the Common Market countries. The United Kingdom accounts for more than a third of the total earnings from Europe for the United States.

The rate of earnings on direct investments may be seen in Table III. It would be seen that the rate of earnings in Europe is almost the same as the rate of global earnings, except in Petroleum where the rate is comparatively low in Europe. It would further be seen that the rate of earnings in Germany is higher and that in France lower than the rate of global earnings.

TABLE III.

RATE OF EARNINGS

(Per cent)

Country	1961	1962	1962 Petro- leum	1962 Manu- facturing
France	7	6	6	5
Germany	15	13	7	15
United Kingdom	10	9	3	9
Common Market Total	11	10	5	11
Non - Common Market				
Europe Total	11	9	1	9
All Europe Total	11	10	3	10
All Areas Total	10	11	14	10

Since investments in Manufacturing and earnings from them constitute the largest part of US investments in Europe, it would be interesting to see the trends in sales in these manufacturing enterprises in Europe and how much has been exported to USA. Table IV shows the trends in sales during 1957 to 1962 and Table V the amount of local sales and exports

TABLE IV.

SALES OF U.S. MANUFACTURING ENTERPRISES
ABROAD

(\$ million)

Country	1957	1959	1960	1961	1962
Benelux	416	461	602	740	800
France	763	789	965	1195	1440
Germany	1116	1572	1835	2265	2600
Italy	230	244	350	475	575
United Kingdom	3303	4050	4715	5070	5265
Total Europe (including other European coun- tries)	6313	7690	9310	10670	11780
TOTAL WORLD	18331	21100	23570	25580	28120

to the United States and other countries by these manufacturing enterprises in 1962.

It will be seen from Table IV that while the total world sales of US manufacturing companies abroad increased from \$18 billion in 1957 to \$28 billion in 1962, the sales in Europe almost doubled from \$6 billion to \$12 billion. It would further be seen from Table IV that US companies in the United Kingdom account for about half of the European sales.

Table V gives the break-up of the European sales in 1962 of \$12 billion under various commodities and also the amount exported to the United States.

TABLE V.

EUROPEAN SALES IN 1962

(\$ million)

Industry	Total Sales	Local Sales	Export- ed to U.S.	Export- ed to other countr.es
Food Products	1185	1130	5	50
Paper and allied products	80	70	—	10
Chemicals	1760	1360	50	350
Rubber Products	460	385	5	70
Primary and fabricated metals	715	610	5	100
Machinery excluding electrical	1850	1340	50	460
Electrical machinery	1220	990	10	220
Transportation equipment	3280	2440	40	800
Other products	1230	970	10	250
TOTAL	11780	9295	175	2310

It would be seen from Table V that a substantial part of the products of US direct investments in manufacturing is sold in the country of manufacture and not exported to the US, suggesting thereby that US investments in Europe are not for securing some essential supplies required by her but only for profit.

The main features of US investments in Europe may now be brought together.

- Europe accounts for about a fourth of the US investments abroad;
- In Europe, US investments are the highest in UK and this is followed at a distance by Germany and France;
- In Europe, the rate of earnings on US investments is the highest in Germany;
- Sales in Europe accounts for four-fifths of the total world sales of US foreign manufacturing companies.
- A substantial part of the sales of US manufacturing companies abroad is in the country of manufacture.

FROM THE PRESS GALLERY

Censure Motion Defeated

By Our Parliamentary Correspondent

NEW DELHI:

THE MARATHON five-day debate in the Lok Sabha on the motion of no-confidence in the Lal Bahadur Government and a three-day discussion in the Rajya Sabha on the food situation in the country provided the highlights of the proceedings in Parliament this week.

As anticipated, the censure motion was defeated by an overwhelming majority; only 50 votes were cast in favour of the motion and 307 against it. Thirteen members, presumably belonging to the Swatantra Group and a few independents, abstained from voting. Although the no-confidence motion was hardly justified in view of the fact that Mr. Lal Bahadur has been at the helm of the Government for not more than four months and because of his recent illness he has had not enough time to grapple with the country's problems squarely, it served a very useful purpose inasmuch as it provided an opportunity to the new Government to enunciate its domestic and foreign policies in unambiguous terms. The need for such an enunciation of the domestic policy was obviously imperative as Mr. Lal Bahadur's advice to the Union economic ministries and the State Governments in July last that heavy industry projects on which real start had not been made as yet, should be deferred in the interest of reducing public expenditure for containing the expanding spiral of prices, had given rise to speculation that the development of the country might be slowed down. A public pronouncement of the foreign policy also appeared to be called for to set at rest all conjectures about Mr. Lal Bahadur's thinking on the matter.

Planned Approach

In their replies to the debate, the top three in the Union Cabinet — the Prime Minister, the Home Minister and the Finance Minister — reiterated in no mistakable terms that the present Government intended to follow the basic foreign and domestic policies laid down by the late Prime Minister, Jawaharlal Nehru. While the Home Minister, Mr. G. L. Nanda, characterised the thinking of the Communist and the Swatantra parties on this issue as an "alarmist view" and "wishful thinking", respectively, the Finance Minister, Mr. T. T. Krishnamachari, stoutly defended Government's adherence to the planned approach of building up the economy (with a judicious emphasis on heavy industry) and defence of the country simultaneously. Summing up the position in his characteristic style, the Prime Minister reaffirmed his faith in non-alignment and co-existence — the sheet anchors of India's foreign policy — and building up of democracy and socialism and steadfast adherence to secularism — which provide the bases for the domestic policies — but pointed out that this did not imply hugging the beaten track. If the situation called for certain changes within the broad framework of these policies, they had to be made.

The Prime Minister laid great emphasis on the amelioration of the lot of the common man and stressed the need for arresting the uptrend in prices not only of foodstuffs, but also of the other articles of common use — sugar, cloth, vegetable oils, matches, salt, vegetables and even bicycles. These commodities, he said, should be sold at fixed prices. The Prime Minister expressed confidence that his Government would be able to tide over the present difficult situation on the food front, although the difficulties might continue till the end of October.

Both the Prime Minister and the Home Minister refuted the charge made by the Swatantra Party that nothing had been achieved by the Congress Government in the past 17 years. Besides pointing out that foodgrains production during the

first two Plans had gone up by 46 per cent and industrial production by as much as 95 per cent and that per capita consumption of food, cloth, sugar, tea, vegetable oils, paper, cycles, sewing machines and electric fans, among other things, had gone up to an impressive extent, they referred to the signs of progress scattered all over the country.

Replying to the Opposition's charge that corruption was rampant, both Mr. Lal Bahadur and Mr. Nanda listed the measures being taken to eliminate this evil at all levels. The Prime Minister deprecated too much talk about corruption lest it should give an erroneous impression to the world that India was seething with corruption. This country, he said, attached the greatest importance to integrity. The Prime Minister referred to the code of conduct drawn up for Ministers and observed that if he or the Chief Minister of a State thought that there was a prima facie case against any of their colleagues or there was something which was not correct, the Minister should immediately tender his resignation. The Prime Minister wanted the Government officials, particularly the field officials, to shed officiousness. He also declared that, when needed, he would be quite tough with the Communists. The Home Minister declared that emergency would continue till the time it was considered essential, but assured the House that the emergency regulations would only be used to make effective defence preparations as in the past.

Pruning Expenditure

Mr. T. T. Krishnamachari refuted the suggestion of the Opposition members, especially the Communists, that the Government intended either to slow down industrial progress or to stop advance action on future projects. A short-term view, such as reversing the earlier decision to go ahead with the defence and development expenditure just because of the current failure of supplies — shortage of food supplies, which had aggravated the price situation, the Finance Minister pointed out, was due to adverse weather conditions during the last two years — would be disastrous for the country's long-term progress. There was, however, no denying the fact, the Finance Minister added, that some pruning of expenditure was necessary for avoiding waste. Mr. Krishnamachari asserted that the lesson of the last three years was not that they should reverse the strategy of the Plan and slow down development; it was that they should continually strive to improve the returns from investment in every field so that the rate of growth of the economy was speeded up. An average increase of 2 to 3 per cent per annum in prices, the Finance Minister said, appeared to be a general phenomenon in the world and India could not escape a general rise in prices. To this he referred in reply to the charge that the value of the Indian rupee had gone down. The Finance Minister denied that there was a conflict between the component parts of the Government and the Planning Commission in regard to the dimensions of the fourth Plan. In the formulation of the Plan, it was natural that there should be different views. The Finance Minister pointed out that the country should not rest content with anything less than 5 per cent rate of growth in agriculture during the fourth Plan and development of agriculture could not proceed without adequate support from industry. The fourth Plan, thus, had to be treated as an organic whole; there was no competition between the progress in agriculture and development of industry, be it consumer, small or heavy industry. The fourth Plan, Mr. Krishnamachari declared, must endeavour to concentrate on:

- Production of goods such as fertilizers, insecticides, agricultural implements including tractors, pumps,

diesel engines, etc., required so urgently for giving boost to our agricultural programmes;

- (ii) Early completion of heavy engineering and other engineering industries already taken in hand and such additional projects as are deemed necessary for balancing the programmes and providing a sound basis for future industrial development;
- (iii) Stepping up of production of both pig iron and steel from the expansion schemes in hand as well as those already contemplated at the present units besides Bokaro, and the establishment of additional capacity for non-ferrous metals, aluminium, copper and zinc;
- (iv) Increased production of consumer goods such as textiles, sugar, drugs, kerosene, paper, etc.;
- (v) Expansion of production of cement and other construction materials to meet the increasing demands; and
- (vi) Production of petrochemical products like synthetic fibres to substitute imported cotton and wool, based on products obtained concurrently with kerosene in our refineries.

In view of the shortage of foreign exchange, efforts had to be made during the fourth Plan in the following directions:

- (a) Completion of the programmes in hand and securing of as much output from each of them as possible;
- (b) Utilisation of idle capacity by augmenting supplies of required components and materials to existing units and giving preference to priority and essential industries, wherever the availabilities fall short of overall needs;
- (c) According of preference to expansion of existing units over establishment of new units wherever conditions justify, as this would help to secure additional capacity with minimum investment; and
- (d) Working out 'inter se' of priority between schemes of equal importance, to give preference to fast maturing schemes over those which are likely to have longer gestation period.
- (e) Similarly in the case of industries which offer export possibilities or import substitution, they would get preference over others not similarly placed.

In the organisational field, Government policy during the fourth Plan, Mr. Krishnamachari said, would continue to be on the lines set out in the Industrial Policy Resolution of 1956.

The Union Minister for Rehabilitation, Mr. Mahavir Tyagi, refuted the charge of Mr. N. C. Chatterjee, who had moved the censure motion, that the Union Government was against settlement of displaced persons from East Bengal in West Bengal. Nearly 50 per cent of the displaced persons, who had recently come from East Bengal, he said, had been settled down in West Bengal. West Bengal was now becoming overcrowded and there were other States in the country where these kith and kin of ours could be settled. Mr. Tyagi assured that the question of paying compensation to refugees coming to India from East Pakistan would be raised at the forthcoming meeting of the Home Ministers of the two countries.

Besides taking the Government to task for failures on the price and food fronts, the seeping in of corruption and deviation from the Nehru policies, the Opposition criticised the Congress Party for its internal bickerings, which, it alleged, was hampering the progress of the country. Mr. J. B. Kripalani (Independent), though he disassociated himself from the censure motion, vehemently criticised the Government's foreign policy. He cautioned against the danger of another 'buffer area between India and China — the one in Tibet has already gone — being destroyed, resulting in a threat to the country's

security. He stressed that India, Japan, Australia and the other free countries of South-East Asia should come to an understanding, not necessarily a military alliance. Another independent member, Mr. Frank Anthony, hoped that there would soon be an understanding with Pakistan. He also disassociated himself from the no-confidence motion and denounced it as a 'political stunt'. A good deal of din was also raised in the House over the "Murud affairs".

The Rajya Sabha debate on the food situation in the country, though it went on for three days, failed to throw up any new suggestion for solving the problem. Opinion among the Opposition members continued to be divided on the question of State trading in foodgrains. There was, however, near-unanimity in the demand for abolition of wheat zones. The diagnosis of the causes for the abnormal rise in food prices differed as widely as during the debate in the Lok Sabha. The members from Uttar Pradesh vociferously advocated the case of their State for greater food supplies, in view of the acute situation there. The Union Food Minister, Mr. C. Subramaniam, also traversed mostly the same ground as he had covered in the lower House, but announced that he would soon place before Parliament a comprehensive White Paper on the Government's plans for agricultural development. He felt aggrieved at the accusation of the U.P. Chief Minister and the Rajya Sabha members from the State that the Centre had failed to keep its promise of supplying adequate quantities of foodgrains to the State. Distribution of foodgrains among the various States of the Union, the Food Minister asserted, had been done on an equitable basis as possible. Mr. Subramaniam promised to review the position in regard to abolition of food zones at "the proper time". As another weapon in his armoury to fight the battle on the food front, the Food Minister hinted at a nation-wide anti-rodent campaign.

The Rajya Sabha passed a Congress member's Bill seeking to raise the monthly salary of Members of Parliament from Rs. 400 to Rs. 500 and the daily allowance from Rs. 21 to Rs. 31. It also adopted the official motion to refer the Press Council Bill to a Joint Select Committee. The Lok Sabha voted the Finance Minister's Bill seeking to give "temporary protection against victimisation" to employees for furnishing information to Government inspectors investigating a company's affairs.

The Finance Minister introduced in the Lok Sabha two new Bills — one seeking to further amend the Companies Act in the light of the final instalment of Government's decisions on the Vivian Bose Commission's report and the other seeking to amend the Foreign Exchange Regulation Act with a view to prohibiting unauthorised dealings in foreign exchange brought in by tourists and tightening of control over such dealings.

The changes proposed in the Companies Act were reported in "Eastern Economist" dated September 11, 1964 on page 478. The main features of the Foreign Exchange Regulation (Amendment) Bill are given in this issue on page 588.

Question Hour

Coal Production Pattern: Mr. Sanjiva Reddy, Union Minister of Steel and Mines, stated in the Rajya Sabha on September 17 that the coal production pattern was being adjusted to the demand to prevent the existing imbalance, partly due to unforeseen increase in the output of lower grades. The demand for coal, he said, had not come up to the expected level. Therefore, the demand in the next two years had been re-assessed in consultation with the consumers. The same approach was being applied in the fourth Plan. Ultimately, the matching of resources with the production pattern would be done. As regards the falling prices of lower grade coal, Mr. Reddy said that the decline had been caused by slack

market conditions and accumulation of lower grade coal stocks at the pit-heads. Certain measures to ease the situation had been negotiated and the situation was being watched.

Zinc Plant: Mr. Reddy also told the Rajya Sabha on September 17 that some Polish experts would be visiting India shortly in connection with the setting up of a zinc smelter plant. It would take three to four years for the plant to be commissioned.

Pig Iron: Speaking in the Lok Sabha on September 11, Mr. Reddy had revealed that two firms had already been selected for the preparation of feasibility studies of sites for the proposed blast furnaces to produce pig iron. The total cost involved was Rs. 3 lakhs and the reports were expected by June, 1965. Mr. Reddy had also informed that when the third Plan was formulated, the demand for foundry grade iron by 1965-66 was placed at 1.5 million tonnes. Of this, one million tonnes was to come from integrated steel-works and half a million tonnes from units in the private sector. The actual demand for pig iron had, however, outstripped these forecasts. He had further informed that according to the latest estimates, by 1965-66 the annual demand for pig iron would be about two million tonnes. Against this level of demand, the current production, mainly from the integrated steelworks, was about 1.2 to 1.3 million tons. The shortfall was of the order of 0.7 million tons. Besides arranging for immediate imports to the extent of 100,000 tons to tide over the present shortage, he added, steps had been taken in hand to ensure greater availability of pig iron during the early years of the fourth Plan.

Heavy Electricals: The Minister for Heavy Engineering, Mr. T. N. Singh, informed the Lok Sabha on September 11 that the Government had asked International General Electric Company of the USA to prepare a feasibility study report and submit preliminary proposal for the setting up of a new Heavy Electricals Plant. This plant, he added, would mainly manufacture big turbines.

Bombay Harbour Expansion: Mr. Raj Bahadur, Minister of Transport, told the Lok Sabha on September 15 that the possibility of providing some additional berths at a suitable site on the eastern side of the Bombay harbour was under investigation. The Port Trust's consulting engineers were preparing a Master Plan for the expansion of the port. The work might take about two years to be completed. The scheme would, therefore, have to be considered for execution in the fourth Plan period.

Incentive Scheme for Port Workers: The Deputy Minister of Labour and Employment, Mr. R. K. Malviya, informed the Lok Sabha on September 14 that the Government proposed to introduce an incentive scheme for the registered dock workers of the Calcutta Dock Labour Board. The incentive schemes applicable to shore workers in Calcutta and stevedore workers at other ports were being kept in view in framing the scheme for stevedore workers by the Dock Labour Board, Calcutta. Until the Dock Labour Board had finalised the scheme in consultation with the interests concerned, it was not possible to indicate how it would compare with the other schemes, he added.

Engineering Industry Wage Board: Mr. R. K. Malviya also told the Lok Sabha on September 14 that the terms of reference and the composition of the wage board for engineering industry had been nearly finalised and that the Government resolution appointing the wage board be issued shortly.

Provident Fund Rate: The question of extending the enhanced rates of contributions to the provident funds under the Employees' Provident Funds Act, 1952, is under consider-

ation in respect of 12 more industries and classes of establishments. The industries are: tea plantations (other than the tea plantations in the State of Assam), coffee plantations, rubber plantations, cardamom plantations, pepper plantations, iron-ore mines, manganese mines, limestone mines, gold mines, industrial and power alcohol industry, asbestos cement sheets industry and coffee curing establishments. This information was given in the Lok Sabha on September 15 by the Deputy Minister of Law and Social Security, Mr. Jaganatha Rao.

Social Security: Mr. Jaganatha Rao also informed the Rajya Sabha on September 14, that the Department of Social Security was processing certain new schemes relating to old age pension, relief and assistance to handicapped persons and family or retirement pension for subscribers to the Employees Provident Fund and the Coal Mines Provident Funds. Steps were also being taken, he added, to extend the scope of the various schemes transferred from different Ministries to the Social Security Department. The Employees State Insurance Scheme was being extended to Ahmedabad, benefiting over two lakh workers and their families. The Employees Provident Fund Act would be extended to six more industries. Mr. Rao said that the social welfare schemes meant specifically for the scheduled castes and tribes were also being extended.

Ranchi Fire: Mr. H. C. Dasappa, Minister for Industry and Supply, informed the Lok Sabha on September 18 that a fire, which had broken out in the custody stores of the Foundry Forge Plant, Ranchi, on the night between 10th and 11th of September, was not caused by short circuit. The Chief Fire Officer of the State Government had already inspected the place and his report was awaited. A departmental enquiry committee, associating two Czech experts, had also been set up to investigate and report on the probable cause of the fire. The godown, the Minister stated, contained packages of imported equipment, mostly for the Fetting Section of the plant and consisted of electric motors, control panels, pressure pumps, etc. The thirteen packages which had been affected by the fire contained equipment worth Rs. 1,60,000. The actual loss, Mr. Dasappa pointed out, was estimated to be below Rs. 1,00,000 because a part of the equipment could be put to proper use only after minor repairs. He further informed that the equipment was insured with the Indian Insurance Pool which has already been requested to send their representatives immediately for the necessary survey.

High Power Transmitter: Mr. C. R. Pattabhiraman, Deputy Minister for Information and Broadcasting, informed the Rajya Sabha on September 15 that the first offer to the AIR's need for powerful medium and short wave transmitters came in October, 1963, from a local Indian firm with Czechoslovak connections. They promised to contact their principals and submit concrete proposals. This was, he admitted, much before the issue of the tender enquiry, for high power medium wave transmitter, by the Director General, Supplies and Disposals, on February 11, 1964, at the request of the Ministry of Information and Broadcasting. But it was only in response to this enquiry, the Minister emphasised, that the formal offer was received from M/s. Skoda India Ltd., Bombay (agents for a Czechoslovak firm) together with other offers from other countries. The tenders were opened by the Director General, Supplies and Disposals, on March 24, 1964, in the presence of the parties. While the offers were being examined, an indication was also received from the USSR, from where there had been no response to the earlier tender enquiry, that they might be able to supply transmitters of the type required. In the meantime, Mr. Pattabhiraman added, some rethinking on the whole question had become necessary for various reasons and a final decision in the matter had yet to be taken.

WINDOW ON THE WORLD

Britain's Future Economic Policy

PAUL EINZIG

LONDON:

ALTHOUGH the outcome of next month's general election is bound to affect British economic policy in some respects — especially in respect of national ownership of industries — in most respects any difference between the measures to be adopted by a Conservative or a Socialist Government would be largely one of degree. The fundamental changes that occurred in 1951 when the Conservatives took over from the Socialists are not likely to repeat themselves. It is true, the progressive decontrol of exchanges and of foreign trade might become reversed under a Labour Government. But it is far from certain that they would not be reversed in any case even if the election were to confirm the Tory Government in office.

The Labour Party is no longer wedded to the pursuit of a cheap money policy at all costs. There will be no return to Dr. Dalton's 2 per cent Bank rate that remained unchanged in face of acute sterling crises in 1947, 1949 and 1951. Although in spite of Mr. Wilson's promise (or threat) of an 8 per cent Bank rate, a Labour Chancellor of the Exchequer would be in all probability most reluctant to raise the bank rate to anything like 7 per cent or to adopt other measures of credit squeeze, even in this respect the difference between the attitude of the rival Parties is largely one of degree. For there is a growing hostility in influential Conservative circles to the post-war "stop-go" policy. A Conservative Chancellor of the Exchequer would be almost as keen as a Socialist Chancellor of the Exchequer to avoid causing a setback in industry by defending sterling with the aid of deflationary measures.

Alternative Methods

There are two alternative methods of defending sterling — by borrowing abroad or by restricting imports and artificially stimulating exports. The Government of either Party would resort to the former after the election in generous measures. Mr. Maudling's name is associated with one of the innumerable international liquidity plans under which the Government would be able to run up a short-term indebtedness abroad. This would obviate the necessity of deflating, at any rate for some time, until the newly-created source of borrowing has reached its limit. Borrowing abroad might assume the form of undisguised long-term issues by the Government, or of encouraging British industrial firms to issue loans abroad, or the encouragement of selling out industrial firms to American or other foreign buyers.

In all these respects a Socialist Chancellor of the Exchequer would go even further than a Conservative — except in respect of selling the control of industries to Americans — but the difference would be merely one of degree. In respect of the alternative, that of defending sterling with the aid of foreign trade controls and subsidies, a Socialist Chancellor would of course go much further than a Conservative. But even the latter is not likely to be opposed dogmatically to the imposition of import restrictions, whether directly or in the form of applying exchange control to certain types of current trade transactions. The liberalisation of international capital movements would be reversed under a Socialist Government, but to some extent it might be reversed even under the present Government if it should remain in office and if the balance of payments deficit should prove to be intractable. For there is a limit to which any Chancellor of the Exchequer would be prepared to accept the progressive increase in Britain's foreign short-term debts as a result of an increase in her foreign long-term claims. The main difference in the attitude

of the two Parties in respect of a return to exchange controls would be that the Tories would restore them with the utmost reluctance and regret while Socialists would restore them "with a song in their hearts", and at any rate they would make virtue of necessity.

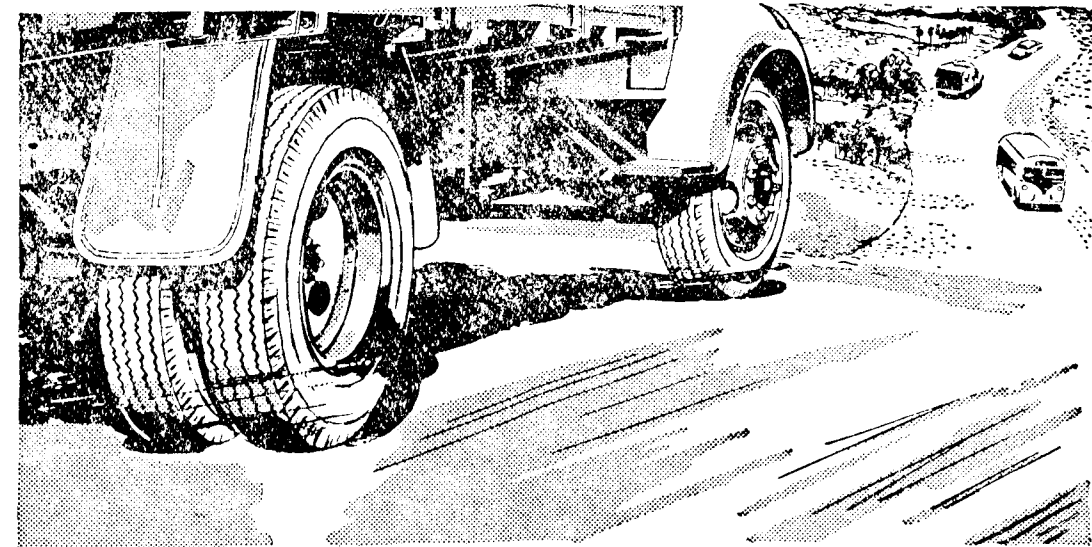
Socialists are certain to introduce some degree of bilateralism in foreign trade and would go a long way towards adopting disguised subsidies to exports. If pressed hard by the perennial import surplus, a Conservative Chancellor of the Exchequer, too, might go some way in those directions, but not very far.

The Government and the Conservative Party have committed themselves so heavily to increasing public expenditure that any difference between Conservative and Socialist policies in that respect is bound to be one of degree. Indeed a Conservative Government is in a better position to overspend than a Socialist Government, for the latter would have to contend with the firm resistance of a Conservative Opposition to further increases of expenditure, while a Conservative Government would be criticised by a Socialist Opposition for not spending nearly enough. Any additional taxation to meet part of the increased spending would encounter less resistance under a Conservative Government than under a Socialist Government, even though the bulk of it would fall on the long-suffering middle classes and other Conservative supporters. But then, it is much less painful if we slap our own

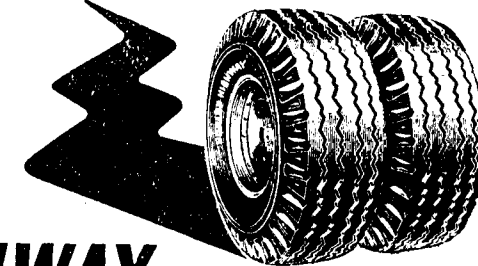
Eastern Economist 20 Years Ago

SEPTEMBER 22, 1944

Strangely enough, the most damning indictment of the economic policy of the Government of India in the war period is provided by the Report of the Reserve Bank on Currency and Finance for 1943-44 which is just published. The survey it makes of the economic war effort of other countries records facts which cannot but compel a contrast with the miserable tale of missed opportunities in this country. We shall quote facts and figures. In the USA, there was a phenomenal expansion of output. The physical volume of total industrial production (base 1935-39=100) reached a new high level in December 1943 at 241 as against 223 and 176 respectively in 1942 and 1941; income payments during December 1943 stood at 224.8 as compared with 193.4 and 153.9 at the end of 1942 and 1941; and the national income is estimated at \$135 billion for 1943 as against \$117 billion in 1942. Although nearly half of the production is devoted to war purposes, the increase in production has been so great that the standard of living in America has risen above the pre-war level, in marked contrast to the position in every other country in the world at present, whether belligerent or neutral. The position of the United Kingdom is also quite comfortable. While British living costs have been successfully stabilized at only 28 per cent above pre-war, there has been a revolution in food production which in 1943 was 70 per cent in excess of the pre-war average and now accounts for two-thirds of the nation's requirements. Contrast this with the bankruptcy and callousness of policy in India which with a less than 10 per cent dependence on food imports permitted three million deaths from famine.

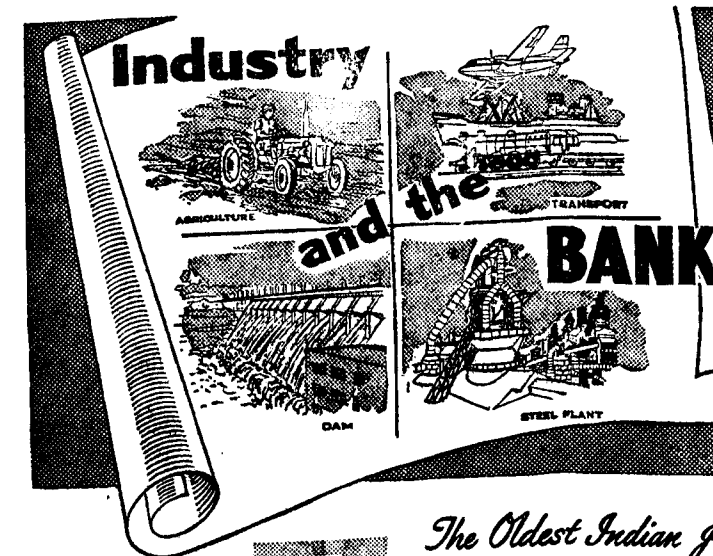


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faces than if our enemies slap our faces, even if the blows are of exactly the same physical strength.

It is for this same reason that a Conservative Government is likely to be able to make more concessions than a Socialist Government could make for the benefit of employees at the expense of employers. If re-elected, Sir Alec Douglas-Home's Government is committed to legislation to ensure compensation to redundant workers. It would legislate to provide for the transferability of pension rights from one firm to another, even though in doing so it would destroy the last remaining incentive for employees to remain loyal to some extent to their firms, and it would greatly accelerate the already excessive turnover of labour, thereby increasing the wastage of experience gained through long employment with the same firms. It might legislate providing for the right of employees to appeal to some tribunal against their dismissal, which again would further weaken the already inadequate discipline in

factories. It might legislate to reinforce trade union legislation and reverse the effects of some recent Law Court decisions protecting the rights of trade union members against their unions and upholding claims of victims of strikes for compensation in certain circumstances.

In respect of restrictive practices, too, the Conservative Government would continue its present unilateral policy which is directed exclusively against employers and not against trade unions. In all these respects it is conceivable that a Labour Government would not dare to go as far as a Conservative Government. Taking everything into account it seems to be a fair conclusion that, whatever may be the outcome of the election, the trend towards an increasingly Socialist economy would continue. The only respect in which it would become distinctly accelerated under a Labour Government was in respect of nationalisation and other forms of acquisition of Government control over private industry.

U.S. Economy: Virile and Vibrant

GUY SIMS FITCH

WASHINGTON:

WITH THE advent of September, the American economy usually begins to break out of a normal summer slowdown. But in one important respect, this has not been a normal year. The economy barely slowed down at all this summer, and now it appears to be off and running again. A few key indicators will suffice to tell the story. One can start with retail sales, the final reflection of consumer demand. These sales reached not only a new record, but also a new milestone in the usual "doldrums" month of August, exceeding a seasonally adjusted monthly total of \$22,000 million for the first time in history. This total was seven per cent ahead of August 1963. Indicative of what may lie ahead is the surge apparently under way in September. Retail sales in the week ended September 5, were five per cent ahead of the previous week, and no less than 16 per cent ahead of the same week last year.

Record Automobile Buying

Looming large on the sales picture has been the continued high rate of automobile buying, which has been proceeding at a record rate of better than eight million new cars a year. This is reflected in some new patterns of automobile production. While September normally is a month of rising output after the usual change-over period to new models, it rarely comes close to anything resembling a peak production level. But this year, after a slightly earlier change-over period than usual, schedules of automobile makers call for a record September output of nearly 700,000 cars. Moreover, with new labour-management contracts in the automobile industry effectively being negotiated, without a strike, the talk is that output will soar to a monthly high of 900,000 cars in October, and continue at a record pace through the year. It takes just a little figuring to determine that these trends, coming on top of the high output level earlier in the year, virtually assure another record automobile production year, perhaps of eight million new cars or more.

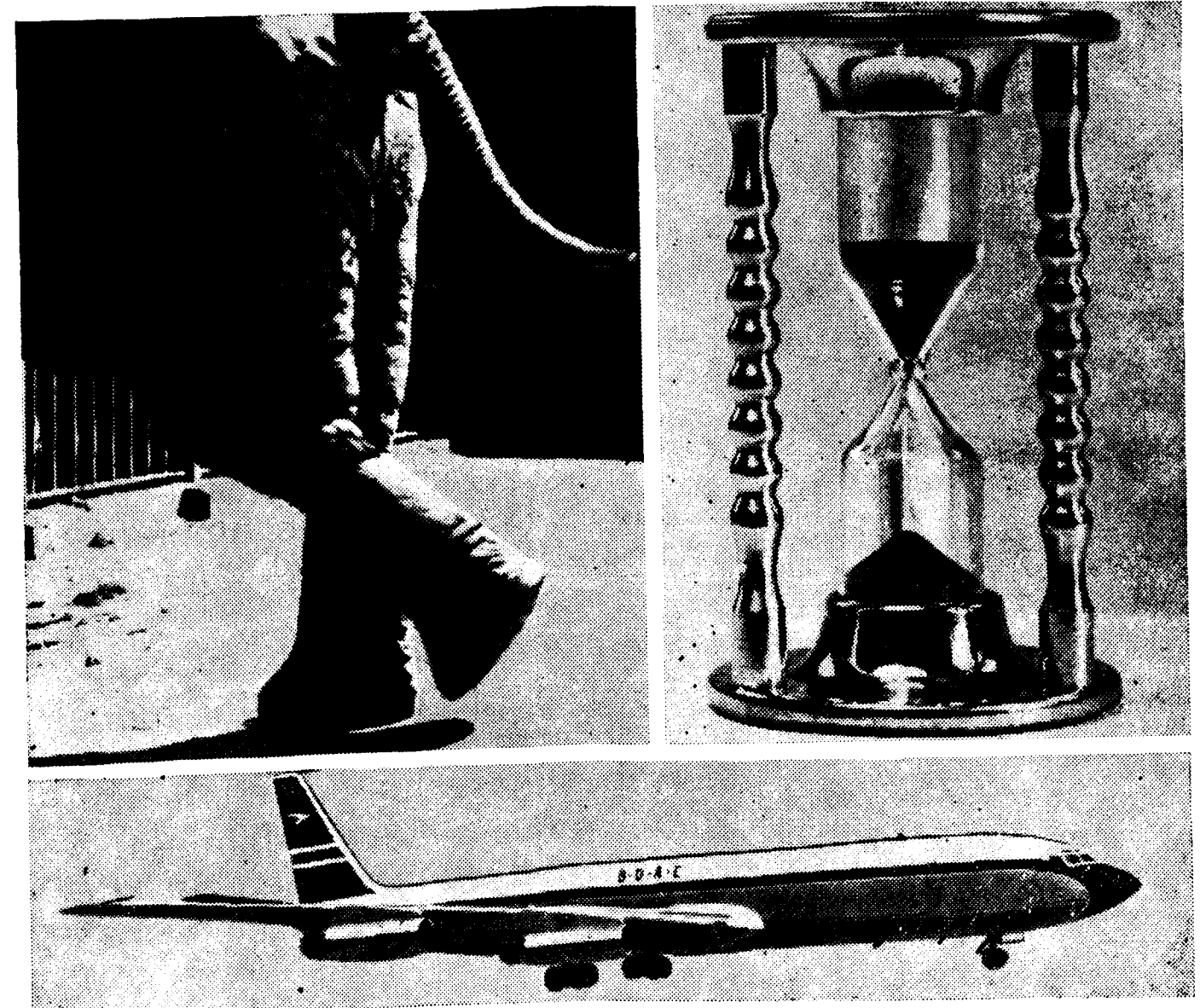
An important element in automobile production, of course, is demand. And here, the outlook also is bright. Demand, in fact, is so strong — it has been coming not only from the automobile industry but from a wide range of metal-using industries — that delivery problems could begin to show up in the not too distant future. The third quarter of the year, embracing the months of July, August and September, now seems headed for a steel production total of more than 300 million short tons (one short ton equals 0.9 metric tons) — a figure that seemed almost beyond reach only a few months ago. That would be enough to carry the production total for

the first nine months of 1964 to some 92 million tons. Without any seasonal expansion at all — and both historically and on the basis of present trends one can expect the fourth quarter to be better than the third — the year's production mark should exceed 123 million tons, and might even reach the 125 million tons mark. It seemed only a few months ago that steel makers were pondering whether they would surpass the 117 million ton record established in 1955.

This same type of vitality is evident in aluminium, copper and other non-ferrous metals. In fact, some producers — particularly in the steel and aluminium industries — have begun to reactivate obsolescent plants to help meet the vibrant demand. Another highly significant indicator of economic strength is the steady rise in business investment plans. The latest Government survey issued in August shows that American business spending on new plant and equipment will continue to accelerate through the rest of 1964. The year's outlays are expected to total \$44,200 million, which would exceed the 1963 total by some 13 per cent. In May the survey has predicted an investment gain of 12 per cent, and February's gain at 10 per cent. For the fourth quarter of this year, investment outlays are projected at an annual rate of \$46,100 million, representing a rise of fully 38 per cent from the rate in early 1961, when the current economic expansion began. This rise in spending plans is typical of a period of economic expansion, and demonstrates continued business confidence in the future, but again, 1964 has put its own vibrant stamp on these plans. Not only are the plans going up, but the year has seen the relatively rare occurrence of actual spending exceeding the quarterly estimates by significant margins.

This investment surge will help the American industry expand and modernize its facilities and thus keep pace with the rising demand while holding its costs in check. How long this non-inflationary situation will continue may be open to question but it is significant that while there have been some increases in metal prices in recent months, the overall wholesale price index has maintained its general stability. The index for August has been estimated at 1.3 per cent of the 1957-59 average — no higher — in fact a shade lower than the readings for July 1964 and August 1963. This means that the all-important wholesale index has been stable not only during the past year, but during the three and a half years of the current expansion — and indeed, for the past half-dozen years. This is just what economists have been looking for — continued price stability in the context of a strong and sustained economic growth.

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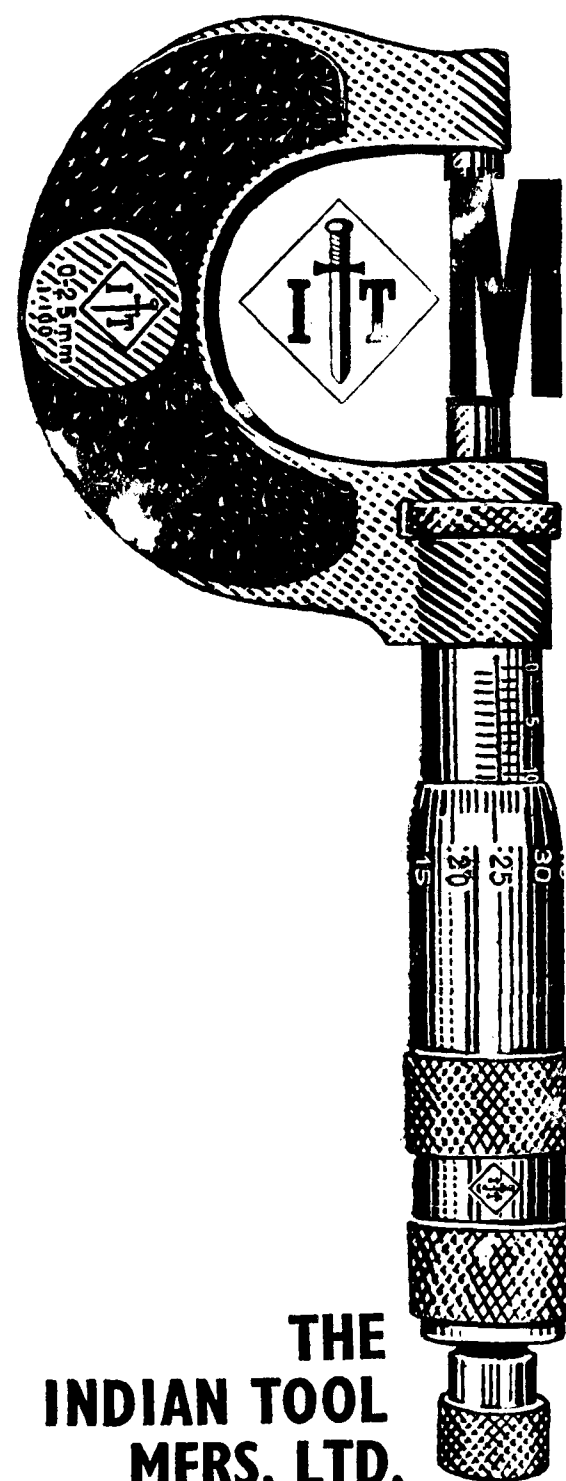
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Move for Compulsory Amalgamation of Uneconomic Collieries

By Our Special Correspondent

NEW DELHI:

DISAPPOINTED at the voluntary amalgamation of uneconomic collieries, the Union Ministry of Steel and Mines, it is understood, is contemplating to bring forth during the Budget session of Parliament a Bill providing for compulsory amalgamation of such coal mines, as recommended by the Balwantrai Mehta Committee. The draft Bill prepared for this purpose in 1960, which had been kept in abeyance following the decision of the Economic Sub-Committee of the Cabinet to postpone consideration of the matter till the middle of the current Plan period, it is learnt, has been re-examined. Certain amendments are now to be effected in it. The revised Bill is currently under the consideration of the Union Law Ministry.

The most crucial amendment proposed in the 1960 draft Bill is said to be that in case amalgamation is proposed by an uneconomic colliery-owner with an adjoining uneconomic colliery and if this amalgamation is opposed by the latter, the Government will have the power to take over the latter colliery or to authorise any other entrepreneur favouring this amalgamation to purchase it at a negotiated price, if possible, or at a price to be determined by the Government. The two collieries will then be amalgamated.

The unsatisfactory working of the voluntary amalgamation scheme can be gauged from the fact that the Collieries Voluntary Amalgamation Committee had till lately received only 300 proposals for amalgamation or adjustment of boundaries. Of these, only 52 proposals could be approved. The Committee had to drop 139 proposals for one reason or the other. The remaining cases are still under its consideration. Amalgamation of uneconomic collieries has been actually effected so far in respect of only 33 cases. The term of this Committee has been extended up to February 28, 1965.

Partial control on cotton cloth is expected to be introduced with effect from November 1, 1964. A scheme in this regard is understood to have been finalised more or less on the lines indicated in these columns a few weeks ago. Stamp-ing of prices on the varieties of cloth to be controlled — the popular varieties consumed by the masses — is likely to be started from October 1. Adequate stocks of controlled varieties are proposed to be built at strategic distributing centres and with the mills during the month of October. Actual sale of the controlled cloth will start from November 1.

Supervisory machinery is envisaged to be set up for each mill to examine texture of cloth and to make sure that there is no variation. The Government plans to utilise the existing trade channels to the maximum for distribution of the controlled varieties. With a view to safeguarding against anti-social elements trying to create a climate of scarcity, it is proposed that production of the controlled varieties should be raised to levels somewhat higher than warranted by the past trends of demand. The controlled varieties will also be sold through fair price shops. Arrangements are as well being made to supply the controlled cloth to industrial units for sale to workers.

The Union Minister for Finance, Mr. T. T. Krishnamachari, disclosed at a meeting of the Informal Consultative Committee of Parliament last week that the Government at present had no intention of demonetising currency notes of any denomination. Demonetisation of higher denomination currency

notes, the Finance Minister opined, alone would not be effective in bringing out unaccounted money because the trend in recent years had been towards conversion of such notes into 10-rupee notes. Citing figures in support of this, Mr. Krishnamachari stated that out of the total notes worth over Rs. 2,500 crores in circulation, 40 per cent notes were of the denomination Rs. 100 and above, while 10-rupee notes constituted 46 per cent. Among the higher denominations, 1,000-rupee notes accounted for Rs. 50 crores, 5,000-rupee notes for Rs. 15 crores and 10,000-rupee notes for Rs. 10 crores. Thus, the total value of the currency notes in the denominations Rs. 1,000 and above aggregated Rs. 75 crores or 3 per cent of the total notes issued. In view of this, no purpose would be served by demonetisation unless 10-rupee notes were also demonetised. But this was a physical impossibility.

The Finance Minister added that the total issue of high denomination notes increased from Rs. 71 crores at the end of March, 1956, to Rs. 95 crores at the end of March, 1962. But there was a sudden drop of as much as Rs. 26 crores to Rs. 69 crores by the end of March, 1963. This sharp fall was accompanied by a sharp increase of Rs. 96 crores in 10-rupee notes and Rs. 67 crores in 100-rupee notes. The emergency, which was declared in October, 1962, created fears of demonetisation, leading to flight from higher denomination currency to lower denominations. Mr. Krishnamachari, however, declared that the Government would use all the means at its disposal to unearth unaccounted money.

Gold Control

Defending gold control, the Finance Minister claimed that the demand for gold had declined since the promulgation of the Gold Control Order. This should be evident from the steep fall in the number of dealers and refiners from 27,000 to 12,000, in the smaller turnover of dealers, and reduction by 50 per cent in the quantity of gold used for industrial purposes. The loans advanced by scheduled banks against gold, the Finance Minister added, had also gone down from Rs. 42 crores in October, 1962 (prior to introduction of the Gold Control Order) to Rs. 18 crores in June, 1964.

Referring to gold prices, Mr. Krishnamachari said that prior to the promulgation of the Gold Control Order, the prices of gold used to rise by four to five per cent every year. But after the introduction of this Order, prices had been ruling almost consistently at lower levels. Since April this year, there had been an uptrend in prices, but decline had again set in in August. The Finance Minister said that the fact that the price of gold was still lower than the 1962 price was of particular interest because the intervening period of two years had witnessed a 20 per cent rise in prices in general and 25 per cent in the case of food articles.

With a view to canalising the money with the villagers into productive uses and developing the banking habit among them, the Finance Minister said that he was thinking of asking the State Bank to extend its network of branches in the country-side. These branches would give credit to agriculturists for increasing farm production. For checking tax evasion, the Union Finance Ministry is understood to be thinking in terms of setting up an intelligence wing in the Directorate of Inspection. An economic offences division has already been set up in the Ministry of Home Affairs, with an additional Inspector-General as its head, to process big cases of fraud. The Income-tax Department has decided that, in future, in-

stead of levying a penalty in cases of tax evasion, prosecution should be launched against the evaders.

★★

Addressing the first meeting of the recently constituted Panel of Experts on Agricultural Administration, the Union Minister for Food and Agriculture, Mr. C. Subramaniam, disclosed that the Foodgrains Trading Corporation, which would begin functioning in January, 1965, was likely to be a statutory body rather a corporation registered under the Companies Act, as envisaged earlier. The legislation for the constitution of this Corporation will be introduced early in the next Parliament session in November.

The FTC will purchase foodgrains on Government account. Initially, it will purchase only rice in the Southern States in January, 1965. The next rice crop is expected to come into the market in Punjab and U.P. next month, in Madhya Pradesh by November, in the rest of the States between November and December and in the Southern States in the beginning of the next year. It would, therefore, be necessary to intensify the present arrangements for procurement of rice or paddy from the next crop till the Corporation starts its operations.

The members of the Panel reviewed the machinery for procurement that existed in various States. It was generally agreed that the Central Government should collect the necessary information from the States regarding the purchasable surplus in each State, capacity for storage, the procurement agency and the milling capacity for paddy. On the basis of this information, an interim plan for procurement would be prepared. While it may not be possible to evolve a uniform pattern, a plan of action will have to be prepared for each State after taking into consideration all these factors.

The Union Food and Agriculture Minister informed the Panel that he would shortly be having discussions with State Governments about the recommendations of the Ad-hoc Committee on Foodgrain Prices. He hoped that after completing these discussions he would be in a position to make an announcement on the Committee's recommendations and Government decisions on these before the end of the current session of Parliament.

The Panel also discussed the distribution arrangements for foodgrains. Mr. Subramaniam asked the Panel to consider the functioning of fair-price shops, the prices at which imported foodgrains are sold, and their effect on the consumption pattern and the demand for various foodgrains produced within the country.

The members of the Panel coming from various parts of the country informed the Minister that the condition of the kharif crops was very good. Only in Punjab some six to seven lakh acres had been flooded and this had adversely affected the kharif crop. However, the rice crop was not likely to be affected.

The Panel reviewed the position regarding supply and demand of fertilizers for the forthcoming rabi crop and sowings which will begin next month. The demand for fertilizers has increased in all States. The Panel was informed that against 391,000 tons of fertilizer in terms of nitrogen last year,

it was expected that the consumption of fertilizers this year would be over 600,000 tons. In view of the world shortage of fertilizers it had not been possible to secure more fertilizers, but efforts were being continued to import fertilizers to the extent possible. The Panel came to the conclusion that in view of the shortage of fertilizers, there was urgent need for speedy implementation of schemes for utilisation of urban waste which had been recently taken up as a part of the special development programmes.

★★

A Memorandum of Agreement has been signed between the Government of India and Uganda for the development of sugar industry in Uganda. Initially, it is proposed to set up four sugar factories in this African country in collaboration with India. These factories will augment Uganda's sugar manufacturing capacity by about 100,000 tons per annum.

Under the terms of the Memorandum of Agreement, India's participation in this complex will be in the form of sugar machinery and materials for factory building manufactured in India. India will also install this machinery in Uganda and operate the factories as well as the estates from where raw materials supplies are to be secured. A Sugar Development Corporation will be established which will directly own these factories and estates.

The total investment required will be determined when the precise location of the estates and the financial structure of the Sugar Development Corporation have been decided. Indian participation in the equity capital of the Corporation will be 45 per cent. The balance 55 per cent will be shared by the Uganda Government and the private investors from there in the ratio 45:10. The Board of Directors of the Corporation will be constituted in these proportions.

The Memorandum of Agreement also provides that the Indian side will arrange for training in India of Ugandans for managerial and technical posts in the sugar industry. It is intended that at least 90 per cent of the employees in the industry will be Ugandans with the ultimate objective of having the project wholly staffed by Ugandan nationals. However, in order that the Sugar Development Corporation can draw upon the experience and knowledge of the Indian side, an Indian will be the General Manager of the Corporation for six years after the commencement of sugar production.

The Indian side will also arrange for such feasibility and project studies of the proposed sites for the four factories and estates as may be necessary.

★★

The Union Minister for Industry, Mr. H. C. Dasappa, revealed at a meeting of the Informal Consultative Committee of Parliament last week that in view of the lack of adequate limestone resources, which were proving a handicap to the growth of cement industry, the proposed Cement Corporation would give priority to exploration of new limestone deposits. Apart from prospecting on its own, the Corporation would co-ordinate the work of the various other organisations which were now engaged in this line. These included the Geological Survey of India, the Indian Bureau of Mines and the Geological Departments of State Governments. The Cement Corporation, Mr. Dasappa added, would act as a storehouse and a clearing house of all the knowledge about limestone reserves

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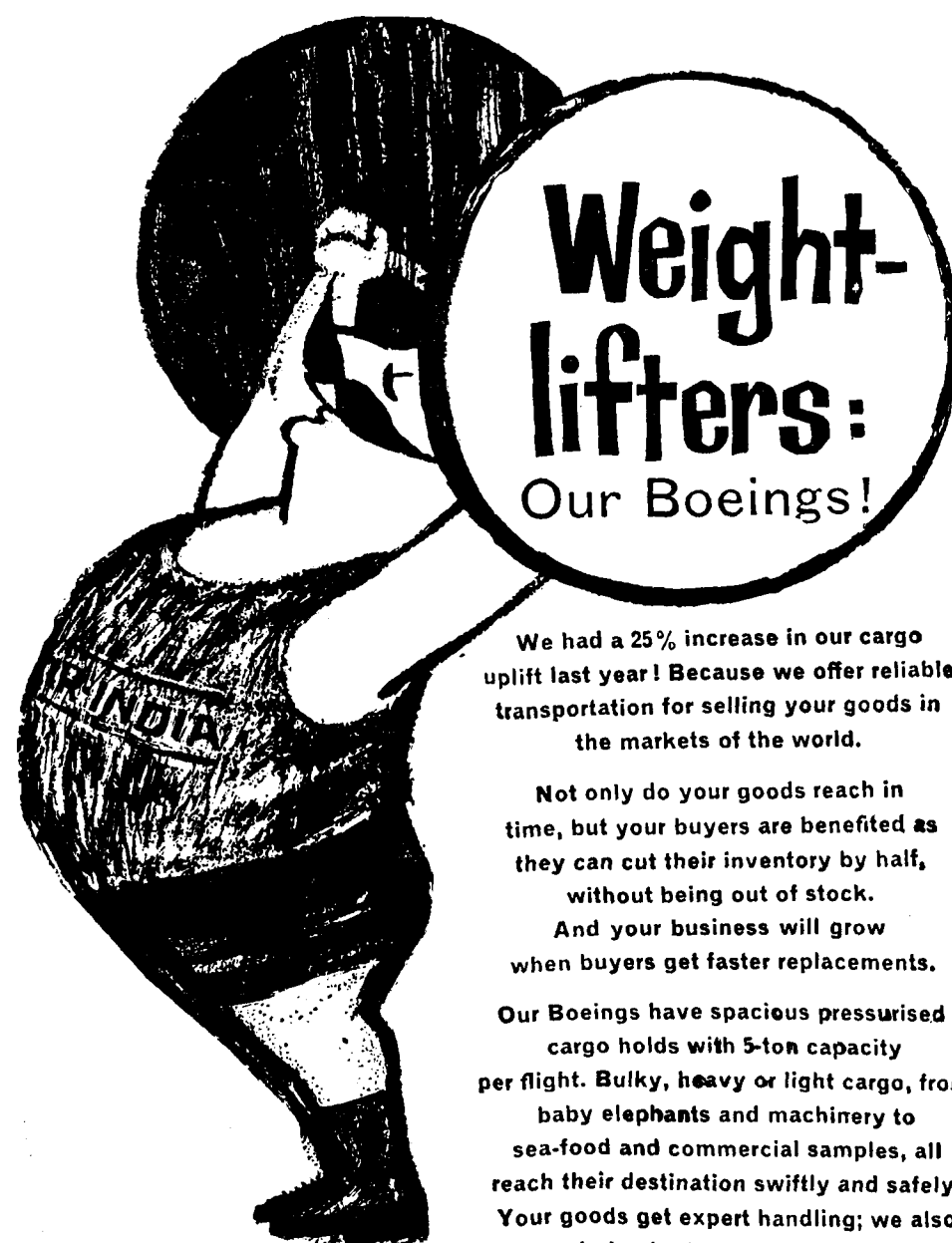


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in the country. In this way, it would help materially the private sector in the cement industry as well. Mr. Dasappa also disclosed that in co-operation with the Council of Scientific and Industrial Research and cement industry, a Cement Research Institute was expected to come up near Delhi in the near future.

Referring to the further development of cement industry, Mr. Dasappa said that the fourth Plan would aim at raising cement manufacturing capacity in the country to 25 million tonnes. This would yield an annual production of about 23 million tonnes and make the country self-sufficient in cement. The fourth Plan programme of expanding cement manufacturing capacity, Mr. Dasappa pointed out, called for a massive effort as the installed capacity at the end of the current Plan would be of the order of only about 15 million tonnes. The private sector alone might not be able to cope with the task of building up the additional capacity. The Cement Corporation, therefore, would have to set up some units on its own.

The Minister for Heavy Engineering, Mr. T. N. Singh, told the Committee that with a view to bringing down the cost of indigenous plants, the Government had proposed to standardise cement plants at a capacity of 600 tonnes.

★★

In a statement made in the Lok Sabha last week, the Union Minister for Labour and Employment, Mr. D. Sanjivayya, clarified that in the legislation to be promoted to give effect to the recommendation of the Bonus Commission, as accepted by the Government (Government decisions on the Bonus Commission's Report were published in "Eastern Economist" dated September 4, 1964), suitable provisions would be included so as to safeguard that labour got in respect of bonus the benefits on the existing basis or on the basis of the new formula whichever was higher. Mr. Sanjivayya added that it was not the intention of the Government that the benefits which labour might have been enjoying in the matter of bonus in any establishment or industry should in any way be curtailed by the adoption of the new formula for the payment of bonus.

In pursuance of the Government's decision that bonus beyond a certain limit should be paid in the form of savings certificates or other suitable investments, Mr. Sanjivayya proposed to convene a meeting of the representatives of the parties concerned so as to reach an agreement on the level beyond which bonus payment in cash would not be desirable and the various forms of savings in which bonus beyond that level might be invested. No date has yet been fixed for this meeting. It is, therefore, very unlikely that the proposed legislation will be brought before Parliament during the current session.

★★

Besides the Singareni and Talcher low temperature carbonisation plants already being set up, the Union Ministry of Steel and Mines is considering establishment of three other such plants — one at Singrauli or Delhi based on Singrauli coal, the second in the Charcha-Jhilimili area and the third one in Karanpara area. All the three plants will be set up by the National Coal Development Corporation on the aforementioned priority basis.

The Central Fuel Research Institute is currently examining the quality of coal samples from Singrauli. It has also initiated steps to prepare a feasibility report regarding the Charcha-Jhilimili project.

★★

The terms of reference of the 7-member Committee, set up by the Union Government with Dr. P. S. Lokanathan, as chairman, to examine the allotment and utilisation of scarce raw materials as between the different sectors of industries, have been announced.

The Committee will examine how best to secure equitable distribution of available scarce raw materials among the three large, medium and small-scale industrial units, having capital over Rs. 25 lakhs, above Rs. 5 lakhs and not more than Rs. 25 lakhs, and not exceeding Rs. 5 lakhs, respectively. The Committee will also examine steps to ensure that the materials allotted in accordance with its recommendations are utilised to the fullest advantage for the purpose for which they are allotted.

The scarce raw materials, distribution and utilisation of which will be examined by the Committee, shall include: raw materials and components licensed by the Chief Controller of Imports and Exports; steel, both indigenous and imported.

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non-ferrous metals and basic organic chemicals and intermediates; basic inorganic chemicals such as caustic soda, soda ash and titanium dioxide; pharmaceuticals and drugs; plastics; synthetic and natural rubber, etc. The Committee will submit its report within three months.

★
Mr. T. T. Krishnamachari introduced in the Lok Sabha last week a Bill to amend the Foreign Exchange Regulations Act with a view to prohibiting unauthorised dealings in foreign exchange brought in by tourists and tightening of control over such things. The Bill seeks to confer additional powers on the officers of the Enforcement Directorate similar to those conferred by the Customs Act on the officers of the Customs Department, in regard to search and arrest of persons, search of conveyances and premises and summoning of persons to give evidence and produce documents. The Bill also provides that if any person is found or is proved to have been in possession of any foreign exchange exceeding in value Rs. 250, the burden of proving that the foreign exchange came into his possession lawfully would be on him.

Pampering the Powerloom Industry

From Our Correspondent

BOMBAY:

THE APPREHENDED freeze on mill production has come, though not to the exclusive benefit of the handloom industry as there was good reason to believe in the context of the avowed concern of the powers-that-be for the handloom weaver. This, in fact, is one of the main recommendations of the Powerloom Inquiry Committee. It is not clear how the implications of this recommendation to the handloom sector have failed to be taken note of even by so shrewd a person as Mr. Asoka Mehta, the Chairman of the Committee. By the almost blank cheque to the powerlooms that the Committee has given, it has only enabled the powerloom sector further to strangle the handloom sector. Perhaps it is the Committee's intention that, eventually, the entire decentralised sector should consist of only the powerlooms. The specific recommendation of the Committee that the scheme of conversion of handlooms into powerlooms (originally recommended by the Kanungo Committee and enforced till 1961, but discontinued thereafter) should be revived lends support to such a view. So also the other recommendation for the introduction of 10,000 powerlooms in the handloom or the co-operative sector during the rest of the third Plan period and for the installation of an additional 60,000 powerlooms in the cotton mill sector as well as an additional 40,000 powerlooms in the man-made fibre sector during the fourth Plan period. And the powerlooms are to be actively and financially assisted too to achieve the target, as if the powerloom sector has only been waiting for such assistance to expand. All the expansion that has taken place since the first Plan has been mainly in the powerloom sector, although the illusion has continued that the handloom sector has been the main beneficiary, thanks to an antediluvian method of calculating the production of the two sectors (namely, division of yarn between the handloom sector and the powerloom sector in the proportion of 76 per cent and 14 per cent, respectively). Surely, this cannot be unknown to the authorities, but, for some inexplicable reason, no attempt has been made to stop the systematic depredation by the powerloom sector on the field allocated to the handloom sector. A feeble attempt was made three years ago to "regularise" all unauthorised powerlooms by demanding a paltry fee of Rs. 100 per loom and that too in easy instalments. But nothing is known to this day of the number of powerlooms that chose to "regularise" themselves. The Asoka Mehta Committee has shown further indulgence now by suggesting that all powerlooms should be registered on

The Bill confers a right of appeal to the High Court on questions of law from decisions or orders of the Appellate Board whose strength is proposed to be increased from two to three members.

The other amendments proposed by the Bill in the Foreign Exchange Regulation Act seek, (a) to empower the Reserve Bank (i) to control the transfer of shares of a foreign company from a register outside the country to a register in the country and to regulate the giving of guarantees by persons resident in the country in respect of debts or liabilities of persons resident outside the country, (ii) to control and regulate payments or remittances in favour of a non-resident in pursuance of any settlement of property by will as well as by gifts; and (iii) to control and regulate the appointment of foreign companies, firms or branches thereof as the agents or advisers of companies and firms in the country, and (b) to require airlines, shipping companies and travel agents to obtain the general or special permission of the Reserve Bank of India in respect of international travel bookings.

the payment of a fee and insisting that there should be no control in regard to acquisition and installation of powerlooms.

All this does not mean that powerlooms should not be allowed to expand, but expansion on the sly to evade excise duty, as has been going on all along, cannot certainly be condoned. The objection to powerlooms also stems from another consideration, and that is that they neither give proper wages, nor provide proper working conditions, nor even contribute to employment, which is at least one of the redeeming features claimed for the handloom sector. If it is the belief of the Asoka Mehta Committee that, by raising the status of the All-India Handloom Board from an advisory to a statutory body and entrusting both the handloom and the powerloom sectors to it, the future of the handloom industry is assured it is only necessary to remind it of what the Fact Finding Committee said as far ago as February, 1942, when the powerlooms were still not the menace that they have since become:

"A more serious rival to the handloom industry than mills has arisen in the small-scale powerloom factories. This rival combines in itself, owing to its medium-scale production, the advantages of both mills and handlooms. It can utilise cheap electric power and avail itself of the modern appliance; in weaving. The competition of powerlooms is a growing phenomenon; fifteen years ago, the handlooms had nothing to fear from them. Powerlooms are not subject to any irksome restrictions, such as the Factories Act or special taxes. As such they are a source of competition in important lines to the mills as well. The cost of production in powerloom is comparatively low owing to small overhead charges and economies of mechanical production."

Be that as it may, it is difficult to reconcile the almost wholesale reliance on powerlooms of the Asoka Mehta Committee with either the prevailing textile policy of the Government of India, or the proposed scheme of partial control drawn up by the Union Commerce Ministry in respect of such popular varieties of cloth as 'sarees', long cloth, 'dhoties', shirting and drill, to which a reference was made by the Prime Minister in the Lok Sabha on September 18. It should be obvious to anyone that, if the Government were to accept the recommendations of the Powerloom Inquiry Committee, it would be abandoning its present policy which has been hailed as being at once sound and flexible. Whether such a policy is in the best interests of either the handloom sector or the

public exchequer or the consumer at large is a debatable point.

After all that happened prior to the appointment of the Asoka Mehta Committee, one thought that the Committee would have recommended something to import some organisation and infuse some discipline into this disorganised (wrongly described as decentralised) sector. It is a pity that no note has been taken of the extent to which the country's exchequer has been a loser by the unauthorised inroads of the powerloom sector on the domain of the handloom sector. According to an unofficial estimate, if the present trend continues (i.e. even without implementing the recommendations of the Asoka Mehta Committee), the country would be a loser to the tune of Rs. 100 crores. It is this aspect that has provoked mill

Power Prospects in Eastern India

From our Correspondent

CALCUTTA

A COMPREHENSIVE picture of power supply and demand in eastern India, as it is now and as it is likely to develop by 1967-68, is provided by the Central Electricity Authority in its second annual electric power survey of the country. The survey was published only recently, and is, therefore, the latest of such publications. It supplies all essential data about production, supply and consumption of electricity in India, but the manner of presentation is so highly technical and complicated that some of the conclusions would appear mysterious to all but the initiated few. For example, the figures of comfortable surpluses representing the difference between "energy required" and "energy available" as estimated in the survey, are by no means convincing. The actual experience of industrial managements in the country would point to a different conclusion. But before discussing this point further let me summarise the findings of the survey first.

Eastern India is divided into two regions for the purpose of co-ordinating activities relating to power generation and distribution. (The country as a whole is divided into five regions for this purpose). Eastern India, as defined by the Central Electricity Authority, comprises the States of West Bengal, Bihar and Orissa, while Assam, Nagaland, Manipur, NEFA and Tripura form the north-eastern region. According to the survey, the installed power capacity (this is defined as the sum of the maximum continuous ratings of all installed generating equipment) in the States of West Bengal, Bihar and Assam stood at 1,226 MW in 1961-62; at 1,315 MW in 1962-63 at 1,470 MW in 1963-64; at 2,271 MW in 1964-65; it is expected to rise to 2,782 MW in 1965-66; to 3,415 MW in 1966-67 and to 3,549 MW 1967-68. As against these increases in installed capacity, capability of the systems (capability is defined to mean the maximum kilowatt output ability of the systems at the time of system peak load with no allowance for outages and — for systems with hydel installations — with sufficient kilowatt hours available to supply the energy requirements of the system) stood at 1,078 MW in 1961-62; at 1,237 MW in 1962-63; at 1,339 MW in 1963-64. at 1,956 MW in 1964-65; capability is estimated to increase to 2,424 MW in 1965-66; to 2,981 MW in 1966-67 and to 3,094 MW in 1967-68. It needs to be pointed out here that the figures for capability are necessarily lower than those of installed capacity as the former must provide for scheduled maintenance, emergency outage and system operating requirements in addition to the estimated load, and any unforeseen load.

Peak load (that is, the maximum simultaneous ultimate customer demand which occurs during the fiscal year as measured by actual deliveries at bulk power sources) for these

interests to describe the powerloom sector as "a parasite on the economy gaining at the cost of the handloom sector, the mill sector, and the public exchequer."

One wonders whether, in its anxiety to placate the powerloom sector, the Committee has cared adequately to weigh the consumer's interests and the overall requirements of developmental planning. There is scope to argue that the Committee has not given sufficient thought to what might happen to the country's economy, what with the prevailing degree of inflation, in the event of the decentralised sectors failing to achieve their targets of production. It is only necessary to recall here, if only as a measure of caution, the experience that the country had to go through during the second Plan period when the handlooms could not deliver the goods by their failure to fulfil the quota of production assigned to them.

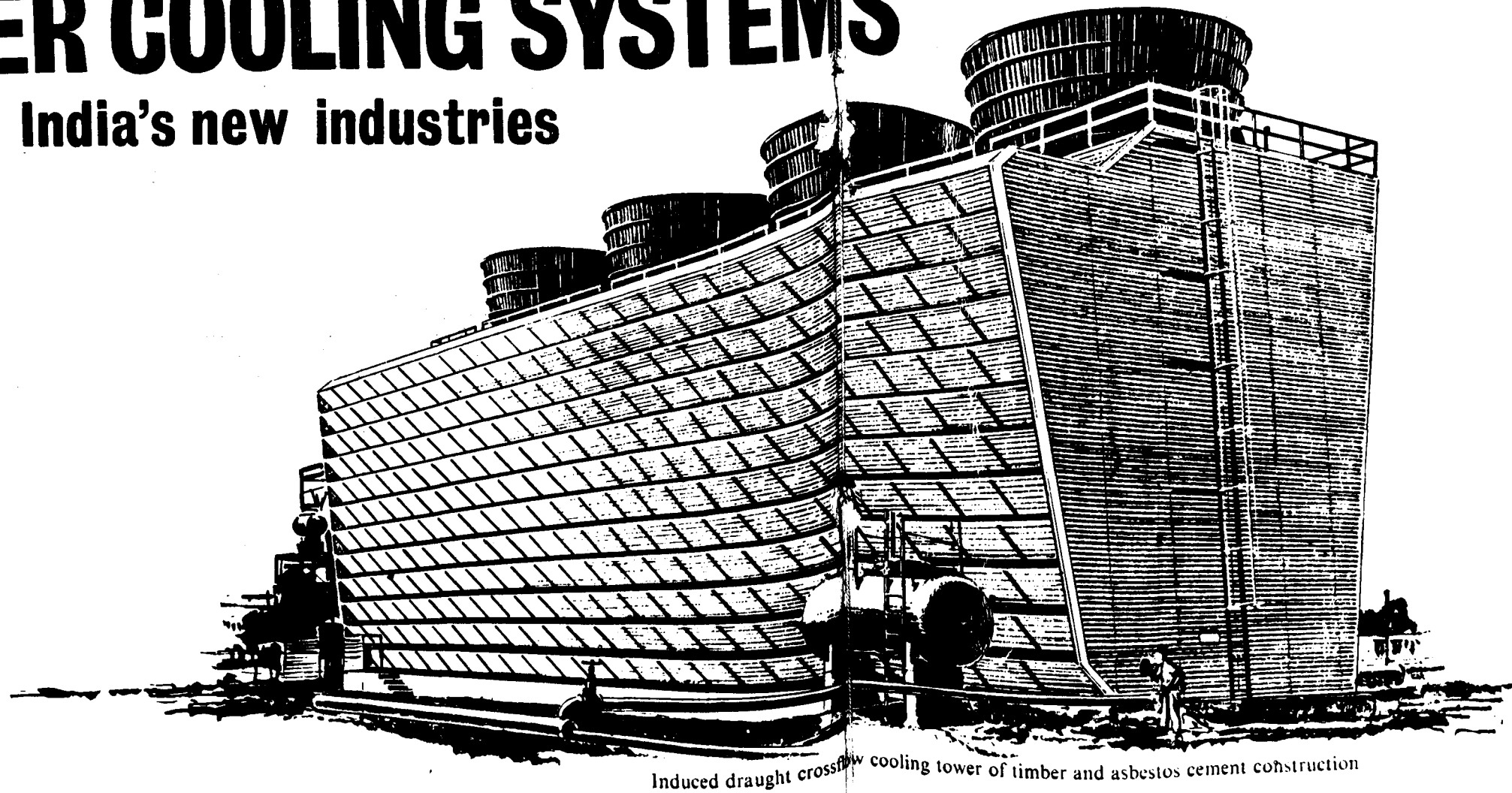
years are shown respectively at 938 MW, 1,088 MW, 1,210 MW, 1,587 MW, 2,185 MW, 2,590 MW and 3,131 MW. The gross margin (which represents the difference between capability and peak load) is placed at 140 MW (or 15 per cent) for 1961-62; at 149 MW (or 14 per cent for 1962-63; at 129 MW (or 11 per cent) for 1963-64; at 369 (or 23 per cent) for 1964-65; at 239 MW (11 per cent) for 1965-66; at 392 MW (or 15 per cent) and 37 MW or (1 per cent) for 1966-67 and 1967-68, respectively. On the basis of these calculations, the total energy available for those years has been placed at 6,059 million kWh, 6,838 million kWh, 7,818 million kWh, 10,918 million kWh, 14,248 million kWh, 17,640 million kWh and 18,794 million kWh, as against which energy required is shown at 4,892 million kWh, 5,795 million kWh, 6,394 million kWh, 8,445 million kWh, 11,620 million kWh, 13,769 million kWh and 16,577 million kWh; therefore, a surplus of 1,167 million kWh, 1,043 million kWh, 1,424 million kWh, 2,473 million kWh, 2,628 million kWh, 3,871 million kWh and 2,217 million kWh is seen to exist against the respective years.

Precise Survey Required

It is, of course, not clear whether the "surplus" also includes the gross margin which we are told "should be of sufficient magnitude to provide for scheduled maintenance, emergency outages and system operating requirements, if practical operating conditions are to be maintained". "Energy available" is defined to mean the total of energy that can be produced under normal water conditions for hydel stations and at normal availability for thermal units, while "energy required" is the aggregate of the energy consumption of all ultimate consumers, as measured at the busbar of the generating stations. The energy required estimates obviously do not include an assessment of the unsatisfied demand for power, especially from new ventures which cannot still commission their plants for lack of electrical energy or those which cannot undertake expansion for the same reason. Therefore, it is not a correct demand estimate and any calculation of "surplus" or "deficit" is bound to be misleading in its absence. The third and all future surveys by the Central Electricity Authority should be more precise and comprehensible to as wide an audience as possible.

We have also an account of the power position of individual States comprising these regions, but here again, the same difficulty of understanding arises. There is, however, a useful brief summary of all developments. In Assam, for instance, power development is expected to be rapid over the next few years by which time the per capita consumption of electricity will have gone up to 34 kWh from the present meagre 4 kWh. Poor transport facilities are said to be the reason for the slow development so far. But in view of the appreciable occur-

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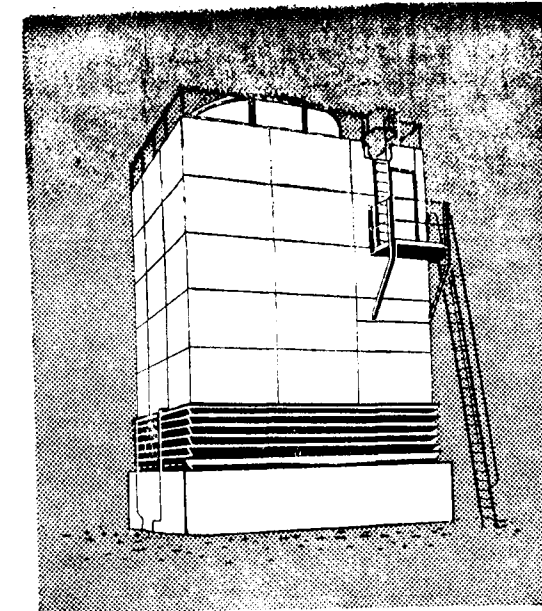
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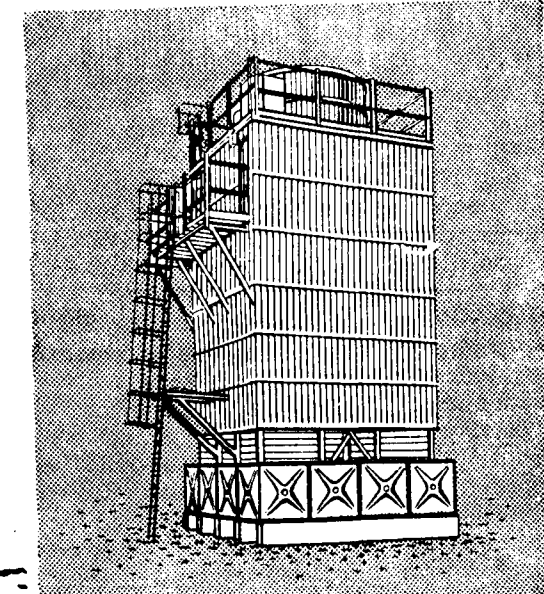
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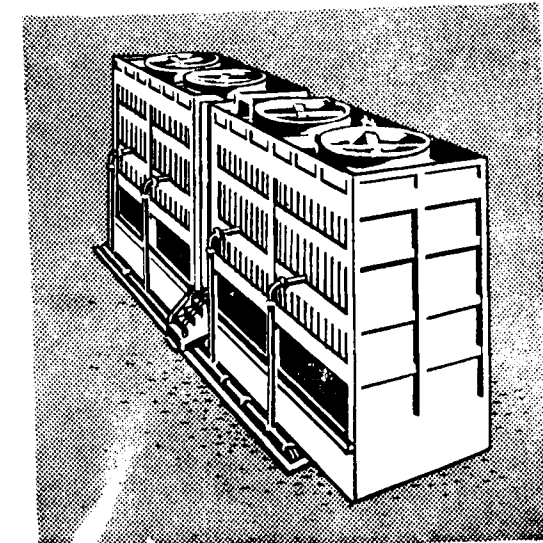
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rence of oil and natural gas in the Naharkatiya area and with the setting up of the refinery at Nunmati, the development is going to be quick in the next few years. The State has also considerable hydro and coal resources. The industries likely to come up in the near future are rayon and paper pulp plants based on the bomboo and sabai grass resources, and petrochemical industries based on oil and natural gas. At present, two power systems are being developed which in due course will cover the entire State of Assam. One is the Umtru-Umum power system which serves the southern and western parts of the State; the other is the Naharkatiya power system which serves the eastern and northern parts of Assam.

Orissa is much better off than Assam in the matter of power, for the per capita consumption in this State is already 57 kWh. and this is expected to rise to 141 kWh over the next five-year period. Orissa is at present served by two power systems, namely, the Hirakud power system and the Machkund power system, but these two are not interconnected. It is proposed to interconnect them by the end of 1965-66 when the Talcher thermal power station is to be commissioned. The important industrial loads in this State at present are the Rourkela steel plant and the aluminium plant at Hirakud. The Machkund system, which is a shared project between Orissa and Andhra Pradesh, will serve the new industries which have been planned for the south-eastern areas of the State.

Interconnected Operation

The per capita consumption of electricity is naturally highest in West Bengal of all States in eastern India, and in all India. It is 99 kWh at present and is expected to rise to 166 kWh over the next five years. Bihar has at present a per capita electric consumption of 49 kWh, that is, less than in Orissa, and this is expected to grow to 106 kWh by 1967-68, also behind the anticipated figure for the latter State. In the survey the position of these two States however discussed together because even within the States themselves, there are wide disparities. There are areas which are served by more than one power system and have a high degree of consumption, and there are others which are poor in power development. For example, South Bihar and Lower Bengal are served by the Damodar Valley Corporation, the Calcutta Electric Supply Corporation, the Durgapur project's power station and a few small utilities. In the next few years, the power supply in this area will be considerably augmented through the commissioning of the Bandel thermal power station (330 MW) of the West Bengal State Electricity Board and the Pathratu thermal power station (400 MW) of the Bihar State Electricity Board. These power systems are expected to operate interconnected.

The Damodar Valley Corporation continues to supply 100 MW of bulk power to the Calcutta Electric Supply Corporation and is also serving the loads in lower Bengal and South Bihar. The DVC system continues to exchange power with the Rihand system in Uttar Pradesh. In view of the large volume of middlings which may become available by the end of the fourth Plan due to the setting up of coal wharves, particularly in the south Bihar area, large pit-head thermal power stations may come up in this region based on low-grade coal rejects.

Upper Bengal, in contrast, is poor in power development. The present requirements are met from small isolated power stations. Since Upper Bengal along with Assam State forms an important part of the tea-producing area in the country steps have been taken to generate electricity out of the hydro resources in the region. A small grid network based on the Jaldhaka hydro project is at present being constructed which is going to be ready by the end of the third Plan. North Bihar, like Upper Bengal, is at present poorly served by power, but since this is an agriculturally rich area, ample grid power will be provided in the next few years. The oil refinery at Barauni is also expected to help. The Kosi and Gandak hydro-

projects, which are Indo-Nepalase ventures, will provide substantial quantities of energy.

At the end of this summing up, it is necessary to stress an important aspect. The data for power availability and consumption are the arithmetic sum of the data for the power systems in the regions as a whole, and these would be more meaningful when the regional grids come into operation. A reliable estimate of power supply and demand can then be made.

★★

One of the first engagements of Prime Minister Lal Bahadur's first (in his present capacity) visit to Calcutta was to inaugurate the 175th anniversary celebrations of Jessop and Company. As one of the oldest firms in Calcutta, its history is full of romance. At 175 it is still going strong. This once British-owned and managed company (now in Indian hands) is producing a number of strategic goods for the country's economy like electric multiple unit coaches and wagons for the railways, fabricated structural steel work and road rollers. Thanks to the rapid progress of industrialisation, the order books of the company are overfull, that is, it is unable to supply the demand for its products, particularly for wagons. The activity has considerably expanded in recent years and will expand further in the next few years. In fact lack of sufficient accommodation has been the main bottleneck to its expanding activity. However, the company is about to acquire a new site for the construction of more factory buildings in which to house the extra plant and equipment in fulfilment of its expansion programme. A particularly large order which the company has executed is that of vertical wheel gates for the Kosi Barrage project in north Bihar. As part of its current expansion programme, the management has taken steps to raise the output of electric overhead travelling cranes, wharf cranes and sluice gates. A start has also been made to manufacture high-speed cold sawing machines and saw sharpeners. These explain the expanding scale of the company's output and sales. During the working year ended 31st October, 1963, the company's sales reached a new record of Rs. 1,472 lakhs, compared with Rs. 1,282 lakhs in the previous year. The net profit, after providing for all taxation and depreciation, amounted to Rs. 76.83 lakhs, against Rs. 65.42 lakhs. The company has paid a higher dividend of 10 per cent for the year and hopes to maintain the same rate next time.

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(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, 1964 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 27th October, 1964 to those stockholders whose names are registered in the Company's Stock Register on the 12th October, 1964.

Applications for transfers received in this office before 12 O'clock noon on Monday, the 12th October, 1964, will, if otherwise satisfactory, be registered at that date for the purpose of participation in the above Dividend.

BY ORDER OF THE BOARD,
C. A. GUNTHER
Actg. AGENT

Victoria House,
CALCUTTA, 17th September, 1964.

The moving finger writes

A JOINT communique issued at the end of the Indian President's nine-day State visit to the Soviet Union reaffirms the "unshakable conviction" of both parties that the policy of peaceful co-existence of States with different political and social systems "is today the sole alternative to a devastating thermo-nuclear war". It is evident that here the politician has been permitted to score heavily over the philosopher and I certainly do not think much of this Indo-Soviet testament which has merely elevated expediency to the status of a principle. It is easy to see that a statement of this kind evades issues rather than seek to understand them or come to some judgment, whether rational or ethical, about their rights or wrongs. My point is that, after having agreed that the co-existence of conflicting ideologies has become unavoidable because either side could resort to nuclear weaponry as its final argument, can we just sit back and refuse to think or talk about the respective or relative validities of different political or social systems? I do not think that the mere invention of the hydrogen bomb is enough justification for mankind to surrender without protest its right to reason. Surely, it is not to this end that the philosopher Radhakrishnan should put his signature to a plea to the human mind to stop inquiring that Sankara and Socrates had many hundreds of years ago dared to teach the world to keep on asking why and why and why.

★★

Many harsh things are being said of Mr. Biren Mitra in the Press and elsewhere for allegedly pulling a fast one on the Congress High Command. But is there not something to be said on his behalf and on behalf of Mr. Biju Patnaik, whose not-so-invisible hand is clearly to be suspected in Mr. Mitra's tactics of resigning to remain? For months complaints and charges have been made against Ministers or ex-Ministers of Orissa. The Congress High Command as well as the Central Government are known to be discussing them. Only recently the Home Ministry decided to send investigating officials to Orissa to study or collect evidence. In these circumstances it would not be unreasonable were Mr. Patnaik or Mr. Mitra to feel that either a formal decision should be taken to institute a commission of inquiry or their colleagues in the party should come forward to protect them from prolonged mudslinging. I interpret Mr. Mitra's recent attitudes in the matter of the Orissa Chief Ministership as a deserved rebuke to the Congress High Command for not being able to make up its mind one way or the other. Here perhaps it is the Central Government and the Prime Minister who are more to blame than the Congress President or the Working Committee. Until Mr. Lal Bahadur is able to make up his mind on how to deal with the Orissa complaints or whether to deal with them at all at the government level, the Congress President cannot obviously move in the matter at the organizational level. I hope Mr. Lal Bahadur would act boldly and quickly so that the Central Government as well as the Congress Party may avoid the risk of being brought into ridicule by the defiance in Orissa.

★★

Calcutta did well by the nation by giving Mr. Lal Bahadur a great welcome on his first visit to that city as Prime Minister. I like to read into Calcutta's characteristically generous acclamation of the Prime Minister's presence a warm appreciation of his statement in Lok Sabha two days earlier that he would not follow blindly any beaten track, but would be receptive and responsive to changing circumstances or the changing needs of the country. Addressing a crowded public meeting at the Calcutta Maidan — audience, I learn, was close to half

a million —, Mr. Lal Bahadur reportedly declared that he would quit rather than promote groups or groupism as a means of remaining in office. It should be easy for the people to believe him since it was by conscientiously keeping away from factionalism that Mr. Lal Bahadur had, in fact, built for himself that wide respect and support in the Party which ultimately fetched him the Prime Ministership. The Congress Party is such a vast and sprawling mass that group leaders must always be at a disadvantage when it comes to a trial of strength with some one else who could appeal to broader interests or loyalties. Mr. Lal Bahadur seemed to have learnt this trade secret early enough in his political career and there is no reason why he should now depart from attitudes which have served him so well so far.

★★

Among the more effective speeches of the no-confidence debate was the one by Mr. G. L. Nanda. The Home Minister was in fine form as he ranged over many issues with quiet confidence. I would like to reproduce here the passage in which he dealt with the familiar complaint that he was demoralizing the country by exaggerating the extent of corruption. Mr. Nanda explained:

"...I submit to you and to the House, Sir, that there should be no tendency either to exaggerate or to minimize things but we must face the situation as it is and fight it. I will not enter into any comparison with other countries. Even a little corruption here is bad for us; it is a drag on our economic and social progress. It creates risks for the stability — I say deliberately — and security of the nation. That is my understanding of the situation. In this connection, I would like to refer to a statement which I made some time ago, and I would read a few lines of that, so that my own attitude is made clear. I said in that statement on 7th May, 1964: 'Our people are prone to exaggerate their own faults. Very often the picture of corruption is overdrawn. There are many government servants whose careers are free from any taint of corruption, applying even the strictest test. It is also true that not every businessman has recourse to dishonest ways, and it is demoralizing for the nation that because of the lapses of a few, sweeping statements should be made about persons in political life generally'. This is a very clear and categorical statement."

An earlier passage in the Home Minister's speech also deserves to be printed here because of its entertainment value:

Mr. Nanda: Among the principal counts of charges of the Opposition against the Government, food figures profusely, in spite of the fact that there was a special debate and the food policy of the Government was approved and adopted by an overwhelming majority. This word "majority" brings to my mind an observation made by the Hon'ble Member, Shri Hiren Mukerjee. In a moment of self-forgetfulness, he used the word "brute majority". Sir, I have great admiration for his eloquence. He is a cultured man, familiar with the delights of good literature. But it seems at that time he departed from dignity in his choice of words and phrases.... Instead of dubbing the majority of this Government as a brute majority, he should think of another word.

Mr. Solanki (Kaira): He should speak a little louder. We cannot hear him.

Mr. Nanda: How did this majority come about?

An Hon. Member: The Gonda way

V.B.

Trade Winds

SUGAR PROBLEM

WITH THE approach of the new sugar season, people's thought must naturally turn to the prospects of increased, if not adequate, availability of sugar. Judging from reports of higher production of sugarcane generally, one could normally hope for more sugar production in 1964-65. But nothing happens to be normal these days. Mere increase in the production of sugarcane may not lead to more sugar production particularly when there are competing demands for cane. The problem is further complicated by the existence of rigid control on the less sophisticated sweetening agents such as 'gur' and 'khandsari'. The demand for 'gur' has been perceptibly inflated in recent years as a result of its being put to uses other than sweetening, such an illicit distillation. Addressing a press conference recently, Mr. Gordhandas J. Ruparel, President of the Deccan Sugar Factories' Association, pointed out that the Sugar Industry in the country did not suffer from shortage of capacity to produce up to the target of 3.3 million tons of sugar or more, but that its problem was primarily one of inadequate supplies of sugarcane. What has, in fact, been happening all over the country is that cane is diverted to the manufacture of 'gur' and 'khandsari'. In the absence of any control on their production or prices, producers of 'gur' and 'khandsari' have been offering stiff competition to sugar factories. Being free from such obligations as the Factories Act, fixation of wages and so on, they offer higher prices than the sugar factories for the cane they buy. In the present circumstances, when we are in the fortunate position of being able to compete in the world markets for the export of sugar, the authorities do not appear to appreciate the fact that for every ton of cane diverted to 'gur' or 'khandsari', in which case the recovery is less, the country loses about 12 lbs. of potential sugar. This means a double loss, first, because of uneconomic use of sugarcane and, second, because of the non-availability, for purposes of export, of sugar that might have been produced had the same quantity of cane that was diverted to 'gur' been made available to sugar factories.

The consumer of sugar may not bother about all these. He is interested only in getting his requirements of sugar at a reasonable price. According to the spokesmen of the sugar industry this may be possible if the Government adopts a policy of partial free sale. In support of this they recall the success of such experiments in the past — in 1950-51 and 1951-52. It is difficult to understand why the Government is not prepared to accept this suggestion. Mr. Subramaniam can at least give it a conditional trial for a limited period. The present may prove to be the most propitious time for such a trial because of there being good prospects of a substantial increase in the production of sugar in the coming season.

WOOLLEN TEXTILES' EXPORT PROSPECTS

There is a considerable scope for stepping up the exports of Indian woollen textiles if at least a part of the industry is modernised. This is revealed in the report of the team of experts of the International Wool Secretariat who made a study on the advisability of modernising the woollen industry in the country. The study, which was undertaken at the instance of the Government of India, points out that as a result of the modernisation of about 200 loom assemblies, it should be possible to earn additional foreign exchange to the extent of £650,000 a year. The experts are of the view that

the industry will be able to produce cloth of excellent quality and will be in a position to export even to the most sophisticated markets at competitive prices. It should be possible, they say, for the Indian woollen textile industry to export up to two million metres of cloth within a period of four to five years. The foreign exchange requirements for the modernisation will have to be obtained on the basis of long-term loans at reasonable rates of interest. The report also recommends the establishment of a strategic reserve or stockpile of imported raw materials as a measure of safety to be used for supply to the industry against prospective export orders. This would save time and ensure that the requirements of raw materials are readily available to meet export orders. An increase in the quantum of export assistance has also been suggested in order to enable the industry to achieve the export target within a very short period. The report is, however, under consideration by the Government.

INDO-AMERICAN COLLABORATION

The possibilities of further expansion of trade and economic and technical collaboration with African countries will be explored by a delegation of leading industrialists which left India on September 20 on a tour of nine African countries. The delegation, which is led by Mr. A. M. M. Murugappa Chettiar and which has been sponsored by the Federation of Indian Chambers of Commerce and Industry with the active support of the Union Ministry of Commerce, will visit Ethiopia, Ghana, Kenya, Malawi, Nigeria, Northern Rhodesia, Sudan, Tanganyika and Uganda during its 25-day tour. At a recent meeting which the Union Minister of Commerce, Mr. Manubhai Shah, had with Mr. Murugappa Chettiar and other members of the delegation, all the aspects of expanding trade and economic relations between the countries of Africa and India were considered. It was felt that besides fostering goodwill between India and these countries, the delegation should study the scope for expansion and diversification of trade as also for joint industrial ventures. The delegation's tour would also help in establishing and strengthening personal contacts between African and Indian entrepreneurs. The main industries in which the possibilities of industrial collaboration are to be explored by the delegation are textiles, sugar, cement, cement products and asbestos cement, solvent extraction, toilet requisites and soap, engineering goods of various kinds and chemicals, including fertilizers and sulphuric acid. At present, the Indian participation in industrial projects in Africa covers Ethiopia, Kenya, Uganda and Nigeria (for details vide page 337 of 'Eastern Economist' dated August 21, 1964).

The nine countries, which the delegation will be visiting, account for about 50 per cent of our total exports (worth Rs. 4,633 lakhs) to Africa and 45 per cent of our total import (worth Rs. 5,097 lakhs) from Africa. Sudan occupies the first place in this trade, followed by Kenya, Tanganyika and Nigeria. One or two items dominate our imports from almost all of these nine countries viz., raw cotton from Sudan, Uganda and Kenya; cashewnuts and copper from Tanganyika; hides and skins from Ethiopia, copper and asbestos from Rhodesia and Nyasaland; palm oil from Nigeria; and manganese ore and cocoa from Ghana. As regards exports from India, textiles (both cotton and synthetic fibres and made-up articles) comprise about 38 per cent of our exports to these nine countries, followed by jute manufactures (29 per cent), tea (8 per cent) and cotton yarn (6 per cent). The balance is made up of spices, machinery, a range of engineering goods and various other items. Our

trade (both ways) with each of the nine countries during 1963-64 was as under:-

1963-64 was as under:-		(Figures in lakhs of rupees)	
Country		Imports	Exports
Ethiopia	..	Neg.	170
Ghana	..	66	147
Nigeria	..	76	278
Rhodesia and Nyasaland	..	340	166
Kenya	..	345	502
Tanganyika	..	498	247
Uganda	..	80	66
Sudan	..	852	784

FORWARD TRADING IN GROUNDNUT & OIL

The Government of India has decided, in consultation with the Forward Markets Commission, that recognised associations in the country be permitted to resume forward trading in groundnut and groundnut oil for the new season's contracts subject to such safeguards as may be imposed by the Forward Markets Commission. The decision has been made after considering the representations that the next season's groundnut crop was expected to be very large, in fact higher than last year's crop, and that the orderly marketing of the crop might be very difficult in the absence of hedging facilities. It urged that if the forward markets were permitted to function again, the farmers might also realise a good price for their produce.

FOODGRAIN PRICES

FOODGRAIN PRICES

The prices of indigenous wheat are likely to touch a new high in the Capital within a week's time. This view was expressed by Mr. Ram Narain Jain, General Secretary of the Federation of Indian Grain Trade Chambers, while talking to newsmen earlier this week. He said that wheat would sell at Rs. 70 per quintal in Delhi because of the rise in prices in Punjab which is the supplying State and where the prices ranged from Rs. 53 to Rs. 62 per quintal. Adding seven per cent transport and commission charges, the prices would come to about Rs. 70 per quintal in Delhi. Referring to measures that should be taken to keep prices down, Mr. Jain opined that if coarse grains like Bajra, Maize and Jowar were made available freely in the deficit areas pressure on wheat would

decrease. The rice zones had outlived their utility, he said, and now only created wide price disparities. While Punjab dealers were in search of buyers at the rate of Rs. 25 per maund, rice was not available in U.P. even at Rs. 38 per maund. As regards state trading, Mr. Jain stated that traders would welcome the proposed foodgrains trading corporation provided it operated in competition with the normal trade channels and was not given any preferential treatment in the allotment of wagons. He attributed the abnormal price rise to irregular supply of imported wheat during the past two months. Imported wheat, he added, should be made available at all times at fair price shops, and the Government should release 7,00,000 tons of imported wheat every month.

AMERICAN WHEAT

India has brought all the wheat it wanted to receive from the United States in September and October and has ships lined up for transporting it. This was revealed in Washington by the head of India's Supply Mission there, Mr. Prem Aggarwal. The quantities are 600,000 tons for September and 550,000 tons for October. The programme for November and December will be worked out during the last week of September and the first week of October. According to Mr. Aggarwal, India can revert to the normal position of purchasing monthly quantity of 3,50,000 tons by the end of the year. This was the average during the last fiscal year when India's purchases amounted to \$360,000 excluding transport cost. The delivery of American wheat this time had to be stepped up because of India's urgent appeal for more wheat mainly because of the flood damage to crops in the Punjab and Delhi area. India's Supply Mission in the USA remains in constant touch with grain exporters and effects contracts with American ship-owners who must carry at least 50 per cent of the commodities according to the US law.

INDO-U.A.R. AGREEMENT

India and the UAR have agreed to set up a joint scientific board to promote the widest possible collaboration between the two countries in the field of scientific research. The contemplated board will be composed of ten eminent scientists, five from each country, and its chairmanship will rotate annually between the two countries. The decision to appoint the

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board is a part of a scientific and technical co-operation agreement signed earlier this month, in New Delhi, by the Union Minister of Education, Mr. M. C. Chagla, and the UAR's Minister of Scientific Research, Mr. Ahmed Riad Torky. Under the agreement, the two countries will also undertake greater co-operation in atomic research. The UAR has a nuclear reactor in Cairo and another is expected to be set up early next year. The agreement specifically provides for the exchange of a large number of scientists between the two countries. Between thirty and forty scientists from the UAR will come to work in the Indian laboratories, one of them will work in the 'solid state' division of the National Physical Laboratory in New Delhi. The agreement also provides for liberal import and export of scientific materials, equipment and information between the two countries.

TEA FOR FRANCE

September 17 marked the launching of a colourful campaign in Paris to increase India's tea sales to France. India's roving ambassador in Europe, Mr. K. B. Lall, came especially for the occasion from Brussels. A grand reception and an exhibition was held in Paris at the famous Cafe De la Paix. Mr. Lal informed press correspondents that the French Government had co-operated in India's export drive by agreeing to reduce to zero the import duty on tea. The Director of the Indian National Tea Office, Mr. J. Mukerjee, revealed that a tripartite agreement had been drafted between India, Ceylon and the French tea trade for the import into France of substantial quantities of Indian and Ceylonese tea. A part of the Indian tea propaganda campaign in Europe, and especially in France, will be the touring of four vans, each of the shape of a kettle. In France the vans will have two hostesses, one Indian and one French, who will introduce Indian tea to the public. The plan is to introduce two best qualities of tea — Shalimar tea with orange slices and a top grade brand for serving as iced tea. In view of India's tea drive, two internationally known tea firms have expanded their packing centres in France.

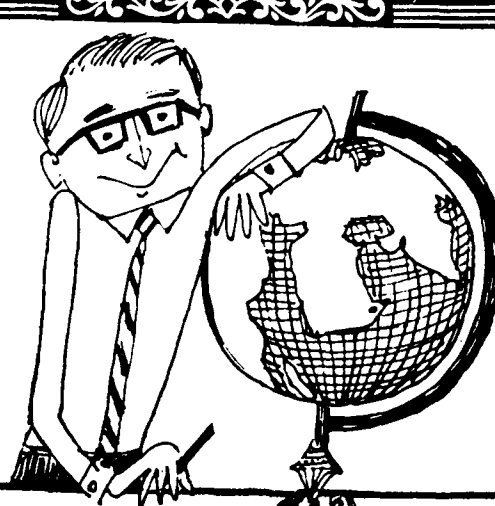
INDO-G.D.R. TRADE

The existing trade arrangements between India and the German Democratic Republic have been extended for a further period of three years up to 1967. The volume of trade between the two countries which has been increasing gradually is expected to reach a level of over Rs. 400 million, both ways, by 1966. The German Democratic Republic will import from India such engineering goods as motor vehicle components, textile machinery and accessories, radiators, machine tools, tropicalised and electrical equipment, storage batteries, drugs and chemicals, and textiles (cotton and artsilk). This is in line with the agreed policy between the two countries to diversify and extend the export and import of non-traditional goods. The German Democratic Republic will also continue to import such items as coffee, tea, deoiled cakes and other traditional goods. India's imports from the GDR will include fertilizers, and various items of industrial raw materials such as alloy steel, pig iron, caustic soda, heavy soda ash, dye intermediates and various chemicals. GDR will also supply machine tools, rotary printing machines and other printing machinery, textile machinery and various other capital goods.

EXPORTS THROUGH WORLD'S FAIR

As revealed by the Union Minister of Commerce, Mr. Manubhai Shah, in the Rajya Sabha, the value of orders on trade so far done, within the knowledge of the Government, at the Indian pavilion in the New York World's Fair, is Rs. 90,55,743 and the value of another supply under negotiation is Rs. 45 lakhs. Articles for which orders have been placed include all kinds of manufactured goods such as mill-made textiles, handloom and khadi textiles, handicrafts, jewellery, cigarettes and soaps.

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Company Affairs

Gross profit also went up significantly from Rs. 81.85 lakhs to Rs. 95.99 lakhs.

Depreciation gets Rs. 19.96 lakhs against Rs. 26.36 lakhs while development rebate reserve receives Rs. 0.13 lakh as compared with Rs. 0.30 lakh in the preceding year. A sum of Rs. 30 lakhs has been transferred to general reserve. The provision for taxation is Rs. 20 lakhs while Rs. 10 lakhs is allocated towards tax reserve. The proposed dividend absorbs Rs. 29.41 lakhs, leaving Rs. 6.85 lakhs to be carried forward to next year's account.

The company proposes to expand its capacity from 30,000 tonnes to 75,000 tonnes per annum. The expansion programme is expected to cost about Rs. 8 crores. Orders for plant and machinery for Paper machines, Stock preparation, and Finishing house have already been placed with a Finnish firm at a cost of Rs. 1.50 crores. Tenders for the expansion of the pulp mill, recovery plant and water works are under scrutiny and orders for the same are expected to be placed shortly. Good progress has been made in the erection of 12/10 tonnes caustic soda/chlorine plant during the year. The Plant is expected to be commissioned during the third quarter of the current financial year. The company repaid during the year Rs. 11 lakhs of the loan due to the Madhya Pradesh Government, leaving a balance of Rs. 55 lakhs at the end of March, 1964.

INDIAN TELEPHONE

The sales of the Indian Telephone Industries Ltd., Bangalore during 1963-64 exceeded Rs. 9 crores. Besides meeting the indigenous demand for telephones and other tele-communication equipment, the ITI is exploring markets for exports. During the year Ceylon, Nepal, Uganda, Egypt, Singapore and Malaysia were supplied with equipment worth Rs. 5.6 lakhs and equipment worth Rs. 3.45 lakhs is likely to be despatched soon.

During the year several new lines of production were started such as co-axial line equipment supplied to the Posts and Telegraphs Department for the Patna-Sasaram section. Special signalling equipment of remote control type was manufactured and supplied to the Indian Railways for their electrification projects. Other important equipment among the 37 new items manufactured were flasher units, private automatic branch exchanges, telephones with visual indicators, 15-way intercom telephones and master clocks. The research and development wing of the ITI developed 60 different types of new equipment. Among these were flashing beacons, monitoring telephones, push-button control room equipment, light-weight field telephones and head phones for simultaneous language interpretation system.

INDIA CEMENTS

Mr. P. Suryanarayana, Chairman, India Cements Ltd., reviewed the working results of the Company for the year ended March 31, 1964 at the annual general meeting held recently. There was an all round improvement in the affairs of the company and cement production at 528,554 tonnes was considerably higher as against 419,149 tonnes last year. The production of clinker was also higher at 534,349 tonnes. The production at Talaiyuthu factory has been almost to the rated capacity. The first unit of the plant at Sankari went into commercial production during February 1964 and has been working satisfactorily. As a result of this improvement, the company recorded a higher profit which increased by Rs. 25.40

INDIA STEAMSHIP

MR. A. RAMASWAMI MUDALIAR, Chairman, India Steamship Company Limited informed the shareholders at the annual general meeting held recently, that during the year ended March 1964 the company had turned the corner and recorded a net profit of over Rs. 9 lakhs, after setting aside Rs. 1.28 crores for depreciation, as against a deficit balance last year. This improvement assumed an even better performance in the coming years. The Chairman pointed out that the Indian ships were functioning under certain heavy odds. For instance the delays at Indian ports had been a major factor in their low efficiency. On account of berthing delays India Steamship lost 432 days in the year, out of which 300 days were lost in Indian ports alone. Bad weather and rains caused a further delay of 76 days and the slow arrival of cargoes held up the ships for another 54 days. The Chairman added that with the exception of Madras port, the situation had not improved.

The Chairman indicated that facilities available at Indian ports for repairs and dry docking were not sufficient. He added that during the year under review the ships belonging to the company had to spend on an average 15 days for dry docking and special survey which could have been done at foreign ports in about five days. Such lack of facilities and consequent delays meant higher costs which made the Indian shipping less profitable.

During the year under review the company's ships on the liner trade spent 3,379 days in ports and 2,301 days at sea and on the coastal trade they spent 936 days on port and 282 days at sea which meant that nearly 60 per cent of the time of the liner trade ships and 77 per cent of those on the coastal trade was spent in the ports, which apparently meant something radically wrong.

The Chairman observed that certain shippers were taking undue advantage of the anxiety of the Government to increase exports in order to earn more foreign exchange. These shippers were consistently clamouring for lower freight rate and resisted even small increases. It is true that the proper incentives should be provided to promote export, but the Chairman felt that a more realistic attitude towards shipping should be taken by both shippers and the Government.

The Chairman added that Indian shipping capacity has to be increased in order to earn more foreign exchange which will require more tramp shipping, tankers and bulk carriers of appropriate size. The new entrepreneurs should try to explore possibilities on routes which were not sufficiently served by Indian shipping companies. It would be disastrous he stated, if Indian shipping companies entered the liner trade to cut into the established business which will only divide the income already being earned by the Indian shipping companies.

NEPA MILLS

Thanks to substantial improvements in the working results, the directors of National Newsprint and Paper Mills Ltd., have recommended a maiden dividend of 6 per cent for the year ended March 31, 1964. Better efficiency and record production account for the improved performance of the company during the period under review. For the first time, the rated capacity was attained with a production of 30,078 tonnes of newsprint, recording an increase of 3,563 tonnes over the previous year. With the rise in production, sales of newsprint also improved from 26,675 tonnes to 30,338 tonnes, raising the income from sales from Rs. 280.91 lakhs to Rs. 318.08 lakhs.

lakhs (before deduction of depreciation and Managing Agents' commission) in comparison with the previous year. Work on the second stage of the Sankari plant is also under way which is likely to be commissioned by the second half of 1965 which will mean an output of nearly one million tonnes of cement.

The Chairman indicated that this increased output was not accompanied by equivalent return to the company because the cost of production increased very rapidly. The cost of coal, freight rates and surcharge on electricity have increased considerably so that between November 1, 1961 and March 31, 1964, the cost of production had increased by Rs. 5.92 per tonne. During the same period, price increase sanctioned by the Government was to the extent of only Rs. 3.75 per tonne. In fact the recent increase of Rs. 1.25 per tonne announced by the Government was applicable only from July 1, 1964, while the increase in cost had been recorded even prior to the last increase granted in June, 1963. The Chairman added that this increase in cost had made it impossible for the company to reinvest sufficient resources. He pointed out that the Government should realise this difficulty and fix prices at more realistic levels to ensure at least a net return of 10 per cent to the shareholders to make reinvestments possible.

ALUMINIUM INDUSTRIES

The Aluminium Industries Ltd. had reported improved working results during the year ended March 31, 1964 with the income from sales and service charges rising from Rs. 5.74 crores to Rs. 6.22 crores and gross profit from Rs. 73.80 lakhs to Rs. 83.87 lakhs. The net profit recorded a sharp rise from Rs. 15.90 lakhs to Rs. 29.86 lakhs after providing Rs. 3.77 lakhs (Rs. 3.53 lakhs) for managing agents' commission, Rs. 20.24 lakhs (Rs. 14.87 lakhs) for depreciation and Rs. 30 lakhs (Rs. 39.50 lakhs) for taxation. The allocation to the general reserve is stepped up by Rs. 1 lakh to Rs. 2 lakhs but no addition had been made to the dividend equalisation reserve which received Rs. 2 lakhs last year. Dividend will absorb Rs. 22.72 lakhs as compared with Rs. 15 lakhs last year.

The construction of the plant for the manufacture of low voltage aluminium underground cable at Kundara is nearing completion and the unit is expected to go into production shortly. The import licence and foreign exchange for the expansion of the aluminium rod rolling mill at Kundara have been obtained. The expansion work is expected to be completed in the third quarter of 1965. The bare conductor manufacturing facilities at Kundara and Hirakud are also being enhanced through the installation of suitable balancing equipment. ICICI had already approved a loan in foreign exchange of Rs. 5.2 lakhs for the rod mill expansion scheme and another application for Rs. 4.5 lakhs for equipments for expansion of the capacity of bare conductor is under consideration of ICICI.

During the year 11,750 tonnes of bare conductor and 11.04 million core metres of covered aluminium conductor were produced while the production of aluminium rod rolling and accessories is maintained at a satisfactory level. The acute shortage of raw materials did not permit the full utilisation of the capacity for the manufacture of high tensile galvanised steel wire.

MYSORE ELECTRICALS

Mr. R. D. Char, Chairman, Mysore Electrical Industries, Bangalore, presided over the inauguration of the second plant of United Electrical Industries, Quilon, for the manufacture of AC motor control gear, which will be manufactured under licence agreement with the former company. The Chairman indicated that within the limits of manufacturing facilities and technical skill available in the factory all possible efforts will be made to diversify the activities because the nature of demand for a particular item cannot be anticipated precisely. It was prudent to follow the policy of not keeping all the eggs in one basket. He was also of the opinion that the Indian

entrepreneurs should resist the temptation of perpetuating the trade names and brands of foreign manufacturers in the Indian market. Though it was easier to sell the known names, it worked against the indigenous interest, especially in export efforts. He, therefore, congratulated the United Electrical Industries for working in collaboration with an Indian firm rather than taking the easiest course of a foreign collaboration.

KRISHI ENGINES

Krishi Engines Private Limited, Hyderabad, has recently been licensed to manufacture power tillers in collaboration with a Japanese firm. Already four prototype tillers have been manufactured with 90 per cent indigenous content, and successfully tried out in various types of soils. Regular production of these power tillers has been taken in hand and the final production is expected to be in the market shortly. A Krishi Power Tiller with a five H.P. kerosene oil engine and other standard accessories will cost about Rs. 4,500. These small tractors or 'walking tractors' are particularly useful for intensive cultivation of small farms of 10 to 15 acres. A power tiller can easily do the work equivalent to 3 to 4 pairs of bullocks.

ROHTAS

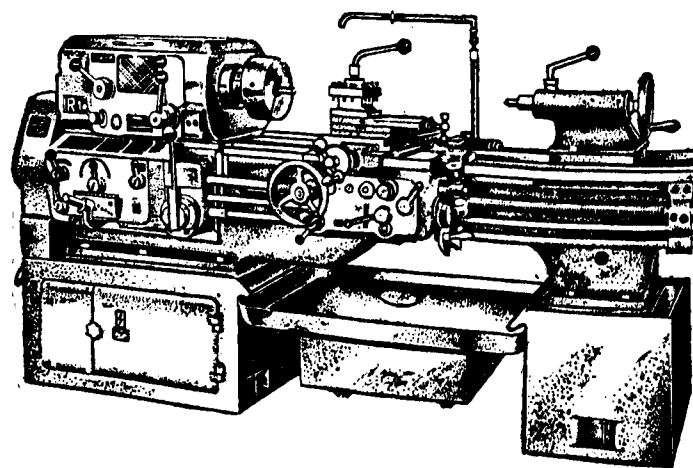
Rohtas Industries Ltd., had reported a steep fall in the pre-tax profit from Rs. 122.07 lakhs to Rs. 76.94 lakhs during the year ended March 31, 1964. This is attributed mainly to in-

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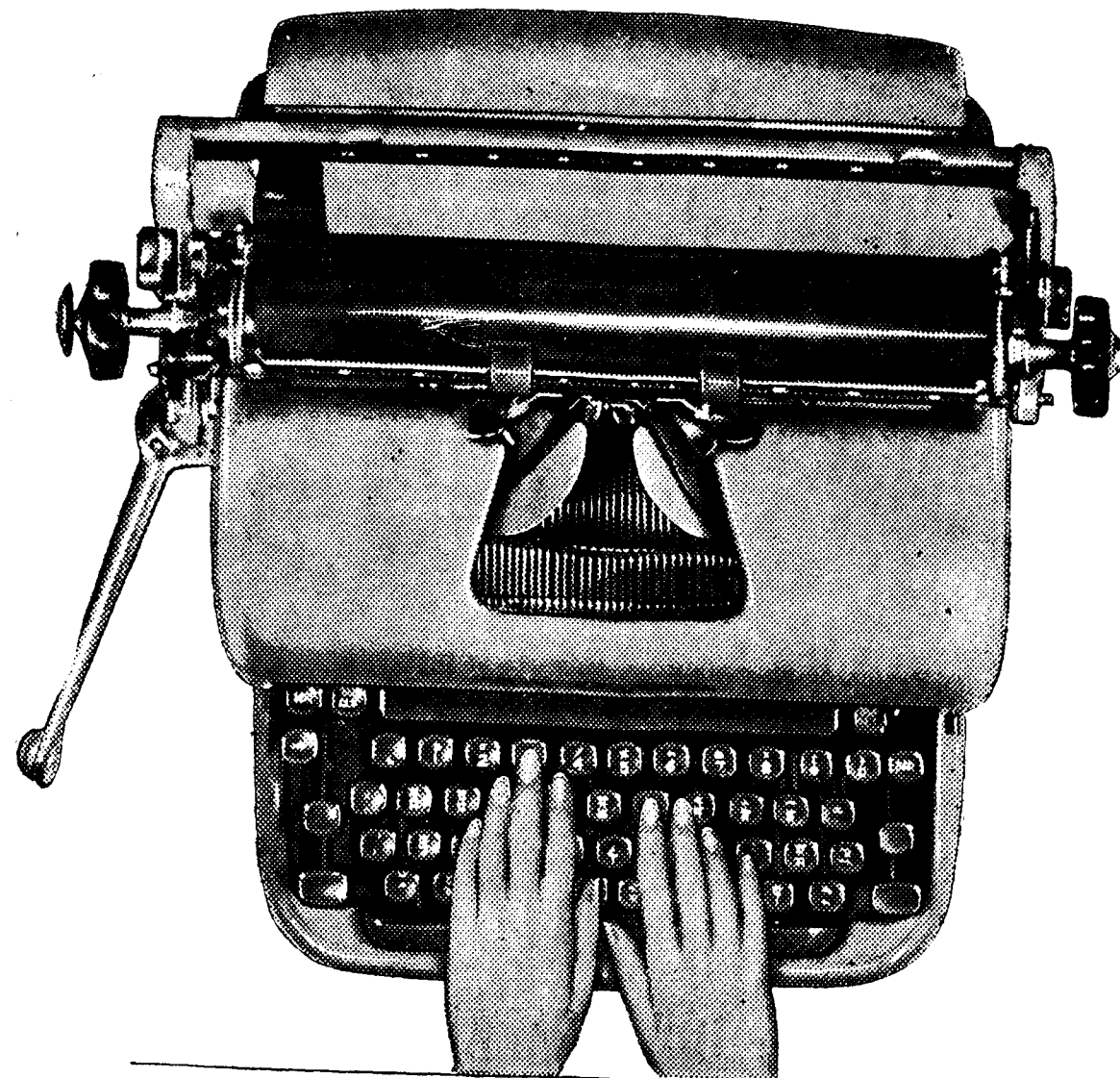
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creased provision for depreciation, settlement of raw sugar claim, increase in the cost of power and fuel, and general rise in manufacturing costs without an increase in selling prices. The ordinary dividend has been slashed to 8 per cent from 9 per cent which will absorb Rs. 40 lakhs against Rs. 45 lakhs in the preceding year.

With the re-introduction of triple shift depreciation allowance, the provision for depreciation has been enhanced to Rs. 76.72 lakhs from Rs. 61.93 lakhs. General reserve fund No. 1 gets nothing against Rs. 12.59 lakhs in the previous year, while the allocation to managing agents' remuneration is reduced drastically to Rs. 4.93 lakhs from Rs. 7.35 lakhs. The appropriation for development rebate reserve is lower at Rs. 5.95 lakhs against Rs. 6.60 lakhs and contingency reserve at Rs. 33.50 lakhs against Rs. 56 lakhs. No specific provision has been made for taxation and will be made out of the contingency reserve when the liability is determined.

The production of paper and boards declined during the year to 49,919 tonnes from 52,243 tonnes, of cement to 3.18 lakhs tonnes from 3.20 lakh tonnes and of clinker to 2.89 lakhs tonnes from 2.91 lakh tonnes. Production, however, has increased in the case of caustic soda, vanaspati and asbestos cement. ICICI has sanctioned a loan of Rs. 15 lakhs in foreign exchange for the modernisation of the soda recovery plant. In view of the non-issue of import licences, the company has not been able to implement the expansion programme of its pulp and paper units. The vulcanized fibre plant is still operating below capacity due to the inadequate availability of imported base paper.

A.C.C. DEBENTURES

The directors of the Associated Cement Companies Ltd., propose to issue debentures worth Rs. 7 crores subject to the sanction of the Government. The debentures will carry an interest of 7 per cent per annum and they are redeemable after a period of 15 years. The company is negotiating with ICICI and other financial institutions for underwriting the issue. The proceeds of the issue will be utilised for financing the company's expansion schemes.

F.A.C.T.

Improved working results have been reported by the Fertilizers and Chemicals, Travancore, Ltd., during the year ended March 31, 1964. Sales recorded a significant rise from Rs. 4.80 crores in the 15 months ended March 1963 to Rs. 5.30 crores in the 12 months ended 1963-64 while gross profits increased from Rs. 28.22 lakhs to Rs. 68.85 lakhs. Net profit, after providing Rs. 56.54 lakhs (Rs. 63.88 lakhs) for depreciation, came to Rs. 12.51 lakhs as compared with a net loss of Rs. 35.66 lakhs last year. The surplus of Rs. 12.51 lakhs along with the credit of Rs. 3.85 lakhs brought in from the previous year had been transferred to the development rebate reserve.

The better performance during the year has been due to an all-round rise in the production of fertilisers and chemicals. The production of ammonium sulphate nearly doubled from 28,985 tonnes to 57,374 tonnes while the output of ammonium phosphate increased significantly from 8,084 tonnes to 13,492 tonnes. The third stage expansion of the factory designed to raise the production capacity in terms of nitrogen from 30,000 tonnes to 70,000 tonnes and P2O5 from 13,500 tonnes to 33,500 tonnes is progressing ahead of schedule. The plant is now expected to be commissioned by the end of the current financial year instead of in 1965-66 as originally scheduled.

The company is not in a position to make full use of its new capacity on account of acute shortage of power supply

in Kerala. As against the demand of 31,000 Kw the maximum permitted during most of the months in the year was only 22,200 Kw. This has meant a permanent cut of 29 per cent besides drastic restrictions during the summer months every year. It is therefore feared that the third stage expansion also may not yield the desired results, unless the total demand of 50,000 Kw is met at an early date.

In addition to expanding the present production facilities the company is also examining the feasibility of diversifying its activities. It has already obtained a licence to establish a fabrication shop for the manufacture of specialised equipment such as pressure vessels, heat exchangers, and stainless steel equipment required for the fertiliser, petroleum refining, chemical and petrochemical industries. It has also been granted a licence for setting up a cement factory with a capacity of one lakh tons of cement per annum based on calcium carbonate, a byproduct of the ammonium sulphate plant. The Government of India has entrusted the company with the task of planning, designing, constructing and running three more fertiliser plants in South India during the fourth Plan period. The preliminary work connected with these projects has already started.

JAIPUR METALS

The share capital of Jaipur Metals and Electricals Ltd., is proposed to be increased by Rs. 18 lakhs to Rs. 78 lakhs by the issue of preference shares of Rs. 100 each. The new preference shares will carry a dividend of 9.3 per cent and will be redeemed at par on March 31, 1980 or earlier but not before March 31, 1977. The new 18,000 preference shares will be offered, in the first instance, to the existing shareholders of the company. The shares which are not taken up by the shareholders will be offered for public subscription. The company is expected to enter the capital market by the end of October for the public issue. Further capital of Rs. 18 lakhs is being raised to finance company's expansion plan which include doubling the capacity to manufacture ACSR and aluminium conductors and to raise the capacity to manufacture copper wires by 1,200 tons a month. It will shortly commence

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The Muir Mills Co. Ltd., Kanpur



the production of permanent magnets and intends to manufacture different components for electrical metres. The company also proposes to raise the rate of dividend on the existing 8,000 preference shares from 6 per cent to 7 per cent. Its authorised capital is also proposed to be raised from Rs. one crore to Rs. two crores.

SANDVIK ASIA

Mr. Nawal S. Phaterphekar, Chairman, Sandvik Asia Limited, indicated recently that the company is likely to issue right shares to meet a part of the capital cost of its expansion. The company has been invited by the Government of India to consider a substantial expansion in the tungsten carbide production in view of the higher estimated demand. The directors of the company accepted the invitation and submitted an application for substantial expansion which has been approved in principle. The company will, therefore, implement this expansion to complete all phases by 1966. The Chairman also indicated that the Swedish technical collaborators had expressed their willingness to make themselves available for this expansion programme.

The Chairman, however, indicated that its production capacity of finished rock drill steel has been operating at around 50 per cent because imports of rock drill steels have continued. Consequently the company has approached the Chief Controller of Imports and Exports and other official authorities pointing out the difficulty. In other spheres the company has performed quite well.

CAPITAL ISSUES

Six companies have been authorised to raise fresh capital aggregating Rs. 5.87 crores. Of these, three are issuing equity shares, one is floating debentures and another is issuing equities plus preference shares. The consent of the Controller of Capital Issues is valid for 12 months in all cases. The follow-

ing are the details:

Renusagar Power Company Limited, a new public company registered at Renukoot, District Mirzapur (Uttar Pradesh), is to issue capital of Rs. 350 lakhs in equity shares of Rs. 100 each, to be subscribed wholly by Hindustan Aluminium Corporation Limited, for cash at par. The money will be utilised for financing the setting up of a captive power plant capable of producing 125 MW.

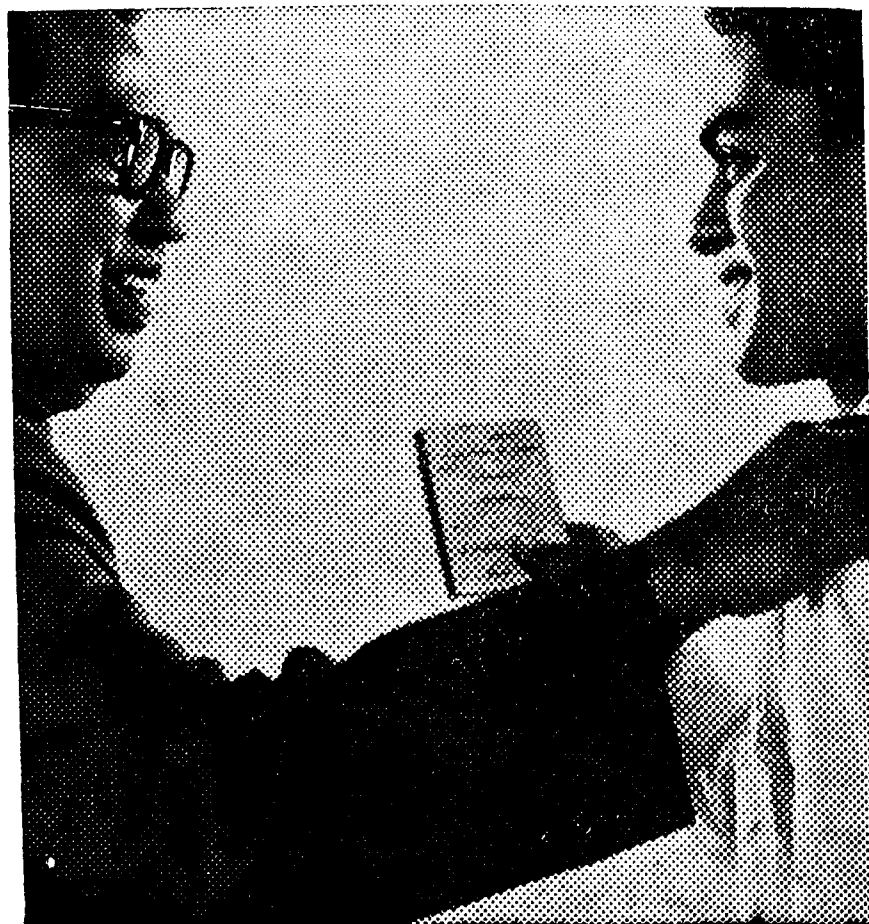
Lakshmi Machine Works Limited, Madras, is to issue debentures of Rs. 165.70 lakhs to be issued in five series in favour of the International Finance Corporation of the USA, Industrial Credit and Investment Corporation of India and scheduled banks. The loan capital is required for the establishment of a plant for the manufacture of textile machinery.

The Bank of Rajasthan Limited, Jaipur, is to issue further capital of Rs. 1,81,800 divided into 1818 shares of Rs. 100 each for cash at par.

Indian Air Gases Limited, a new company having its registered office at Kishori Niwas, Birhana Road, Kanpur, is to issue capital of Rs. 29.49 lakh divided as to 2,04,900 equity shares of Rs. 10 each and Nine thousand 9½ per cent cumulative redeemable preference shares of Rs. 100 each, all for cash at par. The capital will be utilised for financing implementation of the industrial licence for the manufacture of oxygen and acetylene gases.

Sivanandha Steels Limited, Coimbatore, will be issuing capital of Rs. 30 lakhs in 30,000 equity shares of Rs. 100 each for cash at par. The capital is required for establishing a plant for the manufacture of steel castings of a capacity of 3000 tons per annum.

Mazagon Dock Limited, a government company, is to issue capital of Rs. 10 lakhs divided into 10,000 equity shares of Rs. 100 each to be issued privately. The money will be utilised for financing its expansion programme.



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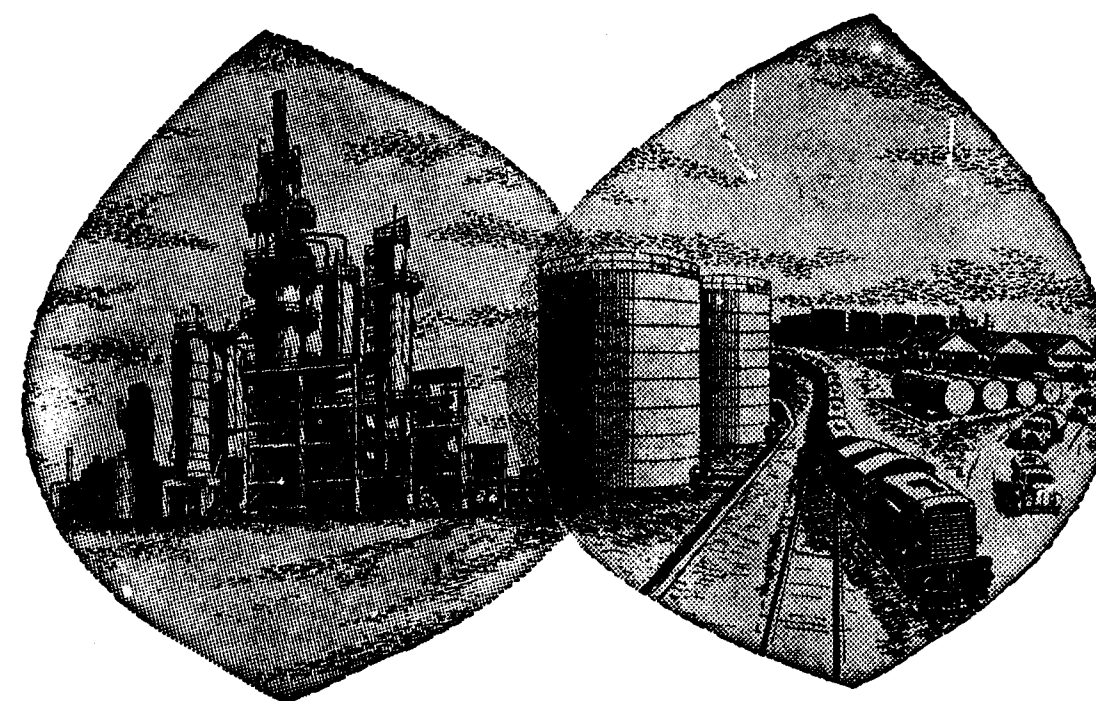
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products imported from abroad. Spurred by the increased tempo of industrialisation, mechanisation and growing defence requirements, India's demand for petroleum products is bound to grow and INDIANOIL will contribute its share towards meeting the nation's needs.

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BOOKS BRIEFLY

Employment Planning in Under-Developed Countries

Employment and Economic Growth: International Labour Office, Geneva; 1964; Pp. 217; Price \$2.25, 15s. 9d.

Reviewed by **BANARSI DAS**

THE VOLUME under review is concerned with the problem of unemployment and under-employment, and the measures that can be taken to deal with it. It is the revised version of a report prepared by the International Labour Office for discussion at the ILO Preparatory Technical Conference on Employment Policy held in Geneva in 1963.

The report consists of eight chapters. Chapter I presents background of statistics of employment, unemployment and under-employment in selected countries, both developed and under-developed. This helps to set in proper perspective the employment problems and policies discussed in Chapters III to VIII. Chapter II is devoted to a discussion of employment objectives and their relationship to other economic and social objectives.

The main theme of the report is that employment policies must form part of the policies designed to promote rapid economic development. Economic development provides the only hope of an escape from abject poverty by making available more goods and services to the mass of the people. Employment is not so much of an objective in itself as a means to other ends. The case for using more labour in production of goods and services in an economy with surplus labour rests on the fact that the increased employment would add to current output. The report rightly points out that while giving jobs to the unemployed, it must be ensured that the wages paid to them will generate additional demand for consumer goods. If the newly employed earn and consume more than they produce, it will tend to slow down growth. It is only when the newly employed produce more than their additional consumption that resources available for investment are not diminished. This can conceivably happen when jobs of low

productivity are taken up as subsidiary occupations. Thus in India we might well give encouragement to khadi and village industries only as avenues of subsidiary employment for the under-employed rather than as avenues of main employment for the unemployed.

The rapid growth of population is, undoubtedly, the major cause of unemployment in many developing countries. However, any crash programme to check the population explosion of a country, the report emphasises, is not likely to affect the size of the adult population in the next 20 years. Bringing down birth rate even as drastically as was done in Japan and Greece to counteract the rapid fall in death rates is a fairly long-term solution for tackling the unemployment problem of the immediate or foreseeable future.

Capital is a limiting factor in the creation of employment opportunities for the unemployed in underdeveloped countries. While transfer of capital from the developed to the under-developed countries is definitely helpful in increasing employment opportunities, the report emphasises the need for better utilisation of existing capital equipment. Fuller utilisation of the existing capacity could create more employment and produce more output with little or no additional capital outlay. Inquiry into the extent and causes of under-utilisation of capacity in individual industries and measures to encourage capacity utilisation, similar to the ones suggested by M. J. Solomon in his study, entitled "Better Plant Utilisation in India; A Blueprint for Action", should therefore form an important part of industrial planning in underdeveloped countries.

The report is a rich storehouse of the several attempts made for the creation of more employment opportunities in various underdeveloped countries, which the planners will find very helpful and the students very instructive.

Readers' Roundtable

ACCOUNTANTS AND FIRM NAMES

Sir,

Are accountants entitled to carry on their profession in partnership names other than their own? Some are able to acquire the name and goodwill of reputed firms whose original partners have either retired or died, and "catch" good business and established connections, while others less financially equipped, though equally or even more competent, have to struggle through.

In the case of any profession, be it law, medicine, accountancy, or other, the services of a particular individual or a firm of partners are sought for their personal skill, ability and intelligence, though a minimum qualification standard is prescribed or expected of all members of such profession. If so, is it not misleading or deceptive, besides being dishonourable, on the part of those who carry on their professional business in the names of certain reputed firms of the past whose partners are now either dead or have retired?

At annual general meetings of companies, shareholders are called upon to appoint as their auditors, certain reputed accountants' firms without the fact being disclosed to them that the original partners of the firms have ceased to be partners long ago and that others are carrying on their profession in those names. Is this a desirable state of things which should

be allowed to continue either in the interests of the investing public or in general public interest? Are no shareholders entitled to a fuller information regarding those professionals who are appointed to take up the audit of their companies? Madurai.

A. RAMAIA.

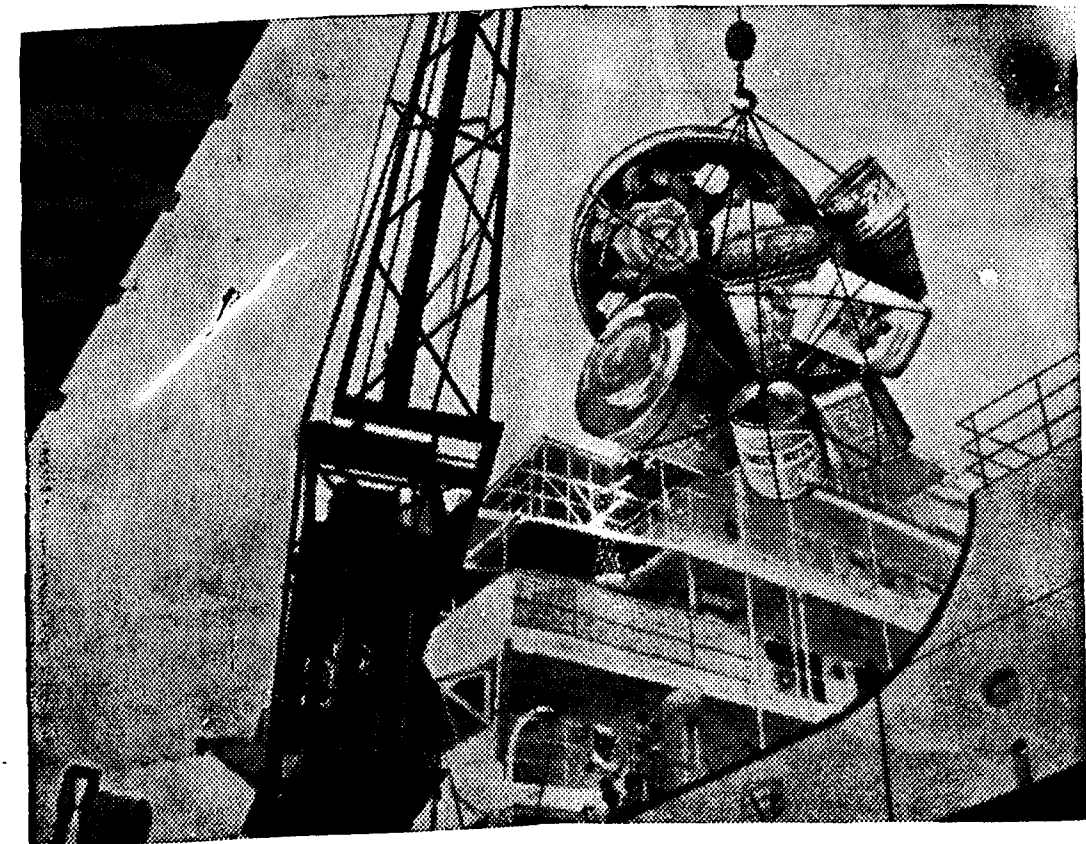
A CRISIS OF CONFIDENCE

Sir,

It was very interesting to read an analysis of the reasons of hoarding by the farmers in the "Readers' Roundtable" column of "Eastern Economist" dated August 28. ("High Prices — A Crisis of Confidence"; Page 409). I must confess that it is really a fact that the farmers have nothing to gain by selling foodgrains and that is why they are hoarding it. When somebody suggested to the Finance Minister the other day at Bombay that he should permit some import of gold, he jumped up with a very spirited reply by saying that such a relaxation would mean import of gold of a thousand crores per year. Does the Finance Minister mean to say that we have saved one thousand crores by banning import of gold? What happened to this foreign exchange equal to one thousand crores and why it is not visible anywhere? What to speak of thousand crores, we don't seem to have saved even five-hundred crores of foreign exchange by stopping import of gold.

R. K. MUKHERJEE,
(Advocate Supreme Court)

Calcutta.



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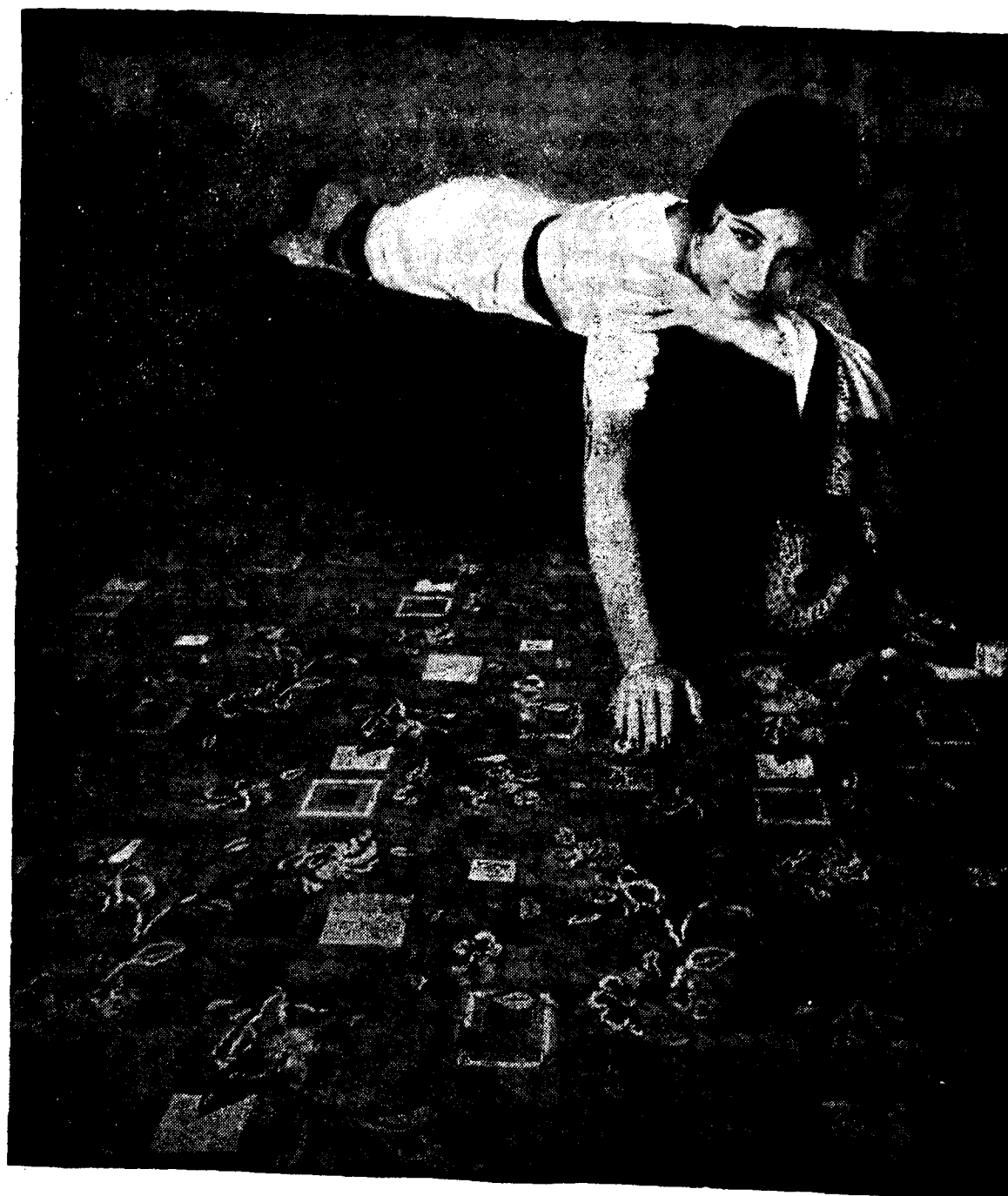
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COMPANY MEETING

INDIA STEAMSHIP COMPANY, LTD.

Address of Sir A. Ramaswami Mudaliar, K.C.S.I., D.C.L. (Oxon.), Chairman, Delivered at the Annual General Meeting of the Shareholders of the Company, on September 24, 1964, at Calcutta.

Gentlemen,

The Audited Accounts and Directors' Report for the period ending March 1964 have been in your possession for some time and with your permission I shall take them as read.

At the outset I would like to refer to the great loss that the nation has sustained in the passing away of Prime Minister Shri Jawaharlal Nehru in May of this year. For over 16 years since the attainment of Independence by India, Shri Nehru guided the destinies of the nation and steered the country clear through many dangers and pitfalls, both external and internal. His outstanding contribution to the nation has been the great impetus that he gave to the industrial and social development of the country. His broad vision, great insight and deep appreciation of modern advances in science and technology enabled him to guide the industrial progress of the country. More than that, his vision of a society broad-based on social justice and affording equal opportunities for all citizens, led to his determination to prevent the nation from falling back into archaic and superstitious ways of thought and life and saved the country at a time when the tendency was to enshrine all the past as glorious, irrespective of merits and demerits of the tradition we inherited. Whatever reservations some may have regarding Shri Jawaharlal Nehru's stewardship of the nation, none can gainsay the invaluable worth and value of the two distinctive assets which he has left to the nation. I trust that no corroding influences will destroy these precious assets.

For some time, it was a hackneyed question in India and elsewhere: "After Nehru, Who?" Some believed with faith in providence that "the hour will find the man". It is a matter of supreme thanksgiving that the nation, in its saddest and most critical hour, was destined to find in Shri Lal Bahadur Shastri the right person to be Prime Minister and leader of the nation. I can testify from my own experience how the unanimous choice of Shri Lal Bahadur Shastri was received with great relief and with equal admiration by the many nations of the world as it was received by the Indian public. Shri Lal Bahadur Shastri, without being personally known to many abroad, had somehow impressed his character and integrity, his modesty and sense of fair dealing as much on the people abroad as on his own countrymen. His leadership of the nation and the guidance that he will give to the country in the solution of its many perplexing problems, both internal and external, will be safe, prudent and practical. We join with others of our countrymen in wishing him all success in the great task and willingly offer our full co-operation in the work that lies ahead.

We, who are connected with Indian shipping, have reason particularly to welcome his Prime Ministership as he has been the architect of modern Indian shipping development. It was during his Ministership of the Transport Department that Indian shipping got a special impetus for expansion, development and courageous progress. His sympathy and understanding of the needs of Indian shipping, both in the public and private sectors, was responsible for the turn that Indian shipping took in its expansionist activities since 1954. I feel certain that his beneficent influence will be felt by Indian shipping.

PROGRESS:

In my speech at the last meeting, I indicated that it was inevitable that the freight rates from East to West would be increased and that it was generally recognised both by shippers and Government that this increase was justified in the circumstances in which shipping lines were working on the India-UK-Continent route. I had stated that the Conference had increased the rate by 12½ per cent while the Indian lines had pressed for an increase of only 10 per cent. The percentage proposed by the Conference was justified on the ground that, with the many exceptions that were made, with reference to commodities which were called sensitive and could bear only a lower percentage of increase, the effective rate would only be a total increase of 10 per cent. The increase proposed was not approved by the Maritime Freight Commission and by the shippers, and the Indian lines, at a later meeting of the Conference, induced their colleagues to accept the lower figure of 10 per cent. This increase was effective from 1st October, 1963, so that, as the Directors' Report points out, the effect of this increase was felt only for three months of the year under review through the completed voyages that took place after 1st October.

The year resulted in a net profit of a little over Rs. 9 lakhs after setting aside Rs. one crore and 28 lakhs for depreciation and after deducting all other charges. As you are aware, the result of the working of the company last year showed a loss of nearly Rs. 30 lakhs. I trust that the continued loss over the last few years has been definitely arrested and that a period of profit making has begun. Even so, I cannot feel happy or satisfied any more than the shareholders, of the small profit that has been made this year.

PROBLEMS OF INDIAN SHIPPING:

It is unfortunate that, in spite of repeated statements of Chairmen of Indian shipping companies about the handicaps that they are seized with, there has been little achieved in solving these problems or mitigating the hardships and handicaps that face shipping and particularly Indian shipping. The delays in Indian ports have been referred to more than once and it has been pointed out how Indian shipping loses by the number of days it is held up unnecessarily at loading and unloading ports in India. Except for one or two ports, delays have continued to the same extent in the major ports of Calcutta and Bombay. Owing to berthing delays your Shipping Company lost 432 days in the year out of which 300 days were in Indian ports alone; rain and inclement weather has resulted in a further delay of 76 days. These artificial and natural handicaps have been aggravated by lightning strikes and labour troubles of various kinds which resulted in a further delay of 25 days. The slow arrival of cargoes to some of the ports, necessitating the holding up of ships which were ready to sail, has contributed a further delay of 54 days. Thus, through avoidable causes except for rain and inclement weather, the days lost by your Shipping Company apart from the normal holidays were over 500 days. It must be admitted with appreciation that there was considerable improvement over the situation last year only at the port of Madras. The piece-rate system, which has not been accepted so far as Calcutta port is concerned, has further added to the delay in the turn-round of ships. The rate of discharge

or loading is only a third of what it is in the port of Bombay where the piece-rate system prevails. When it is realised that more than half the trade of India moves through the port of Calcutta and that it serves a vast hinterland, the importance of energetic action being taken in Calcutta at various levels for remedying this acute state of affairs becomes obvious. Plans are no doubt under way for execution of long-range solutions of these difficulties; but the immediate present is of more concern to all shipping lines and particularly the Indian shipping lines.

To the delays in ports in India has been added in recent months similar delays encountered in some of the western ports owing to labour strikes and even go-slow tactics. The delays in western ports, though comparatively shorter, are of considerable significance because the harbour and port charges and other incidentals of ships' delays in western ports are very much higher than similar charges in eastern ports. It is under these conditions which prevailed during the year that the earning capacity of shipping lines in the U.K.-Continental-India trade has to be judged.

EXTRANEOUS FACTORS:

There are certain extraneous factors which are having an increased impact on the consideration of freight rates and on normal profits, particularly for Indian shipping lines. The problem of earning foreign exchange and the consequential question of balance of payments has necessarily loomed large in recent times. India particularly and the less developed nations are seeking to meet their requirements of foreign exchange for imported plant and machinery and raw materials for their industrial development and must therefore, to a reasonable extent, concentrate on increasing their exports to various markets of the world. There have been many incentives considered in this connection for promoting exports. While I agree with this policy, I must reiterate that some shippers at least are taking advantage of the anxiety of the Government to increase exports and are constantly clamouring for a decrease in freight rates and objecting to even small increases. Shipping is as much an industry as any other industry and while land-based industries can cope with increasing cost of production due to a rise in labour cost or raw materials by an increase in the prices of the articles they produce, it is considered by some that shipping, in spite of the fact that all these increases affect them equally, could not adjust its freight rates suitably. It is essential that a more realistic attitude towards shipping should be taken by both shippers and ultimately by Governments and I feel certain that better results, even from the point of view of foreign exchange, will accrue from this altered attitude towards shipping lines.

The facilities that are available at ports in India are so poor in other directions also that they form a severe handicap to Indian shipping lines. It has been a matter of great concern that the dry docking and repair facilities in Indian ports leave very much to be desired. If, with this factor, Indian shipping lines are compelled to do the dry-docking and shipping repairs only at Indian ports as is often the case, not merely the resulting cost, but even more the resulting delay in carrying out this work, seriously affects the earning of these companies. During the year under review, your ships had to spend on an average 15 days for facilities for dry docking and special survey. If this was done in a foreign port to which the ship had to go for discharge or loading, the average number of days would have been about 5. The cumulative effect of all the factors I have referred to above makes it difficult for Indian shipping, whether coastal or overseas, to make a reasonable profit unless one of two things occurs: either the freight rates are fairly increased or the amenities

and conveniences at Indian ports are radically improved.

I feel that the time has come when the Committee in charge of national harbours is reconstituted with defined aims and objectives consistent with the needs of the times and their recommendations are not only seriously considered but given prompt effect to, so that, apart from long-term suggestions, immediate improvement may be made in the directions mentioned above.

I have referred to this long catalogue of grievances and deficiencies merely to explain the financial position of the Company. I feel confident, as I said, that we have turned the corner and that a more favourable balance-sheet may be presented in the succeeding years. But shipping companies must be assured of fair conditions of working in Indian waters and in overseas ports. When I find as a result of the year's working in the Liner trade that your ships spent 3,379 days in port and 2,301 days at sea and that on the coastal trade they spent 993 days in port and 282 days at sea, that is, nearly 60 per cent in port in the Liner trade and 77 per cent in the coastal trade, I must confess that there is something radically wrong in the manner in which Indian shipping companies generally were obliged to work. The loss is as much to the nation as to individual shipping companies.

EXPANSION OF SHIPPING:

The need to expand Indian shipping is obvious and it is in this direction that some additional earning of foreign exchange may be expected. But the immediate increase in foreign exchange earnings of Indian shipping lines can well be brought about — and comparatively easily — with altered conditions in Indian ports. I have advocated the expansion of Indian shipping but always with the basic idea that they will really increase the cargo carried to and from India. There is need for more tramp shipping, for tankers and for bulk carriers of appropriate size, and if attention could be concentrated by new entrepreneurs or even by established shipping companies on these kinds of ships, it will help the country as much as it will be of help to them. It will be disastrous if shipping companies which have an ambition to enter the Liner trade cut into the existing trades of Indian shipping companies on routes in which they have established themselves after great difficulty and considerable initial loss. They will only be dividing the income which the Indian shipping lines are now earning to the detriment of both themselves and of old-established lines. Given proper guidance by the Ministry of Transport in increasing the tonnage of Indian shipping and in fair and proper utilisation of such tonnage, there is every reason to believe that Indian shipping can expand on healthy lines.

THANKS:

Our thanks are due to the Minister of Shipping for his continued help and guidance and to the officers of the Ministry, the Secretary, the Director-General of Shipping and his deputies and assistants, who have always given useful advice and timely help.

TRIBUTE:

I should like, on behalf of the Board and myself, to convey our sincere appreciation of the work of the officers and staff, both afloat and ashore. Theirs has been devoted service in the interests of the Company. I should also like to express my thanks to the shippers, brokers and forwarding agents for their firm support and for the confidence they have reposed in us and in the quality of our service.

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

RECORDS AND STATISTICS

Reserve Bank Directors Urge Fiscal Stability

IN USING the tax instrument for securing resources for defence and development "it is important", says the Central Board of Directors of the Reserve Bank of India, "to bear in mind the unsettling effects of frequent changes in the general structure of taxation on the climate of investment activity". Expressing this opinion in its annual report for the year ended June 1964, the Board urges a strict scrutiny of Government expenditure with a view to weeding out less essential items. Extracts from Part I of the Report dealing with the major economic developments are reproduced below:

The economic developments during the year July 1963 to June 1964 can be viewed as in the nature of an aftermath to the Emergency which had dominated events in the preceding year. The Emergency generated pressures on the economy which were superimposed on those arising from the developmental programmes. With the passage of time, these pressures have increased and, more recently, the economy has had to meet substantial expenditure on relief and rehabilitation of refugees. In the result, the overall economic situation which was already a difficult one has become even more so.

There has been a rapid expansion in liquidity in the economy stemming from the large magnitude of total bank credit extended not only to the Government sector but also to the private sector whose requirements of bank finance have increased rapidly. The seasonal expansion in scheduled bank credit during the busy season of 1963-64 touched an all-time peak. Another striking feature of the monetary situation was the increase in money supply during the slack season of 1963 when normally the supply of money contracts. Equally noteworthy is the faster rate of expansion in deposit money witnessed during the year under review, which accounted for nearly one-half of the increase in money supply.

Stagnation in Agriculture

The inflationary pressures emanating from the greater liquidity were accentuated by the virtual stagnation in agricultural output. It is significant that the resulting gap between aggregate demand and aggregate supply persists, despite the unprecedented taxation measures contained in the previous year's budget and the other corrective measures that were taken since then. There has been a strong and persistent increase in wholesale commodity prices which has also been transmitted to the cost of living. The increase in the index of wholesale prices during the year was larger than in any previous year, except 1955-56, since the commencement of the five-year Plans in 1951. The major components of the increase were in the prices of commodities of agricultural origin, such as foodgrains, oilseeds and vegetable oils, sugar, gur, etc. The magnitude of the recent increase in prices associated with the failure of the post-harvest decline in prices to wipe out the increase in the preceding lean period has imposed considerable hardship on sections of the community.

In contrast to the commodity markets, the capital markets have been in a state of quiescence and still show the bearishness which first set in in the wake of the Emergency. While there has been a rise in industrial production, its rate of growth is still below the target of the third Plan.

In the external sector of the economy, despite a relatively better performance of exports and improved utilisation of external assistance, there was pressure on the foreign exchange

position. Thus, there is still a considerable leeway to be made up in regard to exports, if dependence on foreign assistance is to be significantly reduced in the near future.

The general level of prices showed a significant rise during the year (July 1963-June 1964) mainly on account of agricultural commodities, and except for a small short-lived seasonal decline during September to November 1963, it moved up continuously, the upsurge being pronounced in the second half of the year. Over the year, the rise in prices (9.4 per cent) was double that in the previous year. The deterioration in commodity prices which was marked in articles of mass consumption, was also reflected in the All-India Consumer Price Index for working class (base: 1949=100) which rose continuously from 134 in June 1963 to 150 in June 1964, and affected all centres. The seriousness of the price situation is emphasised by the rise of 11.9 per cent in the consumer price index, as against a rise of only 3.1 per cent in 1962-63.

Price Spiral in Food Articles

Among the constituent groups, the most significant rise was in food articles (13.3 per cent) followed by industrial raw materials (11.4 per cent). Moreover, the price increase was all pervasive among food articles, covering all the major cereals and pulses. The rise in prices is largely due to the setback in agricultural production which is reflected in the decline of 3.3 per cent in the index (1949-50=100) during 1962-63 to 136.8 from the level of 141.4 attained in 1961-62. The shortfall in production affected foodgrains and all commercial crops, except cotton, coffee, rubber and tobacco. There has been virtual stagnation in foodgrains production around the level of 81 million tonnes in the past three years, although the production of rice during 1963-64 has been larger than in the previous years. The problem of shortages in foodgrains appears to have been aggravated by the restrictions on inter-State movement and the present system of compulsory levy together with the increase in the holding capacity of the big farmers and speculative activity by the trade. The delays in unloading foodgrains at the docks also contributed to the rise in prices. The shortfall in agricultural production relatively to the requirements of the economy in conjunction with the abovementioned factors has created a psychology of scarcity, raising prices beyond the level justified by the basic supply and demand position. Compared with the rise in prices of agricultural commodities, the rise in prices of manufactured products was modest (at 2.5 per cent).

Industrial output expanded at a faster rate (9.1 per cent) during the financial year 1963-64 than in the preceding two years (7.9 per cent in 1962-63 and 6.4 per cent in 1961-62). However, the rate is still below the third Plan's annual target of 11 per cent. On the other hand, there are some significant features of industrial production which are indicative of the successful results of the strategy of investment pursued in the past few years. The output of basic industries increased at a faster rate than that of many of the consumer goods. The overcoming of bottlenecks in the supply of coal, power and transport enabled industries like jute textiles and iron and steel to achieve full capacity output. However, despite the overall increases in the output of commodities, certain essential industrial raw materials are still in short supply.

The future prospects of industrial production will depend both on the availability of foreign exchange and fresh invest-

ment as well as maintenance imports and the success achieved in preventing bottlenecks from arising in strategic sectors, such as in power and transport. The position in regard to financial resources for new investment is somewhat indeterminate. The cost structure of industry has already been raised by the increases in prices of raw material inputs, stemming from price increases granted by way of incentives to producers and increases in indirect taxation, and, to the extent they are linked to costs of living, by the increases in wages. Bids for further increases in wages by organised labour, if successful, are likely to aggravate the problem of industrial costs. A co-ordinated wage and incomes policy geared to productivity remains a vital 'desideratum'.

It is against this background that the more salient features of price policy may be briefly reviewed. Although official action was constantly focussed on holding down the prices of essential articles of mass consumption through a variety of measures, such as increased imports, larger internal procurement of foodgrains as well as their distribution through a wide net-work of fair price shops and co-operative stores, the all-round co-operation to hold the price line, which looked so assured in the critical months after the Emergency, was not much in evidence subsequently. Steps were also taken to exercise a stricter control over private trade through measures, such as the introduction of Foodgrains Dealers' Licensing Orders, so as to restrict the ability of the traders to exploit the situation of marginal shortages. In March 1964, the Government announced its programme which envisaged, among others, fixation of maximum prices of foodgrains, effective regulation of wholesale trade and tightening of selective credit controls. The zonal arrangements in respect of wheat, which were abolished in April 1961, were reintroduced in a modified form in March 1964. Among the important decisions bearing on price policy, following the Chief Ministers' Conference in June 1964, mention may be made of the removal of restrictions on the movement of rice from surplus to deficit States and of coarse grains throughout the country and the decision to establish a Foodgrains Trading Corporation and to reduce the Central Government's expenditure by about Rs. 70 crores. In order to check a speculative rise in prices, forward trading in 14 agricultural commodities including groundnut and groundnut oil was banned from June 1964. The selective credit controls in respect of advances against paddy and rice and groundnut were tightened and those against wheat were reimposed.

Higher Procurement Prices

On the other hand, the sluggishness of output necessitated upward revisions in the procurement prices of rice and wheat and in the minimum prices of sugarcane. Likewise, price increases were also announced in certain non-agricultural controlled commodities like coal, with a view to meeting the increase in costs and to stimulate production. Price and distribution controls which were found to be inhibiting the production of certain commodities were withdrawn, among which were rayon yarn, staple fibre, certain chemicals, tyres and tubes, caustic soda, certain types of steel and steel products, etc. Thus, the year witnessed a greater Government control over prices and distribution of certain agricultural commodities as also relaxation and abolition of controls over certain other products. In spite of these measures, the price level remains a highly disturbing factor in the economy.

Notwithstanding a substantial stepping up of taxation at the Centre and in the States from 1960-61 onwards, the budgetary position especially of the States has deteriorated. According to the revised estimates for 1963-64, the overall budgetary deficit of the Centre was smaller at Rs. 78 crores as compared with Rs. 182 crores originally anticipated for that year. But this does not take into account ad hoc Treasury bills of Rs. 75 crores funded in January 1964, and if account is taken of this

funding operation the overall deficit would work out to Rs. 153 crores which is slightly smaller than in 1962-63 viz., Rs. 168 crores. This has happened owing to the marked buoyancy in tax receipts and a fall in expenditure on revenue account. The overall deficit of the Centre during 1964-65 (B.E.) is estimated to be of the order of Rs. 86 crores. The overall budgetary position of the States worsened from a surplus of Rs. 37 crores in 1962-63 (Accounts) to a deficit of Rs. 18 crores in 1963-64 (R.E.), mainly on account of larger repayments of loans to the Centre and larger provision for development expenditure and debt services. Additional taxation at the Centre in the first three years of the third Plan is estimated to yield about Rs. 1,900 crores over the entire Plan period, thus exceeding the five-year target of the Plan (Rs. 1,100 crores). The tax proposals for 1964-65 are expected to yield an additional Rs. 40 crores in the current year, made up of Rs. 15 crores under direct taxes—mainly amendments to corporate taxation—and Rs. 25 crores under indirect taxation. For the States, the five-year target of additional taxation in the Plan was fixed at Rs. 610 crores. Measures taken by the States in the first three years would yield over the Plan period an aggregate revenue of about Rs. 460 crores. During 1964-65, an amount of Rs. 7 crores is estimated from additional taxation. Additional taxation during 1964-65 (B.E.) is expected to raise the ratio of Central and States' tax revenue to national income from 9.6 per cent at the end of second Plan to 14 per cent.

Individual Incentive

The tax proposals for the year 1964-65 avoid any material increase in indirect taxes. Income-tax and other direct taxes have been remodelled to maintain individual incentives consistently with the objective of reducing inequalities of wealth. The reintroduction of expenditure tax is to be viewed more as a part of the comprehensive personal taxation rather than as a revenue expedient. While the new tax measures may at best soften the impact of high levels of expenditure, the tax potential of the agricultural sector is still inadequately tapped. This has to be viewed from the angle not only of fiscal equity but also of the efficacy of the tax instrument in raising resources from all the strata of the economy.

The position in regard to the mobilisation of resources for the public sector through loans is somewhat of a mixed character inasmuch as, despite the subdued response to market loans, there was an exceptional outturn in small savings. Net collections from small savings during the financial year 1963-64 reached an all-time record of Rs. 132 crores showing an increase of Rs. 57 crores over 1962-63. There was a fall of Rs. 29 crores in the net market borrowings by the Centre and the States which amounted to Rs. 155 crores, as against Rs. 183 crores in the 1962-63 financial year. Lower response to the new issues accounted for a deterioration of Rs. 15 crores, the remaining change being accounted for by the discontinuance of the 4½ per cent National Defence Bonds 1972 (November 10, 1962 to April 29, 1963) and the 6½ per cent Gold Bonds (November 12, 1962, to February 28, 1963). Despite the none too favourable response to the new loans, the gilt-edged market remained firm and a number of short and medium-dated issues recorded handsome gains.

It was decided that from the financial year 1964-65 the States should float their own market loans. Consequently, the Union budget assumed credit for Rs. 295 crores under gross market loans, while eleven States (excluding Jammu and Kashmir, Maharashtra, Orissa and the Punjab) have taken credit for market loans aggregating Rs. 79 crores. The net borrowings of the Union Government for 1964-65 will amount to Rs. 103 crores. The Union Government entered the market on April 15, 1964 with an offer to holders of two maturing loans viz., the 3½ per cent National Plan Loan 1964 and the

3 per cent Loan 1964 for conversion into (1) the 4 per cent Loan 1970 at an issue price of Rs. 99 and carrying a redemption yield of 4.19 per cent and (2) the 4½ per cent Loan 1989 to be issued at par. The total amount of maturing loans tendered was approximately Rs. 142 crores as against outstandings of Rs. 189 crores, the balance of about Rs. 47 crores was repaid in cash. On July 3, 1964, the Central Government announced a second instalment of its borrowing programme for 1964-65, comprising a further tranche of the 4 per cent Loan 1970 at Rs. 99 and the 4½ per cent Loan 1989 at par, for a sum of Rs. 150 crores. The total subscriptions amounted to Rs. 151 crores and brought gross market borrowings during the financial year 1964-65 to Rs. 293 crores.

The flow of resources to the private sector from the open market remained restricted during 1963-64 (July-June), with the result that reliance was increasingly placed on the existing financial institutions for loan assistance as well as for underwriting support. Although there was a distinct improvement in new issue activity during the pre-budget months (October 1963—February 1964), induced by a moderate recovery in the stock markets on expectation of reliefs in the 1964-65 budget, investor confidence did not show any significant revival and the response to new issues was, by and large, unsatisfactory. The stock market's adverse reaction to the 1964-65 budget proposals and the renewed down-trend in share prices since March again adversely affected new issues. These developments reflect the sluggishness of the share market, despite the slight improvement of 3.7 per cent in share prices over the year in contrast to the fall of 14.2 per cent in the preceding year.

Shift in Investment Preference

The magnitude of consents by the Controller of Capital Issues, amounted to Rs. 138 crores during 1963-64 (July-June), which was about the same as in 1962-63 (after excluding the Rs. 30 crores debenture issue of Oil India Ltd.) A significant feature was the decline in the consents for equity issues, accompanied by an increase for preference shares, reflecting a shift in investor preference for fixed yield securities.

During the year, certain steps were taken to revive the capital market. The exemption limit for capital issues as well as industrial licensing was raised from Rs. 10 lakhs to Rs. 25 lakhs. The resources of the term lending financial institutions, such as the IFC, ICICI and the Refinance Corporation for Industry were also augmented. The year also witnessed the establishment of the Unit Trust of India from February 1, 1964 and the Industrial Development Bank of India from July 1, 1964. Besides, some fiscal reliefs were given to the corporate sector in the 1964-65 budget.

As in the preceding year, the shortfall in market resources for the private sector was made up by the substantial increase in finance from the various term lending institutions and the Refinance Corporation for Industry. Loans sanctioned by these institutions, comprising IFC, ICICI, NIDC and State Financial Corporations, amounted to Rs. 70 crores in the financial year 1963-64 as against Rs. 54 crores in 1962-63, an increase of 30 per cent. Disbursements stood higher at Rs. 41 crores as compared to Rs. 37 crores in 1962-63, though the ratio of disbursements to sanctions declined from 69 per cent to 58 per cent. Loans sanctioned by the Refinance Corporation for Industry (Rs. 23 crores) were nearly twice as much as in the previous year. A notable feature was that the financial institutions devoted special attention to new industries, while continuing to help traditional industries, and rendered valuable assistance to new issues. The amount of new issues underwritten by the LIC during the fifteen-month period ended March 1963 showed a more than two-fold increase compared to the year ended December 1961. The Corporation's investments in shares and debentures of joint stock companies in India out of its total investments rose from Rs. 103 crores in December 1961 to Rs. 125 crores in March 1963 — from 17.6 per cent to 19.4 per cent.

Viewed from the purely monetary angle, an important factor contributing to the deterioration in prices was the rapid increase in liquidity, which outstripped the sluggish growth of output in the economy. Money supply, which represents the monetary demand in the economy, expanded by Rs. 447 crores (or by 13.3 per cent) during the accounting year 1963-64 as against Rs. 310 crores (or 10.2 per cent) during the previous year.

The faster rate of growth in money supply was mainly induced by the more rapid credit creation by the banking system for private trade and industry. Governmental indebtedness to the banking system, comprising 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 Government's cash balances with the Bank, continued, as in the preceding two years, to be the dominant expansionary factor, although its impact was smaller (Rs. 281 crores) than in 1962-63 (Rs. 316 crores) and in 1961-62 (Rs. 327 crores). Net bank credit to the private sector, comprising both banks' advances and holdings of private securities adjusted for time deposits (excluding PL 480 and PL 665 funds), had a substantially larger expansionary effect on money supply in 1963-64 (Rs. 183 crores) than in 1962-63 (Rs. 72 crores). Government's net currency liabilities to the public were also greater by Rs. 17 crores as compared to Rs. 11 crores in the previous year. The balance of payments position, as measured by changes in the Reserve Bank's net foreign exchange assets, which had an expansionary impact (Rs. 7 crores) in the previous year, had a nominal contractionary effect (Rs. 1 crore) on the money supply in the current year. The combined effect of the foregoing factors was partially offset by a rise of Rs. 33 crores in net non-monetary liabilities of the banking sector (including the Reserve Bank) as compared to Rs. 96 crores in the previous year. A notable feature of the trends in money supply was a contra-seasonal expansion of Rs. 30 crores in the 1963 slack season as against a contraction of Rs. 63 crores in 1962 slack season. The expansion in money supply during the 1963-64 busy season was Rs. 407 crores as compared to Rs. 362 crores in the 1962-63 busy season.

A Secular Trend

An unusually large credit contraction (Rs. 121 crores) in the 1963 slack season was followed by an unprecedented expansion (Rs. 376 crores) in the 1963-64 busy season. In the 1963 slack season, the contraction in advances against seasonal commodities was larger than the previous seasonal expansion recorded by them; advances against non-seasonal commodities, which had shown a secular rise, also increased at a markedly lower pace than in the previous slack season. This was a reflection of a rapid depletion of stocks with industry and trade, especially in sugar and textiles, but it may also have been induced by some slackening in the rate of industrial growth and in investment activity. The pace of deposit expansion was at the same time faster than in the previous slack season, due in no small measure to the continuing budgetary deficit in the period. This, together with the unusually large credit contraction, brought down the credit-deposit ratio over the slack season from 78.6 per cent to 67.4 per cent and enabled the banks to build up their liquidity position by strengthening their portfolio of Government securities and augmenting cash reserves.

This rapid credit contraction focussed attention on the need to give a fillip to productive activity. Coupled with the anticipated larger requirements of crop finance, it underlined the need for some relaxation in credit policy. Accordingly, on October 30, 1963, the Reserve Bank modified its system of lending rates and borrowing quotas to enable banks to satisfy all credit demands for productive purposes. The nor-

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yarn, two new export promotion schemes were announced in respect of tobacco and the sale of jewellery and gold articles to tourists.

Imports which had risen by Rs. 85 crores in 1962-63, rose even faster during the year. At Rs. 1,231 crores they were higher by Rs. 139 crores than in 1962-63. The whole of the increase was due to larger payments on Government account for developmental as well as non-developmental items. Imports of capital equipment for Government projects increased by Rs. 86 crores and Government food imports by Rs. 31 crores. On private account, almost all items except machinery, mineral oils and raw wool recorded declines, with the result that total private imports fell by Rs. 6 crores. Larger availability of internal supplies, as in the case of cotton where imports fell by Rs. 10 crores, partly enabled the reduction in private imports.

In view of the general stringency of foreign exchange, the import policy for the year 1964-65, announced on March 31, 1964, was, as in the past, basically restrictive and the total level of imports permissible for established importers and actual users was broadly of the same order as in 1963-64. Among the more important changes in the new import policy were the widening of the scope of annual licensing to all imports except capital goods, raw jute, cotton and wool, textile machinery and cashewnuts.

Private Capital Inflow

In the field of private capital inflow, as evidenced, among other things, by the rise in the consents given for issue of capital to non-residents, which rose from Rs. 567 crores in 1962 to Rs. 130.5 crores in 1963 the climate for foreign investment in India seems to have improved in the period under review. This also reflects the efficacy of the various measures taken during the year to encourage the inflow of foreign capital, notably the tax concessions in the budget for 1964-65 and the reduction of procedural delays in industrial licensing.

The foregoing survey has shown that as a result of increased outlays on defence and development over a period during which the rise in output, particularly in agriculture, was not commensurate with expectations, the Indian economy was subject to considerable stresses and strains. These pressures were reflected in a significant increase in the level of prices, particularly of foodgrains. The stabilisation of prices of prices, particularly of foodgrains. The stabilisation of prices must be a major objective of policy, in order that defence and development may be secured while strengthening the balance of payments. A sizable expansion in the output of consumer goods, and particularly of agricultural products, will be necessary if rising levels of investment are to be secured, while maintaining the stability of the economy.

A purposive and positive price policy presents indeed the greatest challenge to economic statesmanship. Such a policy has to be framed taking into account both the short-term aspects and the longer-term strategy required to prevent the recurrence of difficulties that are being currently experienced. The short-term measures should be so designed that they could be meshed into a long-term strategy. It would also be well to remember that while the short-term measures must deal with hoarding, profiteering, etc., the aim should be to seek to eliminate or at least to reduce the impact of the primary causes behind the price increase. It is as well to recognise that the country has clearly not reached the stage of self-sufficiency; thus, the short-term solutions should also include measures, such as planned imports and distributional arrangements which will ensure that the hardship to the vulnerable sections of the community is reduced to the minimum. In the long-term, the highest priority must be given to the increase in agricultural output, and the price policy should be such as to offer a reasonable return to the cultivator to encourage him to maintain high levels of production. Such a policy coupled with a buffer stock operation geared closely to the agricultural

cycle, so that in good years the procurements both internally and by import is intensified and the stock built-up and in bad years stocks are released, should considerably help in achieving the desired degree of progress in agricultural output and contribute significantly to price stability.

Simultaneously with the adoption of measures which operate on the supply side in the economy, it is essential to pay close attention to the factors operating on aggregate demand. To raise outlays for development in the public and private sectors have been added the heavy load of defence expenditure and, more recently, expenditure for rehabilitation of refugees from Pakistan and persons of Indian origin coming from abroad. In the context of a shortage of financial resources, these have been financed by increasing recourse to bank credit, giving rise in the process to the price problem which has been further accentuated by the pressure of money outside the banking system.

Heavy Defence Expenditure

In the conflict between development and stability is to be resolved satisfactorily, it is essential to maintain a continuous watch on the pace and direction of development. As defence has a certain priority, the onus of adjustment falls on other sectors. A good deal of the adjustment has been made through altering structure and rates of taxation. In using the tax instrument for this purpose, it is important to bear in mind the unsettling effects of frequent changes in the general structure of taxation on the climate of investment activity. All this underlines the importance of a strict scrutiny of Government expenditure with a view to weeding out less essential items. Even if this results in temporarily slowing down of developmental activity in some areas, it may in the long run prove beneficial.

The credit policy of the Bank has a dual role to perform. In its short-term aspects, the policy has to ward off against pressures on the price level that might arise as a result of the use of bank credit. At the same time, the interest of development in the priority sectors has to be ensured. Further, the unusual pressure of development and other demands calls for the most effective mobilisation of genuine savings—a task in which the banking industry has a major part to play.

An encouraging feature of the country's economic situation is the progressive improvement in exports recorded in recent years. It is very essential that not only is the pace of progress in this sector maintained but improved further. The magnitude of the export effort has to be stepped up not only to meet current imports, both developmental and maintenance, but also the growing burden of external debt, the servicing of which is an important determinant of the country's external credit. This calls for a vigorous and sustained nation-wide export drive including in its purview not only the adoption of appropriate measures by the Centre and the State Governments but also greater efforts by the leaders and associations of the business community.

The stresses and strains the economy has run into by the middle of the third five-year Plan have an important bearing on future planning. The ability of the economy to withstand these stresses and strains is very much dependent on the progress it is able to achieve in the spheres of agriculture and exports. But, even with the utmost optimism in regard to agricultural production and the availability of foreign exchange, the resources budget of the nation may well remain strained. The size as well as the content of the developmental effort have to be carefully considered from this angle and a solution worked out which will enable development to take place in an environment of stability, so that the benefits of development are passed on in the right measure to the masses. This in its turn points to the need of formulating policies which would have to comprehend not only monetary, fiscal and physical controls but also a co-ordinated price and incomes policy.

mal quota for borrowings by scheduled banks, both against bills and Government securities, was raised from 100 to 150 per cent of their average statutory reserves. Banks could borrow half this quota (i.e. 75 per cent of the average statutory reserves as against 50 per cent till then) at the Bank rate, viz., 4½ per cent, and the other half at 6 per cent. Borrowing beyond this limit (i.e. in excess of 150 per cent of banks' statutory reserves) was to be in the nature of special accommodation to be granted by the Bank, after an overall assessment of the borrowing bank's position, at a rate of 6 per cent as against 6½ per cent till then.

Record Credit Expansion

In the busy season that followed, credit expansion attained record dimensions, the main underlying factors being a larger credit demand for marketing of crops, especially commercial crops like cotton, raw jute and groundnuts, the higher level of prices and the higher tempo of industrial activity. As compared to the previous busy season, there were larger increases in seasonal and non-seasonal as well as unsecured advances, though their respective shares in the total varied. Seasonal credit accounted for somewhat over half the expansion in the 1963-64 busy season as against over two-thirds in the 1962-63 busy season. Among seasonal advances, the rise in advances against sugar and gur and raw cotton, and among non-seasonal advances that against manufactures and minerals was more pronounced. The increase in advances against shares, Government and other trustee securities, assets of industrial concerns and real estate was also appreciably larger. The expansion of deposits in the 1963-64 busy season (Rs. 110 crores), though somewhat larger than in the previous busy season, was barely sufficient to meet one-third of the increased credit demands, the credit-deposit ratio (excluding PL 480 and 665 funds) reaching a peak of 81.4 per cent on May 8, 1964.

The supply position of agricultural commodities which seemed good at the commencement of the marketing season, turned less favourable as the season advanced; at the same time, there was renewed pressure on commodity prices. In view of this as well as the rapid expansion in bank credit financed by increased recourse to the Reserve Bank, the Bank reduced on March 11, 1964 the borrowing quotas and lending rates to levels prevailing before the end of October 1963. Banks were permitted to borrow a sum equal to 50 per cent of the statutory reserves at the Bank rate of 4½ per cent and the remaining 50 per cent at 6 per cent; any borrowing beyond this limit was to be in the nature of special accommodation, calling for a careful assessment of a bank's overall position and was to be charged a higher rate of 6½ per cent. In view of the sharp increase in clean advances, which had risen by 30 per cent in the year ended February 1964, banks were requested to review their portfolio of clean advances and bring down such advances.

Over the year as a whole, bank credit rose by Rs. 245 crores to a level which was about 18 per cent higher than a year before. The higher level of economic activity as well as the rise in prices partly accounted for the higher level of bank credit. The increase in cash reserves and the gilt-edged portfolio of banks was much smaller than in 1962-63. Deposits rose by Rs. 276 crores.

As regards selective credit controls, the main developments were the (i) relaxation of the control on advances against shares, (ii) tightening up of the control on advances against paddy and rice and groundnuts and (iii) reimposition of the control on advances against wheat. The last two measures were taken in the face of shortages of supplies in relation to demand and the prevailing higher level of prices of the commodities concerned. The minimum margin of 40 per cent in respect of advances against shares was removed in October 1963,

mainly with a view to revitalising the capital market. The main feature of the revised directive in regard to paddy and rice issued in February 1964 was the fixation of the overall ceiling as well as the secondary ceiling in respect of non-warehouse advances at 90 per cent of the level of such advances maintained in 1962. In groundnut, the Bank increased in March 1964 the minimum margin on advances from 45 to 50 per cent and also reimposed the ceilings on such advances which had lapsed at the end of February 1963, the limits so fixed being 150 per cent of the actual level of such advances maintained in the corresponding months of 1963 for the two-month period March-April 1964 and 120 per cent for each subsequent two-month period. In wheat, the control on advances which had been withdrawn in May 1961 was re-instituted in April 1964. Banks were required to maintain a minimum margin of 35 per cent (25 per cent for advances against warehouse receipts), while the ceiling limit for each two-month period beginning from May-June 1964 was fixed at 80 per cent of the levels maintained in the corresponding two-month period in 1962.

The experience of selective credit controls shows that, while they have had salutary effects in regulating bank credit for the commodities concerned, equally, they have their limitations, especially in an environment of overall monetary expansion, which makes it possible for operators to resort to non-banking sources of finance. This underlines the necessity of maintaining harmony between monetary policy and fiscal policy. Thus, while credit policy, in its long-term aspect, continued basically to be attuned to the needs of development, with preferential treatment to special sectors like small-scale industries, co-operatives and exports, in the short-term, adjustments in the cost and availability of credit were made to suit the needs of the emerging situation.

External Position

As in the past, the availability of foreign exchange continued to be a severe constraint on the development programme, despite an encouraging performance in exports and a sizable inflow of external assistance. The foreign exchange reserves which had risen by Rs. 48 crores in 1962-63 (July-June), fell by Rs. 10 crores in 1963-64 to Rs. 279 crores at end-June 1964. The draft on the foreign exchange reserves during the year is mainly attributable to the repayment of Rs. 24 crores of the outstanding indebtedness to the International Monetary Fund.

The most heartening development in the balance of payments field during the financial year 1963-64 was the substantial rise in exports which touched a level of Rs. 802 crores. This was largely due to the generally buoyant conditions which prevailed in the world economy, world trade in 1963 registering a growth rate of about 8 per cent. Almost all commodities, except manganese ore and raw hides and skins, recorded increases during the year with sugar, jute goods and cotton manufacturers accounting for more than one-third of the total increase. Although exports of items which were covered by special promotional measures did show a rise, it is even more gratifying to note that about two-thirds of the expansion in exports was effected without any special assistance. While most of the export incentive schemes were continued, greater emphasis was placed in respect of export policy on fiscal and such other measures as would directly help in cost reduction, better utilisation of capacity, quality control, etc. Among these may be mentioned the abolition of export duties on soft cotton waste, lac and raw jute cuttings and the concession on railway freight to an additional 65 engineering items as also the extension of rebate and drawbacks in customs and excise. Besides the removal of export restrictions on certain varieties of raw goat skins, ferrous metals, precious stones, woollen and carpet

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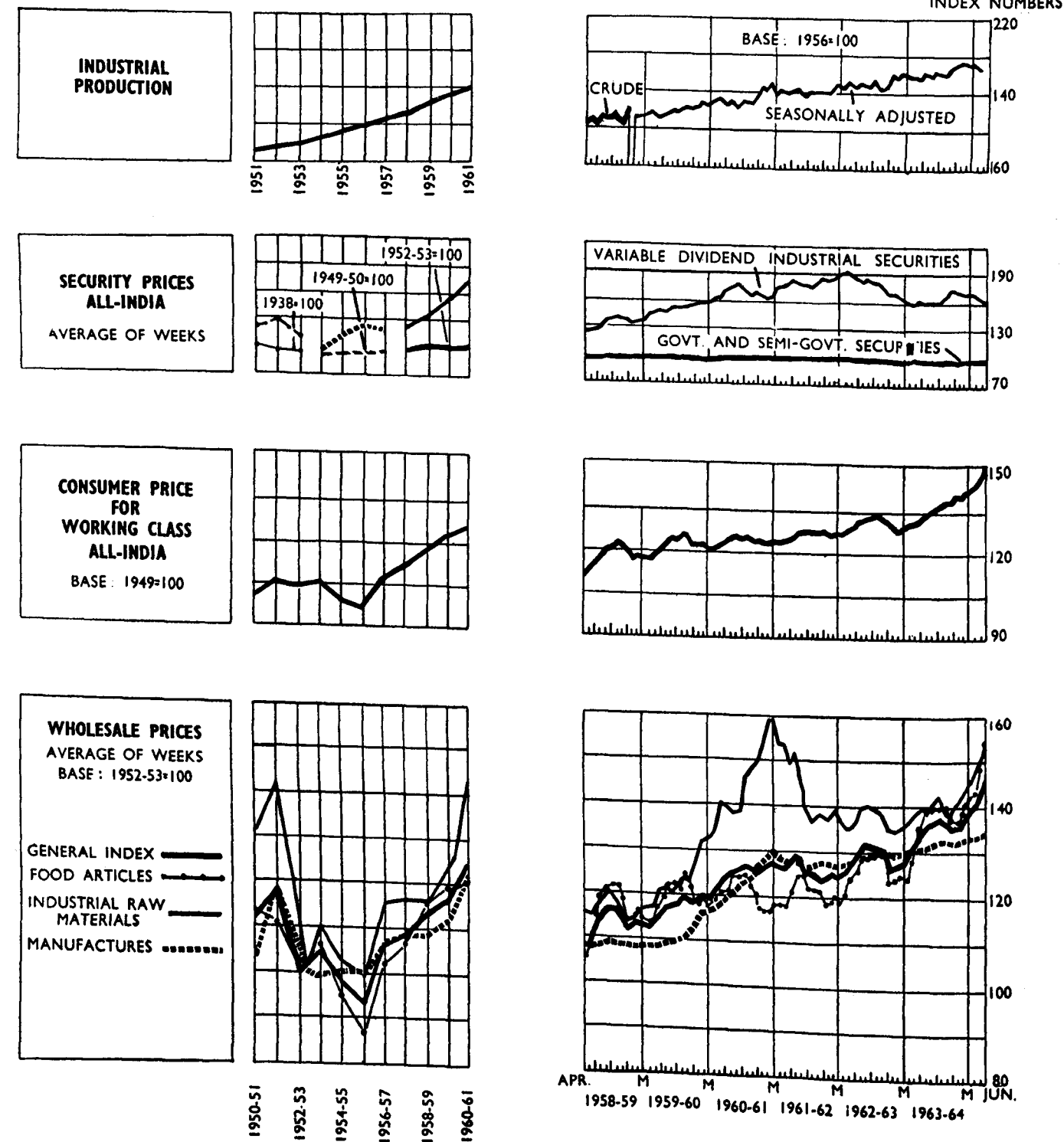
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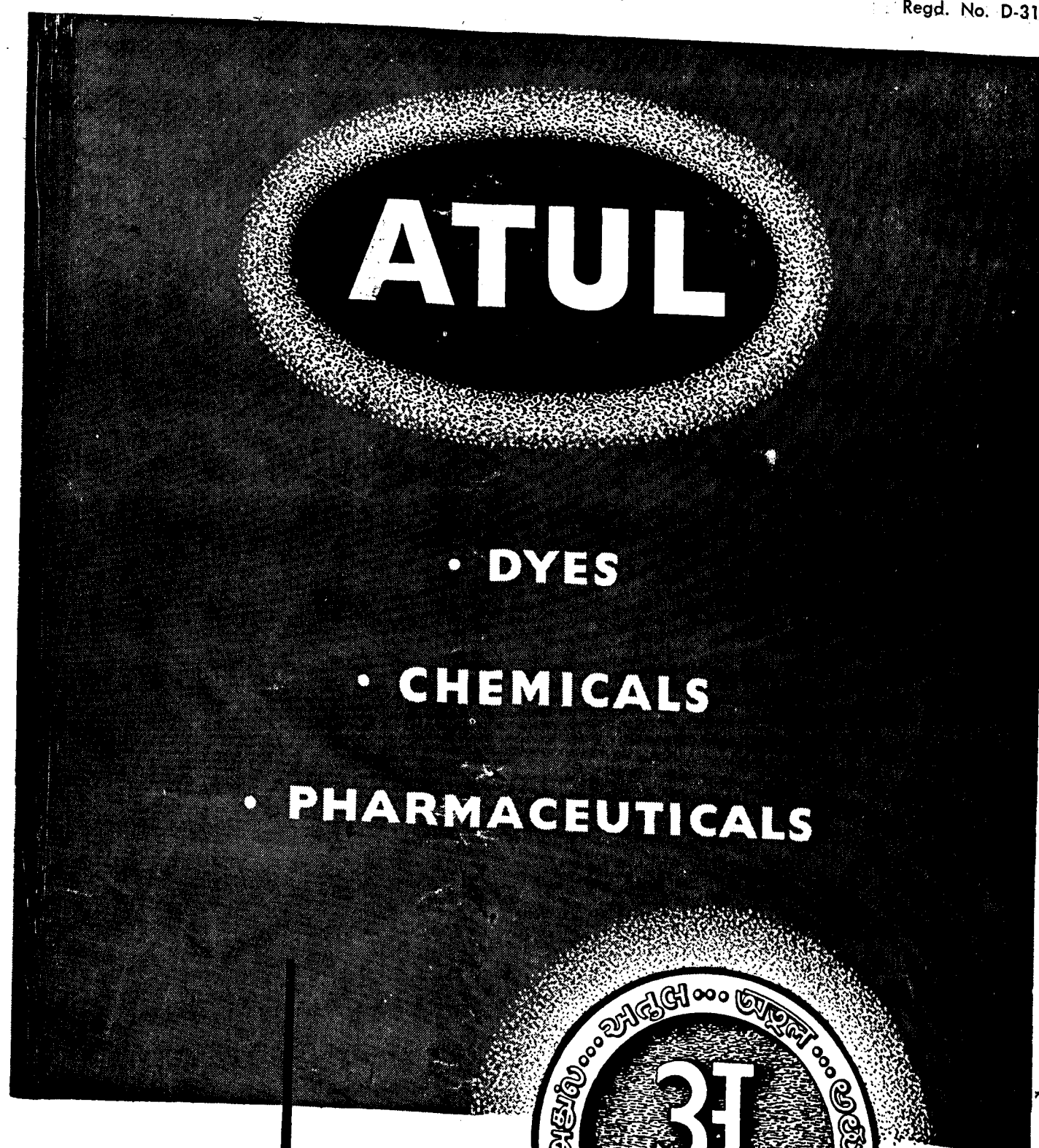
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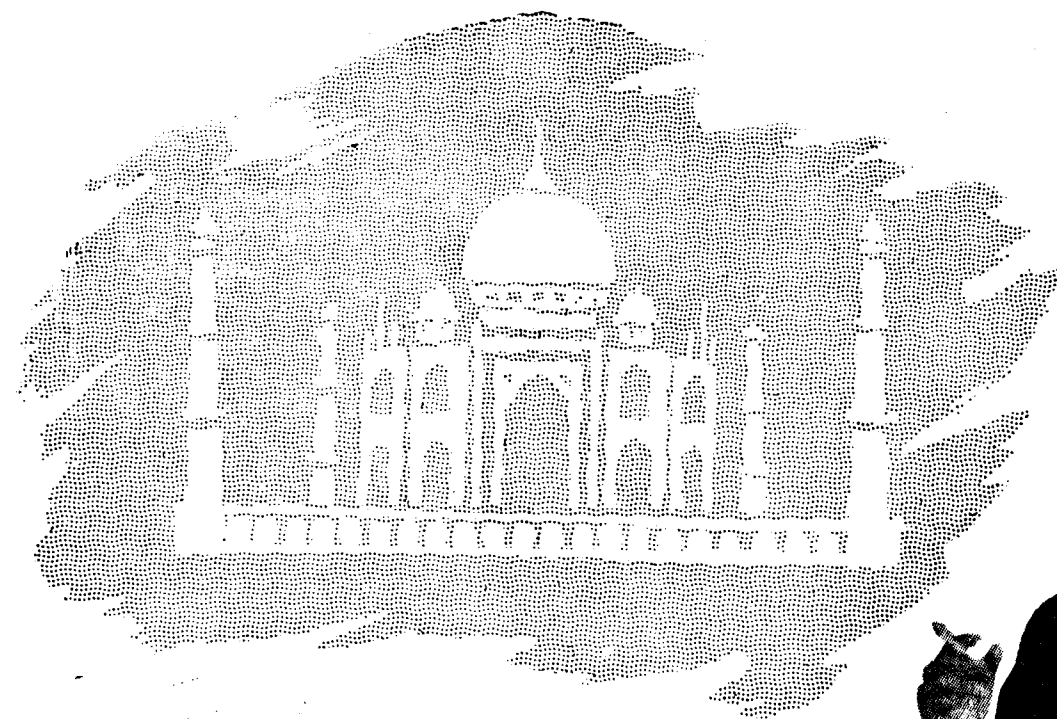
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Calling All Bankers

NOTWITHSTANDING the element of surprise incidental to the certainly well-guarded secret of timing of the announcement, the latest — and the second during the third Plan period — increase in the Bank rate effected by the Reserve Bank cannot be said to be unexpected. Almost everyone in banking circles expected it, but no one knew precisely when it would come. Earlier this year, when in the midst of the busy season the Reserve Bank applied the credit squeeze, we had observed that such an announcement was bound to come sooner than later. In fact, it is only the logical conclusion of a process that was set in motion by the reference to "realistic rates" in the last Economic Survey and the budget speech last February, or perhaps earlier still, i.e., in January, 1963, when the first increase in the Bank rate during the current Plan period was announced. A section in banking circles had expressed the view that any further enhancement in the Bank rate would come only if the return of funds in the slack season fell below that during the last season. Evidently the recent sharp uptrend in prices precipitated the decision.

Last Friday's decision to raise the Bank rate from 4½ per cent to 5 per cent — the highest rate ever in this country, — has not only a quantitative import but also a qualitative significance. In this respect the Reserve Bank has gone to the maximum extent that a Central Bank can go in prescribing the minimum and the maximum rates of interest on banks' borrowings as well as advances. The underlying objective, as claimed by the authorities, is to make credit costlier, though not scarcer, and to augment deposits, the former by the adoption of the differential interest rate system in respect of the Reserve Bank's rediscount facilities and the latter by the rationalisation of the deposit rate structure of scheduled banks.

How far these objectives are going to be achieved in the event remains to be seen. If tighter credit and greater mobilisation of savings are effectively to serve their anti-inflationary purpose, the good effect of these measures must not be allowed to be eroded by a reckless expenditure spree on the part of Government, especially on non-developmental and unproductive accounts. Mr. T. T. Krishnamachari has not only recognised this but has, in fact, been the first to start with a cut of Rs. 70 crores in the Centre's expenditure. Unless this is followed by sizable cuts in expenditure by every one of the State Governments, the country will not reap the full benefit of the increased Bank rate. At this point, it is also necessary to note, if only to dispel exaggerated notions of the effect of an increase in the Bank rate, that whatever the degree of perfection of the Reserve Bank's latest monetary measure, its effectiveness is directly proportional to the extent that our money market is organised. In other words, to the extent that we have still a vast non-monetised sector in the economy and a non-banking sub-region within the monetised sector itself, there are some very effective built-in limits to its success.

Although, from the Government's point of view, the timing of the announcement of the decision may be ideal or appropriate, in that it has come after the borrowing programme of both the Centre and the States is over, from the point of view of banks and other institutional investors, such as Life Insurance Corporation, who subscribed to government loans, the decision entails a degree of capital depreciation (in case they have to dispose of these loans). Although not intended, perhaps, this has served as a second deterrent to liquidation of government securities by banks, the first, of course, being the 28 per cent liquidity ratio on all banks which

became effective on September 15.

To what extent the half per cent increase in the Bank rate would push up costs, it is difficult to estimate. If, however, the resulting higher costs also lead to higher prices, as they are bound to, what is gained in the swings will be lost in the roundabouts. Here it is to be hoped that the Government will be prudent enough not to adopt the line of least resistance, viz., to rush to impose a ceiling on prices, but to bring down the present heavy incidence of taxation and thereby make a positive contribution to the imperative need of holding the price line.

The increase in the Bank rate is accompanied by a modification of the mechanism of credit control. The Reserve Bank's decision to abandon the system of quotas for regulating scheduled banks' borrowings from it and to introduce instead a pattern of linking the cost of commercial bank borrowings from it to the actual level of credit extended by commercial banks in relation to their own resources is certainly a move in the right direction. Apart from its chief virtue of flexibility, the revised approach could act as an incentive to the banking system to show more enthusiasm in mobilising deposits. In this connection, the Finance Minister has rightly noted that monetary discipline in a developing economy is better exercised by increasing the cost rather than through a direct restriction of the availability of credit, first, from the Reserve Bank to the banking system and, subsequently, from the commer-

cial banks to industry and trade. We hope both the Finance Ministry and the Reserve Bank would be fully alive to the implications of this policy. This awareness could not be better demonstrated than by the Reserve Bank changing some of its present tactics of credit restraints. We strongly recommend that the practice of detailed scrutiny of individual advances by commercial banks should be given up by the Reserve Bank and that the latter should restrict itself to a general supervision of the liquidity position of individual banks. There is certainly no justification in the normal course for a regular scrutiny by the Central banking organization of day-to-day transactions relating to advances portfolios of commercial banks.

Finally, while decisions on and developments in monetary control undoubtedly have a certain technical importance, their economic significance should not be exaggerated. It is not, of course, going to be the case that a five per cent Bank rate would change the price situation or production or employment prospects. The urgent need is to make the economy move faster and here restraints or restrictions, however useful in their narrow context, are not going to make any basic difference to the situation. It is now nearly a year since the Finance Minister promised the country a dynamic economic policy which would stimulate production, investment, employment and growth. That promise still remains to be made good. The nation, consequently, waits not only in ill-concealed impatience but also with a regrettable weakening of hope.

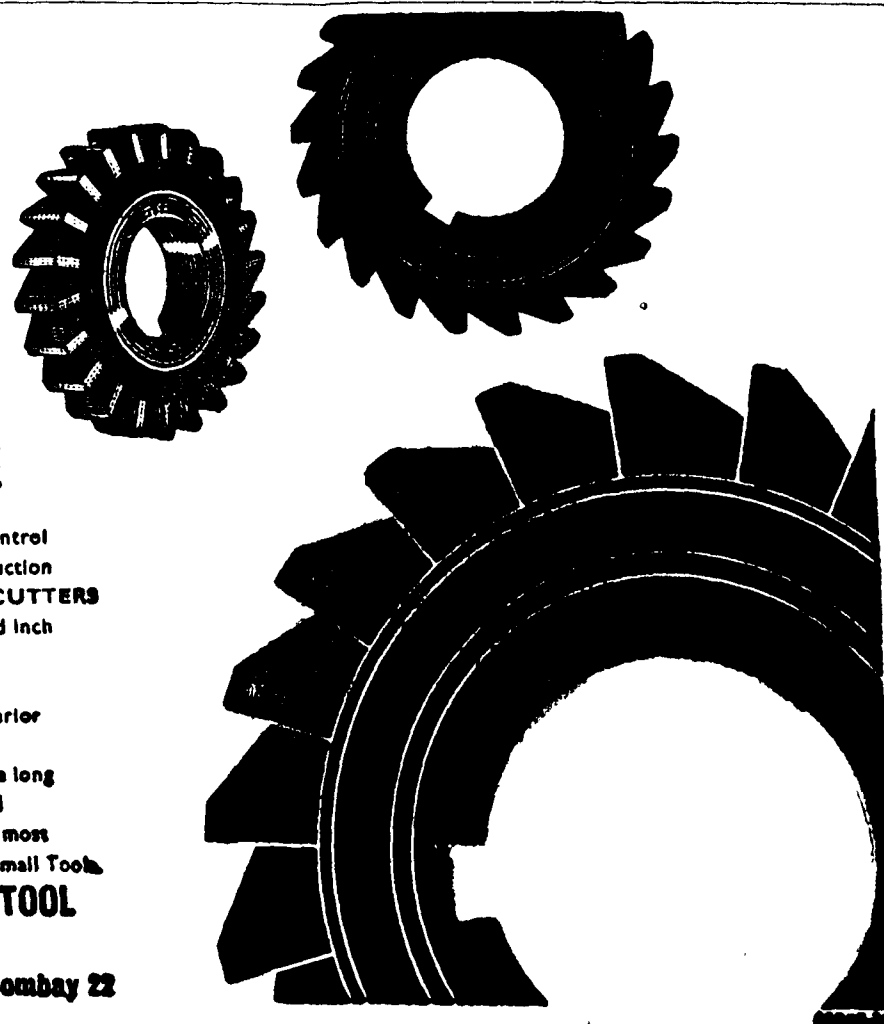
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Money in Steel

TWO GREAT steelworks, which have become symbolic of the growth of Indian industry, are the Tata Iron and Steel Company Limited (TISCO) and the Indian Iron and Steel Company Limited (IISCO). Notwithstanding the recent development of public sector steel plants, these two great companies will continue to play an important role in the industrialisation of the country. It would, therefore, be of great interest to analyse the relative performance of these two companies in recent years, say, the last four years from the data published by them. Of the two companies, TISCO is older, having completed 57 years whereas IISCO has completed only 47 years in 1963-64. A comparison of the performance of the two companies is made easier by the fact that both present their annual accounts as at the end of March of each year.

On the basis of the total net assets employed in the business, TISCO ranks first and IISCO second among all the non-government companies at work in the country. Table I shows the relative size of the two companies in 1963-64.

TABLE I

SIZE
(Rupees lakhs)

	TISCO	IISCO
Total net assets	15,924	10,336
Share capital	3,897	1,514
Reserves and Surplus	5,026	4,106
Secured loans	3,581	1,773
Unsecured loans	1,146	1,018
Sales	11,044	7,604
Profit before tax	1,647	1,151
Tax	475	387

A comparison of the performance of the two companies by the rate of profit earned by them is relevant, in spite of the government regulations in their production and distribution owing to the fact that both these companies have been subject to these regulations to the same extent. The rate of profit has been measured by the rate of profit before tax and interest on the total capital employed and sales, which give some idea of the relative efficiency in the use of capital and the relative efficiency of the cost of production and also by the rate of profit after tax on the net worth, which shows the return to the shareholders. Table II shows all these rates of profits for the last four years.

It will be seen from Table II that IISCO earned a higher rate of profit than TISCO by all the three standards in 1960-61 and 1963-64 and that during all the four years the rate of profit after tax on net worth was also higher in the case of IISCO. Another fact that emerges

from Table II is that although in 1960-61 the rate of profit after tax on net worth was significantly lower in the case of TISCO, gradually during the period this return has increased with the result that, in 1963-64, it had almost reached the rate earned by IISCO.

TABLE II
RATE OF PROFIT

(Per cent)

Year	TISCO			IISCO		
	(a)	(b)	(c)	(a)	(b)	(c)
1960-61	5.1	10.5	7.6	9.2	14.3	13.5
1961-62	5.6	10.3	8.9	5.8	8.5	12.0
1962-63	11.0	17.1	11.9	5.6	7.7	12.1
1963-64	11.6	16.7	13.1	12.5	17.0	13.6

- (a) Profit before tax and interest on capital employed (total net assets).
(b) Profit before tax and interest on Sales.
(c) Profit after tax on net worth.

A rate of return of 13 per cent on shareholders' funds cannot be considered low in the case of a basic industry such as the iron and steel. It would be interesting to see how this profit after tax has been allocated as between dividends and retention by these two companies.

TABLE III
ALLOCATION OF PROFITS

(Per cent)

	TISCO		IISCO	
	Dividends	Retention	Dividends	Retention
1960-61	91	9	50	50
1961-62	76	24	41	59
1962-63	50	50	39	61
1963-64	45	55	30	70

It will be seen from Table III that IISCO has followed a prudent policy of distribution of dividend during all the four years in which it has retained a greater part of the profits after tax, as compared to TISCO.

The rate of dividend paid on equity shares by both the companies is given in Table IV.

A comparison of Tables III and IV would show the

even though IISCO had retained a greater part of its earnings after tax, it had paid a higher rate of dividend on its equity shares during all the four years. This was made possible for the IISCO by the slightly higher rate of profit after tax on the net worth during all the four years and by raising preference shares which carried a lower rate of dividend than in the case of TISCO. Thus the rate of dividend on preference dividend in the case of IISCO was fixed at 5 per cent, whereas in

TABLE IV
RATE OF EQUITY DIVIDEND

	(Per cent)	
	TISCO	IISCO
1960-61	13.8	16
1961-62	13.8	16
1962-63	14.6	16
1963-64	16.0	17

the case of TISCO a major part of its preference shares carried a rate of dividend of 7½ per cent and a small part a rate of six per cent. The fact that IISCO had raised preference shares carrying a rate lower than TISCO, even though it was younger than TISCO, would appear to indicate that IISCO had planned and timed the raising of preference shares better than TISCO.

Apart from raising preference shares carrying a lower rate of dividend, IISCO has certain other financial advantages over TISCO. Table V shows the structure of liabilities in the case of TISCO and IISCO in 1963-64.

TABLE V
STRUCTURE OF LIABILITIES, 1963-64

	(Rs. lakhs)	
	TISCO	IISCO
Equity shares	2,756 (17)	1,244 (12)
Preference shares	1,140 (7)	270 (3)
Reserve and Surplus	5,026 (32)	4,106 (39)
Secured loans	3,581 (23)	1,773 (17)
Unsecured loans	1,146 (7)	1,018 (10)
Current liabilities and provisions	2,275 (14)	1,925 (19)
TOTAL	15,924 (100)	10,336 (100)

It would be seen from Table V that equity shares and preference shares were more important liabilities in the case of TISCO, whereas in the case of IISCO Reserves and Current Liabilities were the more important ones. In the case of IISCO, Reserves were more than three times the equity shares, whereas in respect of TISCO it was less than double. IISCO appears to have

resorted to financing its assets to a greater extent by current liabilities which carry practically no interest.

Table VI shows the value of production of TISCO and IISCO and the principal items of expenditure in the cost of production.

TABLE VI
COST OF PRODUCTION (1963-64)

	(Rs. lakhs)	
	TISCO	IISCO
Value of Production	11,170	7,582
Manufacturing Expenses	3,841 (34.4)	2,553 (33.7)
Salaries and Wages	2,062 (18.4)	1,267 (16.7)
Depreciation	797 (7.1)	441 (5.8)
Miscellaneous Expenses	3,159 (28.3)	2,312 (30.5)
Total Expenses	9,859 (88.2)	6,573 (86.7)

It will be seen from Table VI that the cost of production as a percentage of the value of production is slightly lower in the case of IISCO, where it forms only 86.7 per cent as compared to 88.2 per cent in the case of TISCO. Miscellaneous expenses in relation to the total value of production is slightly higher in TISCO, whereas all the other principal items such as manufacturing expenses, salaries and wages and depreciation are lower in IISCO.

The advantages which IISCO had over TISCO may be brought together:

- The rate of profit after tax on net worth was higher;
- IISCO retained a greater part of the profit after tax;
- IISCO paid a higher rate of dividend on equity shares;
- IISCO had raised preference shares carrying a lower rate of dividend;
- Cost of production was slightly lower in the case of IISCO;
- In the result, the shares of IISCO were quoted, on an average, at a higher rate during the period as the following table shows:

TABLE VII
QUOTATIONS

	1960-61	1961-62	1962-63	1963-64
TISCO ordinary Rs. 75	151.70	148.45	133.90	141.50
IISCO ordinary Rs. 10	24.47	25.90	24.03	23.62

Highlights of the Week

THE PLANNERS . . .

A MAJOR reorganisation of the Planning Commission is stated to have been finalised at a meeting of the Commission held last week under the chairmanship of the Prime Minister. It has been proposed to set up a National Planning Council, composed of experts in different branches drawn from the private sector industries and institutions. The Council will be a permanent body and its members will be expected to spend some time periodically with the Planning Commission for sustained work on specified problems. The present system of having bodies and panels of experts to help the Commission by comments on a purely ad hoc basis on subjects proposed to them, it is felt, is not conducive to intensive studies of the issues.

Another proposal of far-reaching consequences is to make a drastic change in the staff pattern of the Planning Commission. According to this proposal, while the Commission will retain the core of its expert staff, it will mainly depend on the expert and technical staff of the Ministries which would be strengthened. The effect of this step will be to reduce the powers of the Commission in relation to Ministries in Plan formulation and its capacity to supervise Plan implementation.

The third important change proposed is that the Planning Commission should look after a subject collectively instead of the subject being dealt with by it in a compartmentalised manner under the present system where the subjects are divided among the members of the Commission on the pattern of Cabinet-like distribution of portfolios. This, it is thought, will impart greater cohesion to and inject extensive thinking in the Commission's work. The tenure of the members of the Commission is envisaged to be fixed at five years, co-terminus with the period of a Plan.

. . . AND THE FOURTH PLAN

AT A long meeting this Monday, the Union Cabinet considered the dimensions of the fourth five-year Plan, but deferred decision on the matter till the middle of this month. The Planning Commission had proposed to the Cabinet three alternative figures of the overall outlay — Rs. 21,000 crores, Rs. 22,500 crores and Rs. 24,000 crores. After dovetailing the sectorial programmes, the Commission had been able to scale down the total outlay, without reducing the physical targets proposed by the various working groups, from Rs. 25,000 crores to Rs. 24,000 crores. An outlay of Rs. 24,000 crores contains a provision of Rs. 3,400 crores — Rs. 2,700 crores in the public sector and Rs. 700 crores in the private sector — for agricultural development and Rs. 5,500 crores — Rs. 3,500 crores in the public sector and Rs. 2,000 crores in the private sector — for industrial growth. Expenditures to these orders, it has been estimated, can step up the rate of development in the agricultural sector to 5.6 per cent (linear) per annum and in the industrial sector to 12 per cent per year. The overall rate of growth of the economy will go up to 6.7 per cent per annum. If the total outlay is scaled down to Rs. 22,500 crores or Rs. 21,000 crores, the rates of growth in the various sectors as well as the overall rate of growth will go down slightly.

No final estimate of the resources likely to be available for financing the fourth Plan, however, has yet been prepared. The latest estimate puts the resources figure around Rs. 18,000 crores for investment which will make an overall outlay of about Rs. 20,000 crores a feasible proposition. The Planning Commission, however, feels that resources will also be generated by an accelerated development of the economy and the fourth Plan total outlay can be easily stepped up to around

Rs. 22,500 crores. The Resources Division is expected to finalise its assessment of the funds likely to be available for the fourth Plan, in about three months' time.

STRENGTHENING DEFENCES

UNMITIGATED inquisitiveness as a general rule, either seeks solace in unhealthy conjectures or, if allowed to persist, degenerates into a morbid mistrust. Vulnerability to such tendencies is rather more where the vital question of the defence of a country is involved, and especially when the faith of the people in this regard has once been shaken. Judged in this perspective, the Defence Minister's graphic statement, which he made in the Lok Sabha last week, on the country's defence preparations must create a salubrious effect. He made public, for the first time, the details of the five-year defence plan which this country has embarked upon to "ensure systematic development of our defence potential in the light of the threat facing the country". The defence plan envisages the maintenance of a well-equipped army with a strength of 8.25 lakh men, a 45-squadron Air Force (including the programme of replacement of the obsolete aircraft and improvement of the radar and other communication facilities), a phased programme of strengthening the Navy, improvement of road communications in the border areas, making the defence production reach the level of self-sufficiency, and, finally, the overall organizational overhaul to ensure economy in the utilization of funds allocated for defence build-up. The last point assumes great significance when the programmes of modernization of the defence forces and improvement of facilities for logistic support to them are estimated to require 10 to 12 per cent more rupee expenditure than what is currently being incurred. Nothing will bring more happiness to the tax-payer, who has eventually to bear this burden, than to know that the public money spent on the country's defence is being utilized wisely.

The Defence Minister's statement, however, was primarily meant to apprise Parliament of the outcome of his visits to the United States and the Soviet Union. That both these countries, as also Britain, have come forward in no small way to help India in fortifying her defence potential is no secret. But the credit must go to Mr. Y. B. Chavan for eliciting this co-operation without playing the military assistance from one country against such assistance from another. The U.S. Government has agreed to provide to this country an immediate credit of \$10 million for the purchase of defence articles and services, with a promise for a further credit to the extent of \$50 million during the fiscal year 1965. Apart from this, India will continue to receive U.S. military assistance on grant basis in 1965 at the same level as during the fiscal year 1964.

During his visit to the Soviet Union, the Defence Minister concluded a series of agreements under which the Soviet Government will supply a certain number of MIG-21, 20 Mi-4 helicopters, and a certain number of light tanks and associated equipment. An earlier agreement, concluded in August, 1962, for the manufacture in this country of MIG aircraft, has been extended to include the supply by the Soviet Union of certain types of equipment which would help expedite the establishment of the MIG complex of factories. Payment for the above purchases will be made in rupees which can be used by the Soviet Government for purchases of goods and articles in India according to existing arrangements. Perhaps the major attraction of the Soviet defence assistance is that no stipulation has been added for using it against China.

During his projected visit to Britain, Mr. Chavan intends to discuss with the British Government, India's requirements

for destroyers and the possibility of manufacturing them here. Meanwhile, Britain has agreed to provide financial assistance for the reconstruction of the Mazagaon Dock in Bombay and the subsequent construction there of three Leander-class frigates. The Defence Minister has stated in categorical terms that our defence requirements are strictly guided by the country's foreign policy of non-alignment.

PERSPECTIVE SET RIGHT

PRESIDENT RADHAKRISHNAN returned to New Delhi last week after completing his State visits to the Soviet Union and Ireland. His tour has been most appropriately described as a resounding success. The joint communiques issued both at Moscow and Dublin have been widely welcomed in this country. The statesman in Dr. Radhakrishnan throughout his tour has tended to excel the philosopher in him. While his visit to the Soviet Union has been helpful in carrying forward personal equations established by the late Jawaharlal Nehru with the Soviet leaders, in Ireland his achievement, on a different plane, ought to be described as remarkable. The Irish Government has expressed the hope that Indo-Pakistan differences, including those on Kashmir, would be solved through direct negotiations between India and Pakistan. This provides a sure indication that Ireland has resumed from the stand it took on the Kashmir issue in 1962, when it sponsored in the Security Council a resolution to solve the Kashmir tangle. Its attitude towards the Kashmir dispute was not much different when President Ayub Khan of Pakistan visited Ireland in July after the Commonwealth Prime Ministers' Conference. How with "extraordinary clarity" the President explained the issue that it was not purely a legalistic or territorial problem was told to the Indian correspondents accompanying the President by the Irish Prime Minister, Mr. Sean Lemass.

One thing that emerges very clearly is that Ireland had been provided by Pakistan a distorted picture of the Kashmir dispute, and the Indian Ministry of External Affairs had, to a great extent, failed to set the perspective right. The resentment that had been caused in this country over the Irish Resolution in the Security Council was not, therefore, wholly justified. It is true that such a resolution ought not to have been moved by a country with whom we have always had close and cordial relations. But it must be realized, at the same time, that the responsibility, fairly and squarely, falls on India for keeping the friendly countries well-posted with all the facts regarding Kashmir, or, for that matter, any other dispute between this country and Pakistan or China.

BAKSHI'S ARREST AND AFTER

THE NEWS of Bakshi Ghulam Mohammed's arrest was received in nearly all circles with surprise but particularly without any resentment. During the past few months, an impression had been growing that the charges of corruption against the Bakshi had not been examined properly and that he was allowed to escape scot-free under the garb of the 'Kamaraj Plan'. It is, however, felt that the timing of his arrest has been inappropriate. The Sadiq administration, by arresting the Bakshi and six other associates of his, gave the impression that the arrests were partly to assure for itself a majority support of the National Conference members in the Kashmir Legislative Assembly, where a censure motion was in the offing. This view, however, has been countered by the fact that 45 National Conference members of the Kashmir Assembly, which has a total strength of 75, have expressed full confidence in the Sadiq Ministry and have reiterated their full support in 'implementing the Conference policies'.

It is understood that something quite sinister was brewing during the past few weeks. It was suspected that certain dissident leaders had a hand in encouraging Bakshi Ghulam Mohammed to embark on a religious path. It was for this reason that the Union Secretary for Kashmir Affairs was

directed to proceed immediately to Srinagar. But the way the situation developed, the State Government could not have any opportunity to seek guidance from the Union Cabinet. It had, therefore, no option but to act on its own initiative.

After a round of talks between the Union Government and the Kashmir authorities, the Sadiq Government has been advised to re-convene the adjourned session of the Kashmir Assembly as early as possible. Mr. Sadiq has responded to this advice. It has been decided to recall the Assembly into session in the beginning of October. The Union Home Minister, Mr. G. L. Nanda, has told the members of the Parliament's Informal Consultative Committee that the charges of corruption against Bakshi Ghulam Mohammed had been there for some time past. Mr. D. P. Dhar is reported to have stated that there is no intention to keep the Bakshi in detention for a long time and that an independent commission for inquiry, headed by an eminent judge from outside Kashmir, would soon be set up to go into the serious charges of corruption against the former Premier of Kashmir and several others. The State Government, he has pointed out, is determined to root out corruption and the appointment of the commission would be one of the important steps in this direction. It is hoped that the enquiry would take only reasonable time so that it does not become an excuse to keep Bakshi Ghulam Mohammed in detention.

INDO-U.A.R. TRADE AND COLLABORATION

INDIA AND the United Arab Republic have proposed to step up trade between them this year to as much as Rs. 45 crores (Rs. 22.5 crores each way) from Rs. 25 crores (Rs. 12.5 crores each way) last year. An agreement to this effect was signed here last week. Besides tea, jute goods and numerous engineering and chemical products which India has been exporting to the UAR in recent years, her revised export list includes such new goods as cotton yarn, coca-cola concentrates, tissue paper and in-reinforced steel bars. The UAR will export to India such new products as fertilizers, mazout, flax and printing paper, in addition to stepping up her traditional exports — Egyptian cotton, rice and rock phosphate. Both the sides have agreed to examine the possibilities of introducing more new items; sufficient scope has been left in the agreement for this purpose.

The more significant fact about this new Indo-UAR agreement, however, is that the two countries have agreed to collaborate with each other in jointly establishing industrial projects in other developing countries and for extending joint co-operation to such countries in the implementation of their economic development programmes. This assistance will be provided to the countries seeking it for strengthening their infra-structure. It is expected that separate delegations from India and the UAR will examine such proposals shortly.

Both India and the UAR have been hitherto assisting the developing nations in their economic growth separately. India has extended help for setting up many a new industrial project in various African countries, particularly in Ethiopia and Nigeria where it has financed with the local interests establishment of cotton textile and engineering industries. It also signed a couple of weeks ago an agreement with the Government of Uganda for setting up four sugar mills in that country. A textile mill is also envisaged to be put up in Kenya shortly as a joint venture between India and Kenya. The provision in the Indo-UAR agreement on extension of assistance by the two countries jointly to the developing nations should augur well for the solidarity of the under-developed nations and for the fulfilment of their resolve to depend, as far as possible, on their own resources for economic emancipation. This, however, does not obviate the need of both technical and financial assistance being provided to the developing nations on an increasing scale by the developed countries.

Job Satisfaction: Its Nature & Context

RAJA RAM JAIPURIA

THE PROBLEM of human efficiency is a very broad one and involves many aspects of the individual. It has only been in the last 20 or 25 years that industry has given any significant recognition to workers as human beings. While it would be stretching the truth too far to say that in the past the worker had been regarded as a mere machine, it is nonetheless true that behaviour was thought of as being determined in a simple mechanical fashion. In more recent times, however, the human aspect of the worker has been subject to much closer scrutiny. As a consequence, there has been increased understanding of the dynamic factors underlying his behaviour and motivation.

Among the various factors affecting the human behaviour towards work, there is probably no other factor so important as the feeling of satisfaction of a worker in his job, which in turn affects his capacity or willingness to work or his efficiency, as "the ideal of human efficiency would be the production of the maximal output of the highest quality in the shortest time, with the least expenditure of energy and with the maximum of satisfaction."

Job satisfaction is the outcome of various attitudes possessed by a worker. Taking it in a narrow sense, the various attitudes connected with the job relate with such factors as wages, supervision, conditions of work, continuity and steadiness of employment, chances of promotion and advancement, recognition of ability and appreciation for work, wages, social relations in the job, quick settlement of grievances, just and fair treatment by the employer, and so on and so forth. But for a more comprehensive approach in completely understanding job satisfaction, many additional factors such as worker's age, health, mood and temperament, desires and level of aspirations should be included and considered. Besides the worker's family relationship, social status, recreational outlets, his activities, political, economical or social, are of tremendous importance which ultimately contribute to the job satisfaction. Job satisfaction, therefore, is a general attitude which is the outcome of many specific attitudes which can be broadly classified under specific job factors, individual adjustment, and group relationship outside the job.

General Satisfaction

Estimates in regard to the incidence of satisfied workers in the general working population are in fairly close agreement. Studies have revealed that, as for the majority of workers, about two-thirds are in general satisfied with their work. People, again, are in general agreement that individuals working in the higher occupational levels are more satisfied with their jobs than those in the lower levels. A review of about 2,000 articles on the subject in America unequivocally confirmed the above point of view, i.e., the higher the level of occupation, the higher the level of job satisfaction. More persons in professional and managerial jobs are thought to be satisfied with their work than those in office job, and so on down to unskilled jobs. Investigations of the relationship between occupational levels and extent of satisfaction do not, however, indicate the above hypothesis to be wholly true. Super found that there is an increase in the proportion of satisfied workers from the lowest manual jobs up to the skilled occupations. At this point a break occurs, so that, with the lowest office occupations, less satisfaction is again in evidence. From this level upward, increases in occupational level result in further increases in extent of satisfaction. This suggests that workers make a distinction in their minds between manual and non-manual work and that at the higher levels of each type more satisfaction is obtained than at the lower levels.

Security, of course, is a strong reason for liking the job, and is generally mentioned as one of the most important factors contributing to job satisfaction. It is observed that

the lower one gets in occupational scale, the greater the importance attached to the security factor. The greater skill and responsibility demanded in high level jobs gives the employee more salability, and hence creates a demand for his services both within his own company and in others.

Security as a job satisfaction factor increases in importance with an increase in age. Besides this, for an educated employee security is of less importance than for an illiterate one. At the same time, it is equally important to the workers regardless of their dependants, except in the case of a single man who is entirely on his own and has no responsibility or liability of any kind.

The chances of promotion are yet another factor of considerable importance, particularly to men of ambition. It is true that the attitude of an employee to work is greatly influenced by the possibilities of promotion, and naturally, therefore, a worker feels more satisfied in a job with opportunities of further advancement rather than one where the chances are not so easily available. It has, therefore, been stressed that there should be a promotion policy free from favouritism, intelligible and comprehensible to the employees, so that those who are prepared to work harder and acquire the requisite qualifications and experience can be properly and suitably placed, and allowed opportunities to make use of their exceptional capabilities.

Working Conditions

Working conditions affect the degree of satisfaction from work. Temperature, lighting, ventilation, parking facilities, cafeteria, etc., have been termed as factors contributing to satisfaction. Working conditions are substantially more important to men. Hours are more important to men than any other specific aspect of working conditions. Similarly, it is found that rest periods introduced at appropriate intervals give satisfaction, not so much for the relief from fatigue but for the mere fact of change.

Wages play a dominant role in the determination of the feelings of job satisfaction among the workers. Wage for work done has many aspects. Is it an adequate reward for the services rendered? Is it adequate for a man to live on? Is it relatively adequate? These are some of the questions which naturally arise when we are considering job satisfaction. In regard to the adequacy of reward for services rendered, much would depend on the question of supply and demand of labour at any given time. In regard to the second question, we can roughly interpret as that amount which is sufficient for him and his family to be reasonably clothed, fed and housed, and lastly in regard to wages being relatively adequate, it may be pointed out that human nature is such that employees are constantly comparing and contrasting their income with those of others. It means, therefore, that if there are some employees doing roughly the same work and carrying the same responsibility, but are receiving more than others, who actually deserve more, bad feeling is caused resulting inevitably in an embittered attitude to work.

The various aspects of job also have their desired effect on the feeling of satisfaction in one's job. There are many reasons why people like their job, simply for the sake of their job. One may like what he is doing because he has the right ability, background and training for it, for another it may be the other way. He may like his job because it brings him recognition. Yet, another may like his job because it is easy and gives him an opportunity to travel, or is free of tension and pressure. Whatever may be the reason, what the man does at his particular job contributes to both satisfaction and dissatisfaction. It has been found for example that a reduction in the skill requirement of a job increases dissatis-

faction of the more skilled worker whereas it would not affect the less skilled worker.

The relationship between management and employees is affected by the kind of immediate supervision provided for employees. To the worker a supervisor is both a father figure and an irritating boss, who is equally strong contributor to both satisfaction and dissatisfaction. It has been found that women seem more sensitive to supervision than do men, but for both bad supervision can be a primary reason of absenteeism. Supervision seems less important at the high level, in spite of the fact that people in high positions have a greater tendency to verbalise the things that are wrong with their particular supervisory structure. Investigations carried out in this direction show some evidence that educated persons like criticism of their supervisors, more than less educated people, and also that married workers with dependants are more conscious of the problem of good supervision than are single men.

There is sufficient evidence which indicates that workers' satisfaction is established through improving employer-employee relationship, so that the worker will be led to believe that his problem will be given due consideration and that he is an important part of the organisation. Obviously, such morale can be developed through the medium of good supervision.

A good company and management also contributes a lot towards job satisfaction in a worker. The employee believes that with a good company he can feel some stability in his job, which is a matter of substantial satisfaction to him. It may also be pointed out that the reputation of the company and the management has a lot to do with the spirit of satisfaction in the worker.

Role of Efficiency

Efficiency of management is another factor which contributes largely to job satisfaction. There is no doubt that an employee's attitude to work is very much affected by the functional efficiency of his employer. Nobody likes to work for an incompetent or inefficient management. Under an efficient management, one feels a sort of joy and satisfaction. The spirit of satisfaction is spontaneous.

It is an undisputed fact that a round peg in a square hole is not so fitted as a square one. It is, therefore, true to say that methods of selection and placing of employees cannot be left to amateurs, with individuals and selection committees conducting interviews with only hazy conceptions of what an interview proposes to do and with no clearly defined principles as to how to assess a candidate's fitness for a job.

The greatest hope of satisfaction from work lies in the skill in putting each person into the type of occupation for which he is best fitted. A proper inter-relation of the strength of the worker and the strength required of him is a condition precedent to job satisfaction. The same is true of physical endurance, intellectual capacity, and of other significant traits. Individuals have been found differing in these respects, and it is, therefore, of vital importance to recognise the importance of such differences. With the right person on the right job there would be an abundance of satisfaction from work.

Again, nobody can reasonably feel happy in a job for which he has not been properly trained. An employee must not well act entirely to his own devices, and proper training, therefore, must be given to him to ensure better output and more production.

Success and enthusiasm resulting in job satisfaction must start right in the place of employment itself. Conditions of employment must be as good as the type of employment allows, and the establishment of such conditions should be one of the first obligations to be discharged by the management.

One of the most difficult factors affecting the job satisfaction relates to the social aspects of the job. The man who feels himself a member of a productive, cohesive group is

happier with his job than one who finds himself a misfit. This factor appears more important to women than to men, and it is relatively independent of age and occupational level. Work may also create satisfaction through the opportunity for social intercourse. Gilbreth, during the course of an investigation, made special effort to organise congenial groups by selecting their members according to race, creed and politics. The working environment frequently affords the best opportunity for associating with congenial people. More use could be made of these factors in industry. Whitehead in his study of industrial workers has attached great importance to the worker-group as a social system, in which each member contributes something or the other to the activity and variety of the group, and the group enjoys "the immediate social satisfaction of doing things together."

Employees' benefits such as pension provisions, medical services, vacations and holidays and insurance plans have been found to affect the degree or degrees of satisfaction among the workers. It is not surprising, therefore, that workers attached due consideration about the benefits they would get in a particular organisation, at the time of seeking employment.

It is very correct to say that a sick man cannot be expected to put in his best in the work, nor will he have a right attitude to work. It has, therefore, been suggested that the management should ensure that the employee is protected, wherever possible, from working in conditions which are positively injurious to health, and that adequate medical facilities are available in the organisation.

Joint consultation is also a contributory factor to job satisfaction. It means the sitting down together of employees and employers in order to discuss matters such as welfare, safety, efficiency, health and such other matters lying outside general conditions of service and rates of pay. This offers management an opportunity of coming closer to the employees, and by giving them patient hearing of their views it can enlist in turn their active support and co-operation in all their policies and aims. This would also give the employees a sense of participation in the undertaking.

Non-Work Needs

So far we have studied the reaction of satisfaction, and the satisfaction towards work and its conditions. It may, however, be emphasised in addition that many of the human needs that demand satisfaction are what might be called non-work needs. They are not connected with the performance of the job, but belong to the home, to recreation, to pleasure and to food. Hersey intensively studied a small group of workers engaged in different occupations. He found that when the workers were in a positive and happy mood their output increased by 2 per cent and when they were disturbed, the production decreased by seven per cent. The life of the worker at home and in the factory is so closely bound together that the troubles and joys of home life could not be put aside when reporting for work in the morning, nor could factory matters be dropped when returning home after work.

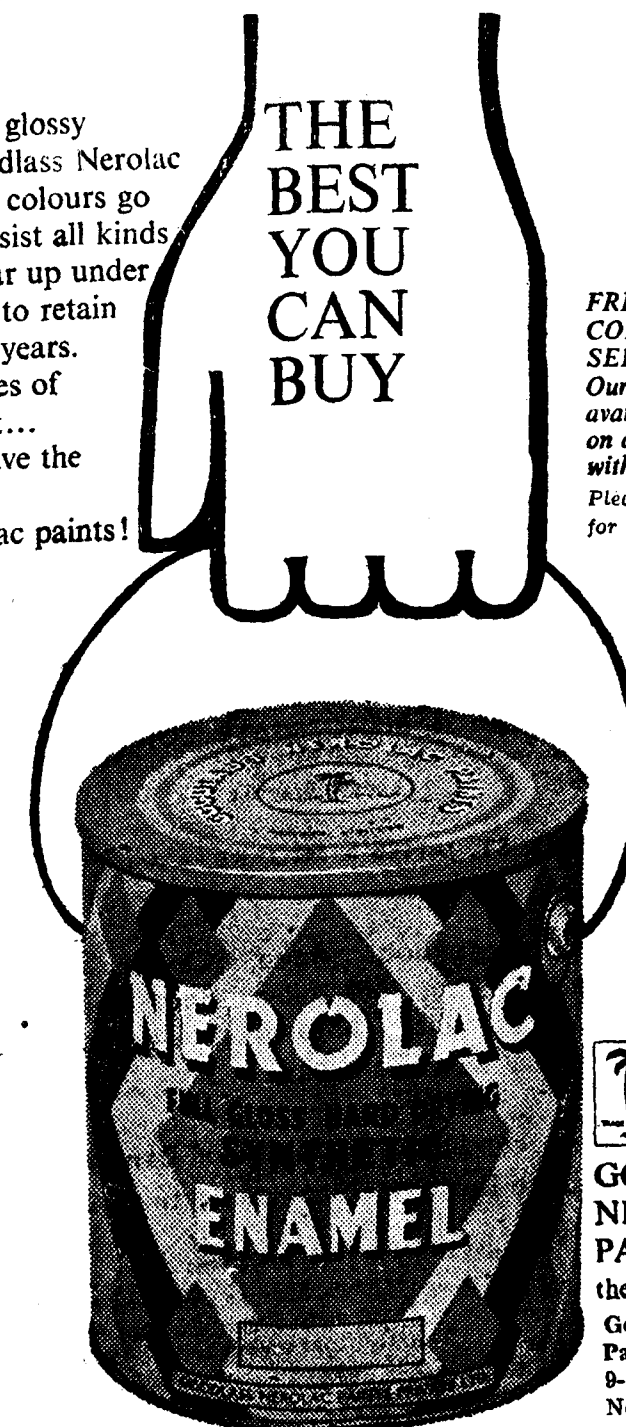
Job satisfaction is a necessity for an industrial worker. It is equally important for the management, for it pays high dividends in the shape of more and efficient production. No single factor can create the spirit of satisfaction in a worker. It is the cumulative effect of many factors detailed above which contributes a feeling of satisfaction in the job. The writer of this paper agrees with Goodwin Weston when he states that "without in any way denying the need of many workers for higher wages, it may be recognised that sometimes workers vaguely dissatisfied with the way things are going, know no other way of meeting the situation. They ask for more pay or shorter hours and perhaps they should have these. But if these demands were attained the relief could be only temporary. The underlying cause of dissatisfaction may not be in the pay envelope or the time-clock, but in the work itself."

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FROM THE PRESS GALLERY

Foreign Affairs Debate Minus Nehru

By Our Parliamentary Correspondent

NEW DELHI:

THE TWO Houses of Parliament this week approved the Union Government's foreign policy. The first foreign affairs debate without the towering personality of the late Prime Minister Jawaharlal Nehru, who always had a world audience whenever he spoke on this subject and who attracted large crowds in the public galleries, could not be but different. One missed the late Prime Minister's gentle voice. The public galleries too were not so crowded. Credit must, however, go to the first full-fledged Foreign Affairs Minister of India, Mr. Swaran Singh, for presenting to Parliament a well-documented and comprehensive review of international events and how India looked at them. Mr. Swaran Singh reiterated the Union Government's adherence to non-alignment and co-existence — the two planks on which Mr. Nehru had built India's foreign policy.

Mr. Swaran Singh exploded the myth of Chinese willingness to quit the seven posts in the demilitarised zone of Ladakh on the basis of which India could take the initiative for a direct dialogue with Peking for resolving the Himalayan border dispute. He disclosed that his recent discussions with Mrs. Bandaranaike, Ceylon's Prime Minister, did not give him the impression that she had any evidence with her to indicate Chinese willingness to withdraw from these posts. While reaffirming that India was prepared to sit on a conference table with the Chinese on the basis of Colombo proposals, Mr. Swaran Singh accused the Chinese of starting a new kind of cold war and advocating revolutionary wars in other countries. This, together with their glorification of nuclear war, bode ill for world peace, he added.

Border Incidents

Referring to India's relations with Pakistan, Mr. Swaran Singh observed that in spite of the complexities of the problems bedeviling Indo-Pakistani relations and the complications further added to them by the unprovoked incidents on the Kashmir border and the unhelpful attitude of some Pakistani leaders, India would try to explore all possibilities of restoring cordial relations between the two countries. He asserted that India had no designs against Pakistan and recalled in this connection the offer of no-war declaration made by him to Pakistan's Foreign Minister, Mr. Z. A. Bhutto, some time ago. Mr. Swaran Singh indicated that he would be visiting Pakistan as early as possible in response to an invitation from Mr. Bhutto. During his visit of his, he proposed to go over the entire gamut of Indo-Pakistani relations with the Pakistani leaders, with a view to creating a proper atmosphere for the proposed meeting between President Ayub Khan and Mr. Lal Bahadur. The Home Ministers of the two countries, he added, would be meeting in the second half of this month to consider the questions of communal harmony, refugees from Pakistan and Pakistani infiltrators. Mr. Swaran Singh regretted that too much was being read in the reference to the Kashmir issue in the communique issued at the end of the Commonwealth Prime Ministers' Conference in July last. He brushed aside the suggestion that India should quit the Commonwealth on this score.

Referring to the ensuing Cairo Conference of the non-aligned nations, Mr. Swaran Singh stated that the Government of India attached great importance to this Conference. India's aim at the Conference would be to reaffirm the policy of non-alignment, particularly in the light of the changing world situation. The Conference, he hoped, would attempt codification of the policy of peaceful co-existence and provide support

for disarmament, strengthening of the U. N. Organisation and fight against colonialism and imperialism, besides discussing ways and means for further strengthening economic co-operation between the participating countries.

Mr. Swaran Singh also dwelt at some length on the difficulties being encountered by Indians in Ceylon and Burma, the conflict between Malaysia and Indonesia and the Laotian problem. He expressed hope that during Mrs. Bandaranaike's visit to India this month, efforts would be made to resolve the problem faced by the people of Indian origin in Ceylon on a basis acceptable to both the Governments and the persons concerned. The people of Indian origin, Mr. Swaran Singh added, were not wholly unwelcome in Ceylon as they had played a very useful role in the development of that country's economy. About the Indians in Burma, Mr. Swaran Singh said that he was convinced that the Burmese Government's step to nationalise distributive trade was not discriminatory against any nationality. This, of course, did not mitigate the hardships of those affected. The solution of this problem, he opined, should be attempted on human considerations.

Political Approach

Mr. Swaran Singh hoped that the dispute between Malaysia and Indonesia would be resolved without recourse to arms. India wished both the countries well as she had cordial relations with both of them. He acknowledged publicly the support Malaysia had given to India against Chinese aggression. Talking about the Laotian problem, the Foreign Minister emphasised that this issue could be solved only through political approach.

The foreign policy of the Government, however, came in for severe criticism at the hands of the independent member, Mr. J. B. Kripalani, and the Swatantra group, who suggested that a country should make military alliances if its interests so required. The Swatantra leader, Mr. N. G. Ranga, argued that because the leaders of the two main power blocs in the world — the USA and the USSR — had come closer to each other, non-alignment could be held in abeyance, and since China posed a big threat to world peace, India could find allies against China only among the democratic nations. He, therefore, advocated for having a firm understanding with the countries such as the UK, the USA and Canada, for counteracting Chinese expansionism. Mr. Ranga laid great stress on cordial and decent relations with Pakistan. This, he added, must be given the first priority. Mr. Kripalani expressed the opinion that nothing could be more harmful for India than to treat non-alignment as if it were a moral principle from which the country could not depart, no matter what happened. Massive military aid from the United States, Mr. Kripalani said, was one of the reasons for the Chinese withdrawal in 1962. The South-East Asian countries, he added, could hope to maintain their independence only with the co-operation of India and the West. If India remained indifferent, the West was bound sooner or later to give up in disgust all efforts to counteract Chinese imperialism in this area.

The Lok Sabha last week approved the proclamation of President's rule in Kerala and also passed the Bill seeking to raise the salaries of M.Ps. from Rs. 400 to Rs. 500 per month and their daily allowance from Rs. 21 to Rs. 31. This revision in the emoluments of the Members of Parliament will have retrospective effect from June last. The Rajya Sabha adopted the Companies Act (Amendment) Bill seeking to provide temporary protection against victimization to employees for fur-

nishing information to Government inspectors investigating a company's affairs, the Wakf (Amendment) Bill providing for better administration and supervision of Muslim wakfs and the Legal Tender (Inscribed Notes) Bill aiming at restricting the negotiability of currency and other notes inscribed with messages of a political character.

The Union Finance Minister, Mr. T. T. Krishnamachari, introduced in the Lok Sabha a Bill to extend to 75 days the period of authorisation to the Government to collect new and enhanced customs and excise duties provisionally from the day the Finance Bill is introduced in Parliament. Under the present Act, such provisional collections are stopped and the amounts collected already are refunded if the Finance Bill is not passed within 60 days of its introduction.

Question Hour

Heavy Projects: The Prime Minister, Mr. Lal Bahadur, assured the Lok Sabha on September 21 that plans for the projects of national importance, such as Bokaro, would not be slowed down. He pointed out that of the heavy industries projects commenced since the beginning of the third Plan, the progress towards completion in several cases was lagging behind the schedule. It was, therefore, considered better to concentrate attention on those projects with a view to securing their completion before the new projects were taken in hand. This would help the most economic use of the available resources such as finance, steel, cement, etc., he added.

Atomic Power: Mr. Lal Bahadur, informed Rajya Sabha on September 22 that the Rana Pratap Sagar atomic power station would have an initial installed capacity of 200 MW (electrical) with provision for a second unit of equal capacity. The first unit was expected to be commissioned during 1969. The cost of generation of power per unit, the Prime Minister said, was expected to be about 2.64 Paise/kWh based on the assumptions that the life of the station would be 25 years, interest 5 per cent and the 'Load Factor' 75 per cent. The power would be sold by the station authorities to the State Electricity Board which would supply it to consumers.

Mr. Lal Bahadur also informed the House that no firm decision had been taken regarding the setting up and location of an experimental fast reactor. A suitable site near Madras was, however, under consideration. It was expected, the Prime Minister added, that the unit energy cost of power that would be produced in nuclear power stations based on fast reactors would be lower than the cost of power produced in reactors using moderators to slow down neutrons.

Heavy Water: The Prime Minister told the Lok Sabha on September 21 that the heavy water plant at Nangal, which was the only source of heavy water in India, produced approximately 12 metric tons of heavy water per annum. As this quantity was not sufficient to meet the requirements of the country a proposal to set up a heavy water plant with a capacity of 200 metric tons per annum was under Government's consideration. This, Mr. Lal Bahadur said, was necessary to sustain the nuclear power programme envisaged during the coming years.

Radioisotopes: Mr. Lal Bahadur also informed the Lok Sabha on September 21 that about 8,000 consignments of radioisotopes had been sold by the Trombay establishment since 1958 for use in agriculture, industry, hospitals and medical and research institutions, both here and in other countries such as Afghanistan, Australia, Ceylon, France, Pakistan, South Korea and Thailand. An order has also been recently received from the International Atomic Energy Agency.

Foreign Investment: Mr. T. T. Krishnamachari, the

Union Minister for Finance, told the Rajya Sabha on September 23 that there had not yet been any tangible increase in private foreign investment in India as a result of the tax concessions announced by him in the last budget. He, however, added that there might have been an increase in the interest shown by foreign investors. By and large, he said, the country depended on ploughing back of profits by foreign firms.

Making a statement in the Lok Sabha on September 24 the Minister of State for Finance, Mr. B. R. Bhagat, revealed that the U.S. private capital investments in India (based on the approval orders issued) in 1961, 1962 and 1963 were Rs. 5.57 crores, Rs. 111.48 crores and Rs. 17.02 crores respectively. The Minister denied that the U.S. businessmen's delegation had been asked by the Government to invest at least \$300 million annually in selected Indian industries.

Mr. Bhagat also informed the House that Belgium would be willing to pledge additional aid to India after the amounts previously promised had been committed.

Kharif Prices: The prices of Kharif crop foodgrains at various levels, on the basis of the Jha Committee's recommendations, will be announced by the Government before October 15, 1964. This was revealed in the Lok Sabha on September 22, by the Union Minister of Food and Agriculture, Mr. C. Subramaniam. He said that this would be well in time for growers to chalk out their programmes of production.

Mr. Subramaniam also informed the House that as a new PL-480 agreement with the United States was still under negotiation, it was not possible to indicate the quantities of wheat and rice that would be covered by it. As regards wheat production he said that the estimated yield this year was 9.7 million tons. The total stocks imported from abroad during the eight months, January to August, 1964, were about 3.2 million tons, he added.

Sugar: Mr. Subramaniam also told the Lok Sabha on September 22 that the Centre wanted to continue sugar exports to the extent possible under the present conditions of shortage. The Government, he added, was anxious to build up exports even if there was some shortage of sugar for internal consumption. Owing to a better cane crop, the Minister expected higher sugar production next year. He hinted that this might lead to increased exports.

Collieries: The Union Minister of Steel and Mines, Mr. N. Sanjiva Reddy, admitted in the Lok Sabha on September 25 that the progress of utilisation of the World Bank loan by private sector collieries was slow. The loan could, however, be utilised till the end of September 1965, he added. He also informed the House that the Government had advised the private sector collieries to put in fresh applications for the issue of licences against the unutilised portion of the Rs. 16.67 crores World Bank loan.

Hotel Development: Mr. Raj Bahadur, the Union Minister of Transport, told the Lok Sabha on September 22 that the Government of India was considering the setting up of a hotel development loan fund for giving loans to the hotel industry.

Koyali Rubber Plant: Mr. O. V. Alagesan, Minister of State in the Ministry of Petroleum and Chemicals, affirmed in the Lok Sabha on September 23 that there was a proposal to set up a synthetic rubber plant at Koyali. A preliminary assessment of the economics of production of synthetic rubbers, he added, had been made and the detailed analysis was in progress. Final decision would, however, be taken only when the details of the complex had been clearly established, permitting accurate calculations of the manufacturing costs.

WINDOW ON THE WORLD

Background of the U.K. Election

JOSSLEYN HENNESSY

LONDON:

WHAT DECIDES elections in the U.K.?

Nobody knows, but Mr. David Butler, a Fellow of Nuffield College, Oxford, who specialises in electoral problems, recently pointed out that academic studies have swept away many ideas once widely held; they have mostly thrown light on what does not, rather than what does, sway the British voter.

Does the quality of the candidate make much difference? Local organisations interview many candidates and make strenuous efforts to pick exactly the right man to suit their local interests, conditions and peculiarities. But with exceptions, such as some extraordinary personality like Sir Winston Churchill, the academics have found no evidence, at least in a general election (as opposed to a bye-election), that the quality of the candidate makes any difference.

Does local party organisation count? Mr. Butler suggests that the devoted work of volunteer canvassers "should surely make some mark" — which is a subjective supposition, not a quantitatively assessable fact, and he admits that he doubts that, at least in general elections, and in marginal seats where the turn-out tends to be high anyway, the net effect of local party work is high. At the last election, Mr. Butler asked a number of senior officials in both parties to name a few seats where, because of improved party organisation, they thought that they would do better than before. In the event, the swing in these seats proved to be in line with all the rest.

Cancel Each Other

Does national advertising make much difference? Many Conservative and Labour authorities believed that the Conservatives owed part of their 1959 victory to the £500,000 spent on advertising in the previous two years. Again, there is no quantitative assessable evidence, but Mr. Butler "finds it hard to believe" (sic) that the result would have differed greatly if the Conservatives had not spent a penny! This year Labour is advertising on a scale comparable to the Conservatives, so that if advertising does have any influence, one presumes the two sets of posters will cancel each other out!

Is television now a deciding factor? Obviously TV has modified the public's image of parties and MPs, but I would say that it has influenced the technique of presenting personalities and programmes rather than their content. Moreover, TV time is allotted equally to the two leading parties, so that, here again, they may cancel each other out.

Does the campaign as a whole alter many votes? The evidence of the public opinion polls suggests that most electors remain consistent in their loyalties over long periods, and that those who change their party allegiance are more likely to do so years or months before — rather than during — the actual electoral campaign. The conclusion seems to be that the 1964 election has already been decided by the electors' cumulative judgement on the performance of the Conservatives and of Labour in their periods of office and of opposition over the years. Three quarters of the voters will vote for the party that they have always supported, whether because of family tradition, class loyalty, or assessment of personal interest. Those who waver are probably swayed by emerging conflicts in these interests, such as a young man who votes Tory in rebellion against what he feels to be his father's suffocating Socialism, or vice versa, or the citizen who has begun to save

and invest and has therefore developed new fears and hopes about the repercussions of government policies on investment, and so on. Nevertheless, economic self-interest is no longer given the priority as an influence on votes that it used to have. "A government is never turned out when times are good" was an old piece of electoral folk-lore that it is now difficult to reconcile with the opinion polls.

Many Labour supporters feel that the mere fact of 13 years of Conservative government gives them an advantage in that "It's time for a change" should appeal to the voters' sense of fair play and also to their reluctance to give too long a spell of power to one party. But this must also be balanced against fear of change. An opposition that is seen as disunited or inefficient (or even "revolutionary" — while the French enjoy revolutions, the British shrink from them. The 1926 general strike was dead from the moment that legal opinion

Eastern Economist 20 Years Ago

SEPTEMBER 29, 1944

MR. B. M. BIRLA'S presidential address to the Indian Chamber of Commerce, Calcutta, is remarkable alike for the wide field it covered and the liberal spirit that informed it. We are not concerned here with the political aspects although it may be said that by his insistence on a National Government as an essential preliminary to full-blooded industrialisation, he courageously laid the ghost conjured up by certain interests, into whose bona fides it is needless to inquire, that the industrialists are prepared to strike a bargain with the powers-that-be. After emphasising the importance of industrialization and what it means in terms of popular well-being, political power and strategic potential, he rightly pointed out that without the Government's full backing and protection, Indian industry, a late comer on the scene, may not be able to establish itself against entrenched foreign rivals. He therefore urged the Government, now that the Planning and Development Department has been set up under Sir Ardesair, to pursue "a vigorous policy making up for apathy and neglect in the past". His emphasis on consumer goods industries is necessary and timely, as being relatively more labour-consuming and needing less capital per worker, they have obvious advantages in the initial phases of planned industrialisation. Besides, by assigning them their due place in the economy, the too rapid pace of forced capital formation may be eased to some extent. Mr. Birla's reference to the question of agricultural prices is particularly opportune and welcome. It is no secret that attempts have been made in the past and will, perhaps, continue to be made in the future to cook up an artificial conflict of interests between agricultural development and industrialisation and in this connection it has often been glibly alleged that the industrialists are out to exploit the agriculturists. Mr. Birla's plea that "in any economic plan which may come to be adopted, care should be taken to see that agricultural produce has not to be sold again at the low prices at which it was selling before the war and the agriculturist is guaranteed freedom from want and distress" should be enough to give the quietus to all such baseless propaganda.

pronounced it illegal) will not be able to win votes, even at the expense of a government that is itself inefficient or disunited. Hence the efforts made by Sir Alec Douglas-Home and Mr. Wilson to iron out the personal animosities simmering below the surface in their parties.

So, ultimately, what decides elections is, perhaps, a question of confidence. Electors seeking the lesser of two evils will be more influenced by the impression of competence and unity which a party conveys over a period of time than by any pledges in its election manifesto.

On this score, Labour goes to the polls with a better chance of winning than for many years, not because of any particular points in their policy or in that of the Conservatives, but because the Tories ran into a streak of bad management (or bad luck, according to your sympathies) in 1962-63, culminating with the scramble for the party leadership after Mr. Macmillan's resignation through ill-health. The sight of the Tories in difficulties, together with Mr. Wilson's adroit professional leadership, stimulated Labour to push out of sight, or at any rate out of hearing, the strife which had raged in their ranks ever more keenly the longer that they were out of office.

Mr. Wilson has led Labour only eight months longer than Sir Alec has led the Conservatives, yet he gives the impression to many as more experienced, established, and professional a

leader than the Prime Minister. He is never at a loss. He either gives the impression that he knows all the answers, or he slips away from a difficult question behind a smoke cloud of smooth ambiguous generalities, which can be interpreted according to the listener's choice. This professionalism is Mr. Wilson's strength and his weakness. As a professional, he calculated that it would be impossible for the Conservative government to continue in office beyond mid-summer, and he accordingly set the momentum of his campaign to attain a mid-summer climax, only to find that the amateur Sir Alec saw no reason to bow to what seemed obvious to Mr. Wilson. That is why Labour's campaign lost weight in July and Sir Alec took over the initiative, as the opinion polls revealed.

That Sir Alec is an amateur is one of his strong points. He appears as a straight-talking chap, who makes no difficulty about candidly admitting in public that he does not know all the answers. On his nation-wide "meet the people" tours, hecklers have however found him a dangerous "simpleton" to attack: his quick wit and good humour have paid off handsomely. His honesty, sincerity, and avoidance of political astuteness in his speeches are electoral assets.

We should know soon whether the UK prefers the "professional" tradition of Lloyd George, Clem Attlee, and Harold Macmillan, or the "amateur" tradition of Stanley Baldwin, Winston Churchill, and Anthony Eden.

Two Conferences on Agriculture

ASHOK V. DESAI

OXFORD:

AS IF to celebrate a magnificent summer and bumper harvests, France played host to two international conferences on agriculture: the First World Congress of Rural Sociologists in Dijon from 17th to 22nd August, and the Twelfth World Conference of Agricultural Economists at Lyon from 24th August to 3rd September. The hospitality in both places excelled in very different ways: the Dijon conference had the atmosphere of a house party thrown by Professor Cepede, its organiser, in which we ambled at leisure between the restaurant, the bar and the conference hall; while in Lyon, we stayed in six massive blocks of residence on top of the hill of St. Irene, and a fleet of buses was organised for invasions on the city's congress hall, the old city of Lyon, the swimming pool, the countryside — in fact, everything that the organisers thought would entertain or edify the agricultural economists, their wives and children.

Rural Sociologists

The pioneer spirit was much in evidence at Dijon. The programme of papers and discussions was designed, not to produce a record of professional achievements, but to bring together the work being done by rural sociologists in the farthest corners of the world. There were only four working sessions, and the themes were correspondingly few, but besides the main paper and comments, a paper was prepared on every theme from each continent. As far as the public discussion went, this resulted in chaos; the time devoted to discussion was short, and the points taken up by discussants diffuse. But there was, on the other hand, a great deal to learn for someone with open ears, and even more for one who took time off from conversation to read the papers. One learnt about the changing relationship between farmers and their sons in England, and between pygmies and Bountoms in Gabon; about the effects of polygamy upon the birth rate in northern Nigeria, and of urbanisation on Brazilian feudal estates.

While there was such a wealth of experience and infor-

mation at the conference, there was also much questioning and self-criticism. It seemed that the basic cause of the unease was that there was little in the theory inherited by the rural sociologist that helped him meet the demands made by the policy-maker. It was pointed out by Kaufman, Polson and Ramsey in a joint paper that everywhere, except in the United States, the growth of rural sociology had been in response to the needs of policy-making. The questions the policy-maker posed were questions of change and adaptation. He wanted to know how a community could be induced to adopt technical, sanitary and social changes more rapidly; alternatively he wanted to introduce changes disturbing the lives of settled communities and wanted to know how they could be prepared for the changes.

The training of rural sociologists, on the other hand, gave him considerable descriptive knowledge of rural institutions; it also taught him something about the outlook of villagers. Neither took him very far towards the problems of changing societies. Most of those present were working rural sociologists; and it was remarkable what a small debt they acknowledged to the main body of sociological literature. I can remember only three references to Max Weber and one to Talcott Parsons in the entire conference. This was very encouraging since it indicated that the rural sociologists considered their own experience more relevant than the experience of the masters. On the other hand, they still seemed in need of ways of learning from experience; the conference was a very welcome first step in this direction.

The change of venue from sleepy little Dijon to the bustling industrial Lyon was appropriate, for the pace of conferring quickened appreciably. Two papers were read in each half-day session, and thanks to the alertness of the President, Professor Westermarck, there was a great deal of discussion on papers as well. Further, there were a large number of discussion groups that met in the sweltering afternoons and

sweated over special problems. Add to this the conversation generated by a concourse of six hundred people. There was, thus, no dearth of activity at the conference.

At it turned out, the problems that received greatest attention at the conference were those arising from industrialization. Agricultural population is falling very rapidly in many European countries following a rapid rise in urban employment. The rural population declined by a quarter in France between 1952 and 1960; farms are being abandoned in southern Italy, and some East European farmers are suffering shortages of agricultural labour as a result of the exodus to the towns. How much this problem preoccupied European economists will be evident from the suggestion of Professor Schiller that underdeveloped countries should go slow on educating their people since education caused flight from land.

On the other hand, the problems of increasing agricultural production and marketed surplus received scant attention. In fact, one could not but be struck by the distance between the news of food shortage in India that one read in the morning newspapers and the papers on co-ordination

Growth Potentials in Perspective

GUY SIMS FITCH

WASHINGTON:

THE PROLONGED and vigorous nature of the current economic expansion in the United States is leading to new and in some respects rather startling reappraisals of the American economy and its continued potential for sustained growth. The extent to which these reappraisals are influencing American economic thinking is evident from the proceedings of a meeting in New York last week of the National Industrial Conference Board (NICB), a highly regarded private voice in the field of business research and analysis. Emerging from that meeting, which examined the present and prospective state of the US economy, is the dramatic assessment that no end is in sight for the current expansion of the economy. Not only is the outlook for business activity favourable for 1965, but there appear to be no serious obstacles ahead that would prevent the expansion from extending well beyond next year.

Baby Boom

This view, which had the concurrence of virtually all the economists who participated in the meeting, is set forth effectively in a 56-page study prepared by the expert research staff of the NICB itself. Titled "The Economic Environment of the Middle Sixties," the study propounds the thesis that the American economy, already in the midst of a sustained and buoyant upswing, may be only at the threshold of a continuing period of rapid, non-inflationary growth that could carry at the very least into the 1970's. The main impetus for this advance would come from several factors. One, for example, is the rapidly increasing adult population — the harvest, so to speak, of the early post-war baby boom — which is creating both more demand and more productive workers. Another is the nation's accelerating technological progress, which is accompanied by continued and substantial increases in industrial productivity. These twin stimuli, in particular, could lead to such increased business activity that the normal markets of the late 1960's and early 1970's would be larger by far than anything yet experienced.

No economic outlook can be considered completely cloudless. Even if it appeared to be so, economists in their prudence would soon uncover some incipient or possible problems ahead. Thus, it is possible, even probable, that some diffi-

between economics and sociology or on vertical integration contracts that one then went to hear. There was no mention of the economics of irrigation or cost-benefit analysis. C. P. McMeekan of the International Bank, who talked about the co-ordination of technical and economic research, pointed out the paucity of work done on the subject, and deplored the professional specialization that had this result.

Is it really professional divisions that are responsible for this state of affairs? No doubt they play a part. One could not, for example, help being struck by the ignorance among sociologists of the economic factors behind the phenomena they studied, or of the unawareness of the sociologists' work on diffusion of innovations among the economists. But there is also the tendency, well known among economists, to tackle problems years out of date. The tendency is less strong in the more applied sciences, since current problems are forced into the notice of empirical workers. After all, the agricultural economists have caught up with the current problems of European agriculture. Perhaps it is not too much to hope that they will turn their attention to the problem of the poorer parts of the world in their next conference.

culties may be faced in the years ahead — perhaps with regard to the high level of private debt, or an overbuilt construction market, as some experts have suggested. Nevertheless, even after taking such possibilities into account, it is the study's conclusion that the US economic outlook points to a continuation of growing markets, expanding supplies, an abundance of investment opportunities and technological excellence — all of which combine to generate real economic growth. Putting a statistical touch to this happy projection is a report made to the NICB meeting by James W. Knowles, Executive Director of the Joint Economic Committee of Congress. Examining the various factors going into the nation's economic prospects, he comes up with the prediction that unemployment, which has come down from a level of more than six per cent of the labour force to barely five per cent in the past three and a half years of expansion, will continue to dip to four per cent.

By 1970, Mr. Knowles says, the gross national product (GNP) — total output of goods and services — will have grown to \$850,000 million, figured in 1964 prices, from the present annual rate of better than \$620,000 million. This implies a real GNP growth of the five per cent a year between 1964 and 1970. Contributing strongly to these achievements, he observes, will be continuing rises in personal income and expenditures, along with expected sizable increases in state and local outlays to help meet a growing population's growing need for public services and facilities. Lending substance to Mr. Knowles' predictions, over and above the persuasiveness of his own analysis, is the high calibre of the Congressional Committee's staff and the reliability of its past forecasts. A projection the committee staff made 10 years ago about the shape and size of the 1965 US economy Mr. Knowles has indicated, promises to be highly accurate in the light of actual developments. To anyone who attended the NICB meeting or who reviews its findings and discussions, one idea seems to take from above all. If what all the distinguished experts had to say is really so — and the preponderance of evidence points in that direction — then economists no longer have to reconcile themselves to the idea of periodic cycles of alternating rise and fall as the inevitable companion of long-term growth. The American economy can proceed, and is proceeding right now, into a new period of sustained expansion.



This is the house that Joseph built

It's typical of Kanakapally Joseph's energy and enthusiasm that he saved up and bought a plot of land and then designed and supervised the construction of his own house. He reads and writes Malayalam and buys good books for his children, wants a University education for his elder son. His hobby, since 1940, has been rare coins. His whole collection—totalling nearly 800 coins—cost him less than Rs. 100/-. It all began in Cochin Port where he found sailors were tipping the local boys with old foreign coins, which they were very glad to exchange for Indian coins. 'New coins for old!' was a bargain both ways.

HIS SECOND HOME IS A BARGE

Joseph is a Khalasi with Burmah-Shell Ernakulam Installation. For over twenty days a month he is aboard 'Lady Myrtle' or one of the other barges plying between Ernakulam and Quilon, carrying petroleum products from the installation to the Depot. Joseph's day starts early. At 7 a.m. he helps to operate the winch...and the loaded barge weighs anchor. Sometimes, it chugs through the backwaters of Kerala. At other times, she is bunkering in midstream, delivering fuel to ocean-going ships. Then there is cleaning, chipping, painting on the deck...a familiar routine at which Joseph is adept. 'These boats are a second home to me' he says.

TODAY, AS EVER, PEOPLE LIKE JOSEPH ARE WORKING FOR YOU

His coins are Joseph's passport to faraway places and bygone ages. 'They make history and geography fascinating for my six children' he says. And there's social work, too. A road being built, a marsh cleared...Joseph's there, helping, full of characteristic drive and application.

Joseph 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



LISTENING POSTS

Partial Control on Cloth

By Our Special Correspondent

NEW DELHI:

THE GOVERNMENT of India has announced its decision to introduce price and production controls over the manufacture and sale of mill-made dhotis, saris, longcloth and shirting, covering about 45 per cent of the total annual mill production excluding sales for exports and defence requirements. These statutory controls will come into effect from October 15, 1964. The existing scheme of voluntary price regulation by the textile industry will come to an end on that date. It is expected that the controlled cloth will become available in the market in appreciable quantities in early November.

Under the statutory controls scheme, formulae have been prescribed for working out the cost of cotton, the conversion charges for spinning and weaving and the processing charges for such processes as bleaching, dyeing, printing, mercerising, etc., which go into the making of a piece of cloth of the controlled variety. The price so worked out will be stamped on each piece of cloth as the ex-mill price. The retail price of the cloth, the excise duty, the category and description of the cloth and the tex-mark of the mill will also be stamped on the cloth. In addition, the controlled categories of cloth will bear on it the words "controlled cloth". All these details will be printed on the cloth in red colour, to distinguish such cloth clearly from cloth of the non-controlled varieties. The question of inclusion of drill among the controlled categories is under the active consideration of the Government.

No mill will produce the controlled varieties of cloth i.e. dhotis, saris, longcloth, and shirtings, in the non-controlled sector. Also no mill will print these words, i.e. dhotis, saris, longcloth, and shirting, on any non-controlled varieties. However, mills will also print their names, specifications of the cloth, tex-mark number, brand or popular name, if any, of the variety and month of manufacture on non-controlled varieties in any other colour than red.

Price Differentials

While most of the textile mills in the country will readjust their production programmes and bring up their production of controlled cloth to the required quantum as per control orders, some mills in West Bengal and Northern India, which at present produce a larger percentage of dhotis and saris on account of their existing machinery and equipment, can continue to have this larger production of dhotis and saris. The Textile Commissioner has worked out a suitable price differential for special varieties of saris produced by these mills so as to enable them to work under the control orders in a satisfactory manner.

Mill-made cloth of the non-controlled categories will not be subject to price control. But Government trusts that the industry, the trade and the consumer will exercise the necessary restraints to see that these categories are sold at reasonable prices and do not show any undue rise in prices.

Mills are being instructed to begin to produce and price stamp from October 7 onwards and complete the switch-over by October 15 after which date all controlled varieties will be produced and price stamped as per control orders.

In order that exports should not suffer and should continue to increase and also that the mills producing cloth for defence requirements should be enabled to produce such cloth on a priority basis, full consideration has been given under the control orders for sales by each mill for export and defence. On the basis of every 10 per cent of sales made by any mill for defence and export out of its total production, credit will be given at the rate of 2 per cent as if produced as controlled cloth.

In calculating the retail price of cloth of the controlled categories, a margin of 18 per cent over the ex-mill price (excluding excise) will be allowed to the trade. The retail price and the excise duty will be printed on the cloth. It is expected that, as a result of the introduction of the statutory controls, there will be a reduction of about 5 to 8 per cent in the prices of most of the cloth of the controlled categories as compared with the prices prevailing today under the Voluntary Price Scheme. In a few old varieties of controlled categories (prices of which continue at the pre-1961 level, and which constitute less than 5 per cent of the controlled cloth), the new prices may, however, show an increase by about 7 to 8 per cent.

To ensure that the controls scheme is effectively implemented, a new wing has been created in the Textile Commissioner's organisation under an Additional Textile Commissioner, with adequate enforcement staff in every region of the country, particularly where large textile mills complexes exist. Government also proposes to set up a "Textile Control Advisory Committee" under the Chairmanship of Mr. V. P. Naik, Chief Minister of Maharashtra, to advise the Government on all aspects of the work relating to the administration of controls. This Committee will consist of 15 members and will include representatives of industry, labour, technologists, wholesale traders, retail traders, fair-price shops, consumer co-operative societies, consumers, economists and public workers.

Vigilance Committees

A "Central Consumers Vigilance Committee" will also be constituted under the Chairmanship of Mr. S. V. Ramaswamy, Union Deputy Minister of Commerce, to keep watch over the working of the distribution of controlled and non-controlled cloth especially from the point of view of consumers. The State Governments have been requested to set up local consumer vigilance committees of 10 to 15 members to look after the consumers' interests in all Municipal towns having an urban population of 25,000 and above. These committees will consist of consumers, public workers, traders, representatives of co-operative societies, fair-price shops and local officials, etc.

The retail trade will continue to distribute all cloth in the normal way. Fair-price shops and consumer co-operatives will be supplied as much cloth (controlled and non-controlled varieties) as they would need.

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The Union Minister for Steel and Mines, Mr. N. Sanjiva Reddy, is understood to have told the Informal Consultative Committee of Parliament last week that the main considerations for selecting the site for the fifth steel plant in the public sector would be the cost of production and the preference of the foreign collaborators who would be making available financial resources for covering the foreign exchange component of the project. A delegation of the Anglo-American consortium of the steel manufacturers is expected here this month for talks in this respect. The three sites being considered for the project are Salem, Goa/Hospet and Bailadila/Visakhapatnam areas. The Technical Committee appointed by the Ministry of Steel to suggest, on the basis of the feasibility studies prepared by Messrs. M. N. Dastur and Co., for the Goa/Hospet plant and Hindustan Steel Ltd., for the Bailadila/Visakhapatnam unit, has favoured Tornagalu, near Hospet, as the most appropriate site for the fifth public sector steel plant and has recommended that provision for adequate advance action on the Bailadila/Visakhapatnam complex should be incorporated in the fourth Plan. Messrs. M. N. Dastur and Co. have also submitted a detailed project report on the Salem unit and are understood to have justified setting up of a half-million-tonne ingots capa-

city plant at Kanjamalai, near Salem, on the basis of a survey of the regional requirements of steel. They have estimated the capital cost of this project at Rs. 95.4 crores, with a foreign exchange component of Rs. 38.6 crores. These studies have been made available to the Consortium so that it may be able to clinch the issue at an early date.

About the Bokaro plant, Mr. Reddy is believed to have told the Informal Consultative Committee that the Union Government was in touch with the Government of USSR for determining the role which Dasturco could play in setting up this project. Mr. Reddy expressed the hope that the position would become clearer in the next few days after the final round of talks with the Soviet technicians who are currently touring the project area. The Soviet technicians are expected in New Delhi by the end of this week. Mr. Reddy assured that the Union Government was sympathetic towards Dasturco, although no formal agreement had been signed for the appointment of this concern as technical consultant for the Bokaro plant. He emphasised that at no time had the Soviet authorities suggested that they should take over the technical management of the plant or that they should supply the entire equipment from the Soviet Union. They were eager to associate as many Indian technicians with the construction of the plant as possible. The fact, Mr. Reddy asserted, was that the general and technical management of the plant would remain with Bokaro Steel Ltd. The supply of equipment from indigenous sources would be made to the maximum. Mr. Reddy indicated that setting up of the 1.5-million-tonne ingots capacity at the Bokaro plant would cost approximately Rs. 390 crores.

Bhilai's Performance

Reviewing the progress of the three public sector steel plants already set up, Mr. Reddy stated that the Bhilai plant had been consistently working above the rated capacity. During the first eight months of the current calendar year, production of hot metal, ingots and salable steel at this Soviet-aided plant was around 116 per cent, 112 per cent and 112 per cent of the rated capacity. Production at the British-assisted Durgapur plant also was very encouraging. The hot metal output here amounted to 105 per cent of the rated capacity, production of ingots equalled to the rated capacity and that of salable steel was 93 per cent of the rated capacity. Production at Rourkela, however, had not so far reached the rated capacity, mainly because of the disturbances in the latter half of March, 1964, and the need for relining of the blast furnace No. 1. The average output of hot metal during the first eight months of the current calendar year at this German-aided unit was 75 per cent of the rated capacity, that of steel ingots 79 per cent and of salable steel 77 per cent. The situation at this plant, of course, improved considerably in August. Production of pig iron in August increased to 83,333 tonnes from 68,884 tonnes in July, that of steel ingots to 75,133 tonnes from 70,920 tonnes, and of finished steel to 64,529 tonnes from 57,092. The capacities of the Rourkela and Durgapur plants, Mr. Reddy indicated, would be expanded to 1.8 million tonnes and 1.6 million tonnes ingots, respectively, by the end of 1966. The work on these expansion programmes was now progressing satisfactorily. The Bhilai plant would be expanded to a capacity of 2.5 million tonnes ingots by March, 1966.

Mr. Reddy revealed that the completion of the alloy steel plant at Durgapur had been delayed slightly because of labour trouble. The steel metal shop No. 2 at this plant is now expected to be commissioned into production in January, 1965, instead of October this year. The commissioning of the last unit — the blooming and billet works mill — has been delayed by 6-8 months. This unit will now go into production in February, 1967.

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A Rs. 23.8 lakh (\$500,000) contract has been signed by Bokaro Steel Ltd., with the Soviet trade organisation "Machino-

export" for the supply by the latter of a multi-bucket excavator and several cranes, including lorry-mounted cranes of 3.6 and 10 tonnes lifting capacity, and a locomotive crane. The cranes and the excavator will be delivered in 1965 and the locomotive crane in 1966.

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At a meeting with cement producers and manufacturers of cement machinery here last week, the Union Minister for Heavy Engineering, Mr. T. N. Singh, revealed that the Government would not allow import of complete cement plants by private entrepreneurs. He advised the cement plant licensees to tie up their programmes with the indigenous manufacturers of cement machinery to whom the Government would make available the necessary foreign exchange for the import of essential components. A four-week period has been specified for these tie-ups after which the position will be reviewed again.

According to the latest assessment made by the Ministry of Industry and Supply, the third Plan target of 15-million-tonne cement manufacturing capacity is expected to be achieved only by the end of the first year of the fourth Plan. Currently, the installed capacity is 10.5 million tonnes. Additional capacity to the tune of 745,400 tonnes is likely to be installed by the end of the current financial year, another 1,774,780 tonnes by 1965-66 and still another 1,815,530 tonnes by 1966-67. The installed capacity in the cement industry is proposed to be increased to 25 million tonnes by the end of the fourth Plan. This is expected to yield an output of 23 million tonnes annually, the likely demand in that year.

For realising the fourth Plan cement capacity target well in time, advance action has already been taken and additional capacity to the tune of six million tonnes is covered by the letters of intent or approval already issued to private entrepreneurs. The Governments of Orissa, Andhra Pradesh, Maharashtra, Madras and Assam have proposed to set up one cement plant each in the public sector in their jurisdiction. Efforts are being made to utilise blast furnace slag from the steel mills and pozzolanic materials from power stations for the production of cement. Three units for making cement from blast furnace slag have already been licensed to be set up at Bhilai. One of these is expected to go into production by the end of this calendar year and the other two towards the end of 1967. The granulated slag to be produced at Durgapur Steel Works has also been tied up with two schemes for the manufacture of slag cement. The slag at Rourkela, according to the experiments conducted so far, however, has not been found suitable for producing cement in view of the comparatively high MnO content in it. So far as manufacture of pozzolanic cement is concerned, a good deal of activity has been witnessed during the past few years. Some applications for industrial licences for this purpose are stated to have already been received by the Union Government.

Massive Programme

As already indicated in this column, the proposed Cement Corporation of India will be launching a massive programme of surveying, prospecting and proving of limestone deposits in the country. Of the factors responsible for the rather tardy growth of the cement industry in the recent years, one of the most important has been lack of adequate knowledge about limestone reserves. Limestone supplies will become a more serious bottleneck in the future years as cement production of the order of 23 million tonnes by the end of 1970-71 will necessitate consumption of limestone to the tune of 43 million tonnes a year. Since high-grade limestone is being reserved for steel production, the cement industry will have to depend mostly on low-grade limestone. For improving the quality of such limestone, beneficiation is to be taken resort to. The Cement Corporation of India will also be setting up

such cement manufacturing capacity as may be considered necessary for achieving the fourth Plan target.

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The Union Minister for Labour and Employment has indicated that another bill to amend the Industrial Disputes Act would be introduced in Parliament shortly. One of the new amendments will enable an individual workman to approach the conciliation officer for redress of grievances relating to discharge and dismissal. If conciliation failed and the employer declined to agree to arbitration, the appropriate State Government might at its discretion refer the dispute to adjudication. Another amendment will seek to make non-implementation of settlements and awards a continuing offence, entailing day-to-day penalty. A third amendment will necessitate payment of compensation for all the days of lay-off beyond 45 days, whether the period is continuous for a week or not.

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The Union Government is understood to have approved the grant of a letter of intent to M/s. J.K. Industries, Calcutta,

LIC Staff Salary Structure Needs Revision

From Our Correspondent

BOMBAY:

IN NEARLY every one of the addresses of leading public men these days, the basic theme happens to be the fast-vanishing sense of discipline and national consciousness all round. Hitherto, strikes, 'morchas' or go-slow demonstrations were being resorted to, by and large, only by the working classes. But, now, even educationists, medicos and legislators, let alone students, seem free to resort to it, and worse, on the least pretext or provocation. Whatever may be said in justification of such demonstrations to register one's protest against, or of dissatisfaction with, a given state of affairs, the frequent resort to them even by senior and responsible white-collared workers has begun to worry the more serious minded among public men.

Adverse Effects

It was not long ago that the rather unfortunate, if not indiscreet, pressing of the security bell by a senior officer of the Reserve Bank when there was a demonstration by thousands of bank workers outside the Bank and the developments that followed — so it is said — that made the senior supervisory staff also to make common cause with the strikers and even join their union, a step that they had been hesitating to take all these years. To what extent this would render the Bank's work more vulnerable to avoidable delays and surprise stoppages in the future remains to be seen. But there is no denying that the certain prospect of frequent and irritating impediments to smooth working is in store for the Bank. What is seldom realised by those that are behind these demonstrations is that, besides inconveniencing those whose attention it is the purpose of such demonstrations to attract, their act on also entails adverse repercussions on economic growth and stability, which may not at all be intended by the strikers or go-slowers themselves. Being interested parties, perhaps, the unawareness — wittingly or unwittingly — or lack of appreciation of the serious implications of their action on their part is understandable. But such want of awareness and, therefore, inability to take timely action to prevent senior and more responsible officers in statutory bodies and corporations from organising themselves into unions and resorting to direct action is quite inexcusable. This is precisely the charge-sheet against the Government of India by the Federation of LIC Class I Officers' Associations. Unless something is done promptly to redress their grievances, the meeting being held in Bombay between the spokesmen of the Federation and the Federation President, Mr. K. K. Shah, Mr., may well mark the beginning of a stiff fight on the part of those on whom the LIC has to depend so much to show results. It is therefore,

for setting up an aluminium smelter in Kerala. A letter of intent is also expected to be issued to Aluminium Corporation, Calcutta, for the expansion of its Asansol smelter to a capacity of 12,500 tonnes per annum as soon as the firm's proposal to set up a captive thermal plant is cleared.

The Jeevanlal Aluminium Rolling Mill, Madras, has expressed its inability to put up the rolling mill. The industrial licence granted to this firm will have to be revoked.

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The Governments of India and Kenya have accorded their approval to M/s. R.S. Gokuldas and Co., Bombay, for setting up a cotton textile mill in Kenya in collaboration with the Kenya Government and Kenya nationals. To begin with, the mill will have a capacity of 6,000 spindles and 150 looms. This will be subsequently raised to 24,000 spindles and 600 looms.

Two-thirds of the capital for the enterprise will be subscribed by the Kenya Government and Kenya nationals. The remaining one-third will be made available, in the form of machinery, plant and equipment, by the Indian company.

worthwhile recording here, at this stage, the background to this impasse.

Exactly eight years ago, the Life Insurance Corporation of India came into existence. During this period, all the employees of the LIC, except class I officers, have had their pay scales revised more than once, have fought for and got their bonus (which the Government originally wanted to do away with) and have also had their dearness allowances enhanced. But the unfortunate Class I officers have been left high and dry, despite their clear hints to those at the helm of affairs about this neglect. Thoroughly frustrated because of this, they have every reason now to complain that the picture for them even at the end of eight years is so gloomy that they feel discarded, as it were, by the authorities. The most unkind cut of all seems to have been inflicted on them, when, some time ago, the Union Finance Minister seemed to suggest, in reply to a question regarding the demand of these officers for revision of pay scales, how fantastic it was that such a demand should come from officers of the LIC drawing salaries of more than Rs. 2,500. But not all Class I officers draw such salaries, there being hardly 50 who do so even today. The remaining 2,550 or so draw salaries ranging from Rs. 350 to Rs. 1,800. Surely, the Finance Minister could not have been unaware of this break-up of Class I officers when he made his sarcastic remark about an officer drawing over Rs. 2,700 demanding an increase to Rs. 3,000, although the members of the House may not have been — and still be — aware of it. That their demands for an improvement in their emoluments should have been dismissed so cavalierly is clearly unfair to a majority of the Corporation's Class I officers.

The Class I officers of the LIC, it would seem, have suffered not only as compared to other employees of the Corporation but also as compared to their counterparts in other public institutions, such as, for example, the State Bank of India, the Reserve Bank, and the Airlines Corporation. First, as stated earlier, their pay scales have not been revised to date, these remaining where they were in 1956. Secondly, although the Government has gone back on its earlier decision to do away with the payment of bonus to LIC employees (it had, however, to revise this decision when the ministerial staff agitated for it), this reversal does not apply to Class I officers. In respect of dearness allowance, again, all employees, save Class I officers, have benefited from an 'ad hoc' payment in 1960, an increase in 1962, and a merger of this allowance in the basic salary, in addition to the linking of it with the cost of living index. Further, Class I officers have also been denied other

allowances and benefits, such as house rent and medical aid. In a detailed memorandum submitted by the Federation, there is a comparative chart showing pay scales and total remuneration to Class I officers in the LIC and other public sector undertakings. This chart shows that grade-wise, minimum-and-maximum-pay-wise, allowance-and-other-benefits-wise, Class I LIC officers stand at the very bottom. The irony of it all is that, following nationalisation, many of them have not only not got any increase, but lost quite a good bit of the emoluments they had been having at the time of nationalisation. Prior to September, 1956, a majority of them enjoyed the benefit of bonus, there being no differentiation between junior and senior officers in this regard. It has been estimated that the average to the LIC on this account is almost equal to Rs. 2 crores—the estimated cost of the LIC's new building 'Yogak-hema'. The worst hit among Class I officers are junior officers with a basic salary of Rs. 350. It is surprising, as also unfair, that for the doubtful distinction of being designated as officers, these should be denied a bonus, while Class III employees drawing a basic salary of even Rs. 500 are allowed to have it. And, to add insult to injury, as it were, while the benefit of bonus has been extended even to officers in the Corporation's subsidiaries, it has not been made applicable to Class I officers of the Corporation itself.

All these apart, as a result of the improvement in emoluments of one class of employees without taking into account the resulting effect on the pay scales of Class I officers, several anomalies have arisen, especially as the scales happen to overlap. This is to be expected in the case of a sprawling

organisation of the type of the LIC, and, if only because of this, it is high time that a committee was appointed to look into these grievances without delay. This is perhaps the least that the Government can do, to be consistent with its own assurances to the LIC staff in the past. That this has not been done so far is not only unfair but also inexplicable, especially in view of what the Union Finance Minister himself stated in the Lok Sabha last year. He then said: "In relation to the salaries paid to commercial executives, I do not think that it (salaries paid to insurance executives) is very high. I do not think that even now it is a very attractive proposition, because, so far as commerce is concerned, people are getting much more, and I think that, in due course, unless there are other advantages, insurance will become a less attractive field for the person who gets a fixed income. Increases have to be given, because, otherwise, what is it that we are spending for? We want an increase in the standard of living. I would not say, therefore, petrify the wages of the insurance employee or the field worker or the insurance agent and so on. The wages have to go up because he has to raise his standard of living."

Considering the progress in the face of so many odds achieved by the Corporation between September, 1956 and March last alone and no other factor, there would appear to be ample justification for conceding the demand of the LIC's Class I officers. They have waited patiently and it would both be unwise and undiplomatic, if not dangerous, to try their patience any longer in the prevailing explosive atmosphere.

West Bengal Fourth Plan on the Anvil

From our Correspondent

CALCUTTA:

THE DEPUTY CHAIRMAN of the Planning Commission, Mr. Yashwantrao Chavan, is scheduled to come to Calcutta very shortly to discuss with the West Bengal Government the latter's tentative proposals for the fourth five-year Plan, so that these can be presented in a more acceptable form at the next meeting of the National Development Council. According to broad indications, this State wants a plan of at least Rs. 600 crores, roughly about double the size of the current one which itself represents twice the investment undertaken in the second quinquennium. According to planning officials a plan of Rs. 600 crores should be the minimum programme of development for West Bengal; they also assert that with the State's expanding internal sources of revenue a plan of even Rs. 900 crores could be feasible provided the Centre extends its assistance little generously.

The arguments advanced in favour of a big-sized plan are mainly two — first, the State Government has consistently managed to raise more than its allotted share of resources in each of the three five-year Plans, and secondly, as a border state harassed by an unceasing flow of refugees and the large urban educated unemployment problem, West Bengal deserves special Central help. It is also felt that the State has all long been denied its due share of the divisible pool of taxes and is likely to press strongly for a higher allocation when the Fourth Finance Commission comes for collecting evidence.

A particular reason why West Bengal would insist of the minimum size of Rs. 600 crores for the fourth Plan is its own excellent record in raising resources internally. For example, this State had originally drawn up a plan of Rs. 327 crores for the third quinquennial period. The National Development Council pruned it to Rs. 250 crores because it was thought that resources in excess of this limit would be hard to raise. If the reduced outlay, the Centre was to provide Rs. 180 crores, the remaining being the share of the State, but West Bengal was given the option that provided it raised re-

sources of more than Rs. 90 crores from its own sources, it could increase the size of the Plan. This West Bengal has been able to do. According to the Finance Minister's Budget statement last March, the State Government will be able to find Rs. 140 crores from out of its own resources; in other words, it is now able to implement a plan of Rs. 300 crores. In fact, the State Government has already moved the Centre to raise its assistance by Rs. 27 crores so that the former can implement its third Plan as originally drawn up. It is not known how the Centre is responding to this request, but Mr. Mehta was reported to have been very impressed with West Bengal's performance when he was here a few months ago and had some discussions with the Chief Minister, Mr. P. C. Sen, on some of the latter's new ideas regarding agro-industrial development in the rural areas.

It is, therefore, unlikely that Mr. Mehta will dispute in principle West Bengal's claim to larger Central assistance, although he is expected to scrutinise the various physical targets in the light of the Prime Minister's emphasis on relatively quick-yielding projects and the need to cut down developmental expenditure without sacrificing the essentials. But he is most likely to agree with the broad approaches and priorities fixed by the State Government for its fourth five year Plan. These are quite sound and are in line with what Mr. Mehta himself has been advocating. For instance, agriculture has been given the topmost priority in the next Plan. This is wholly correct. West Bengal has been a chronically food deficit State with a man-land ratio in agriculture which is among the lowest in the country. There is little scope for expanding the acreage, but a good deal can be done to intensify agricultural operations.

The State's record in agriculture during the third Plan has unfortunately been disappointing; in fact, a fair proportion of the provision of Rs. 37 crores may remain unspent. But apparently, the Government wants to make up the leeway in the next Plan. Its record in power generation — which is given a priority next to agriculture — has been good. The original provision under the third Plan has been substantially raised

and the plan target for power generation will be very nearly attained. Yet to attain a capacity level of over 2,000 MW during the next five-year period (from exactly half this level at present), a lot more investment will be necessary. The State Government wishes to attain the fourth Plan power target mainly through a 1,000 MW super thermal plant at Santaldih for which some preliminary steps have already been taken. When brought into full commission, this plant will perhaps be the largest of its kind in the country.

Education is another field in which West Bengal can claim a reasonably good record. It is confidently expected that the third Plan provision of Rs. 8 crores will be appreciably exceeded. It now proposes to introduce free compulsory primary education throughout the State in the fourth Plan period, and it goes without saying that a substantial proportion of the Plan outlay will have to be set apart for this. But the Planning Department officials are not in a position to make any tall claim about reducing unemployment, especially among the educated, through the plan programmes. They put it rather defensively that the problem might have been a good deal worse but for the substantial development expenditure which has been incurred over the past 13 years. It is, however, generally agreed that not much can be done about it unless there is a further substantial expansion of industries. If West Bengal is lagging behind Maharashtra and Madras in the rate of economic progress, it is because industrial development in this State has been greatly restrained by a number of factors including power shortage and the foreign exchange crisis of the country. It is, therefore, natural that West Bengal should want to regain the lead in industrial race. Various projects have been drawn up for implementation during the fourth Plan, for expanding some existing industries and for starting altogether new ones. The details as well as the feasibility of these projects will be known after Mr. Mehta and his experts in the Planning Commission have scrutinised them.

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The export performance of India's engineering industries has been strikingly good. The latest survey of the exports by the World Trade Department of the Indian Chamber of Commerce, Calcutta, provides a detailed account of it. The value of engineering exports was relatively a small sum of Rs. 14 crores in a total export earning of Rs. 767 crores in 1963-64, but as the Chamber points out, the significance of the performance lies in the fact that India has made an encouraging

beginning in exporting non-traditional products which require large capital and considerable technical skill. Moreover, this is a sphere which offers vast possibilities for diversifying the country's pattern of export trade. A study of the composition of engineering exports reveals striking facts. The engineering products exported are not only consumer goods, but include a wide variety of producer and capital goods. The latter category includes an impressive range of machinery such as machine tools and equipment for sugar, cotton textile, jute, oil milling, shoe-making, tea, flour, paper-making, rice-milling and printing industries. Producer goods include electric motors, transformers (power and distribution), generators, switch-gears, industrial switch boards, control panels, weighing scales, railway signalling equipment and many others.

Engineering goods are exported not only to the developing countries of South-East Asia, West Asia and Africa, but also to highly industrialised countries like the USA, the UK, Canada, France, West Germany, Belgium, Australia and New Zealand. In fact, Europe accounted for 13.5 per cent of all engineering exports in 1963. South-East Asia is by far the largest market, accounting for 41.5 per cent of the total, while West Asia and Africa took 22 per cent and 17.9 per cent respectively. North and Central America took 2.8 per cent of the total, but exports to these parts of the world have steadily, although not spectacularly, risen. The conclusion is hard to resist that but for the existing impediments like serious raw material shortages, the performance would have been very much more satisfactory. According to a study of steel supply and demand in engineering industries made by the Engineering Association of India, in no year between 1957-58 and 1962-63 has the demand for iron and steel been met more than 30 per cent of what is required.

The prospects for export are encouraging, but the raw material impediment has to be removed in the first place. With suitable incentives, the engineering industries could raise their exports from the existing level of 3 per cent of their total annual output, valued at about Rs. 500 crores, to 8 to 10 per cent. The Chamber is right in urging the Government that it should evolve a correct export policy, fairly stable over a long period and based on a realistic appreciation of expanding sales in highly competitive overseas market. The least the Government should immediately do is to adjust its fiscal and industrial policies suitably, so that the development of engineering industries, and of the economy as a whole, may regain its vigorous momentum soon.

Reaction to Bank Rate Increase

From Our Correspondent

MADRAS:

THERE HAS been no significant reaction to the announcement relating to the increase in the Bank Rate to 5 per cent from 4½ per cent with immediate effect. But it is felt that the Union Finance Minister has conveniently timed the announcement and that the investors who had lent large support to the new loans issued by the Central and State Governments have been deliberately misled. It is admitted that the borrowing programme of the Governments for the current year was completed on a dearer basis and that even without a higher Bank Rate an increase in the effective borrowing rate by about a quarter per cent was conceded. Even so, the psychological effect of a higher Bank Rate will be depressing on the gilt-edged market and it is feared that the State Electricity Boards particularly will find it difficult to raise their requirements.

Even otherwise, the gilt-edged market was rather depressed and it was necessary to effect some influential buying in order to prevent a further decline in prices for the State loans. It was reported a few days back that large parcels of the Andhra Government loan, recently issued, changed hands at the low rate of Rs. 96.80 against the issue price of Rs. 99.50 and that some institutions were busy selling securities on be-

half of their constituents. This has been a feature of the gilt-edged market in the past few years clearly indicating that individual applicants, who had subscribed to the loans on the basis of credit from banks, had no intention of sticking on to their holdings. In the altered circumstances, it has, therefore, been asked whether there will be a further decline in prices for the State loans and whether it would be possible for the Madras, Andhra Pradesh and Mysore State Electricity Boards to raise their requirements without agreeing to an increase in the interest rate on their loans.

The rise in the Bank Rate has not come as a complete surprise in banking circles in Madras City. For, it had been complained that the Reserve Bank has been pursuing a policy which was designed to enable the Government to secure its requirements on a cheap basis and that, even without a higher Bank Rate, there has been an increase in lending rates by ½ to 1 per cent in the past year and more. What has really happened, therefore, is an adjustment of the Reserve Bank's lending rate to the prevailing structure of interest rates in the open market and that in future Government borrowing will have to be effected on a costlier basis.

It is difficult to say, however, how the latest developments

in the money market will influence the course of new floatations. A number of new companies are planning to enter the market for raising capital in various forms. The established companies particularly have found it advantageous to issue preference and loan capital as in the present context an assured yield is considered more dependable than a fluctuating yield on equities. The new policy is designed to stimulate savings as an attempt is being made to alter the structure of deposit rates. But the operators in the Stock Market here are of the view that it would not be possible to ensure good support for new issues unless the Union Finance Minister agreed to reduce direct taxes and make it worthwhile for small savers to invest additional sums in industrial securities. The activity in the Madras Stock Market noticeable recently was due mainly to the purchases effected by the Life Insurance Corporation and the Unit Trust of India. As sellers were inclined to be reserved, prices for select scrips were marked higher following heavy buying on behalf of institutional investors. There has not been, however, a broadening of interest and individual investors have not effected replacement buying except by extending support to right issues where a definite return in investment was assured. It is pointed out that the Standing Committee of Presidents of the Stock Exchanges will have to consider the problems confronting the capital market and make suitable representations to the Government for according relief in direct taxation and for improving the profitability of investment by new industrial undertakings. Unless there was a positive approach it is felt that mere tinkering with monetary policy will not be of any great help in reviving activity in the capital market.

★★
The powerloom industry, which is considered a serious rival to the handloom industry particularly by the State Governments of Madras and Andhra Pradesh, will come to occupy an important place in the textile economy of the country in the coming years. While the full implications of the Asoka Mehta Committee report, which has recommended the installation of two lakh powerlooms during the fourth Plan, in order to meet, to a great extent, the additional demand for cotton textiles, have not been understood and the reactions of the State Governments concerned are not available, it has become amply clear that the handloom industry has to carve out a new path for itself and concentrate on the production to certain types of fabrics which would be more profitable. It will also be necessary at the same time to pay greater attention to the development of artistic fabrics for which there has been increasing demand latterly within the country and in the export markets.

At the 22nd meeting of the All-India Handloom Board held in Madras recently, the report of the Working Group on Handlooms, and the recommendations of the Asoka Mehta Committee came up for discussion. As the various problems need careful consideration and the reactions of the different State Governments have to be obtained, a clearer picture of the future role of the handloom industry can be had only after some time. But it was announced by Mr. S. V. Ramaswami, Union Deputy Minister for Commerce, when he inaugurated the meeting that the Government had decided to set up an Export Promotion Council for handlooms and that the delay in forming this body was due to the need for finalising arrangements for the required financial resources. The Silk and Artsilk Export Promotion Council has now agreed to give the new Council the proceeds of the levy it was collecting from the exporters of artsilk fabrics.

While thus a regular income would be assured annually, Mr. Ramaswami felt that it would be necessary to augment these resources by liberal contributions from leaders of the handloom industry. The Government have, for their part, agreed to provide the necessary foreign exchange for helping the new Council to carry on its activities in export markets. It has been stated that even after the Council begins functioning the existing rebates and facilities would continue to be available and that associations of exporters and co-operative societies would no longer be required to produce income-tax verification certificates as in the case of individual exporters.

The Council will have the task of supervising the arrangements for achieving the target of Rs. 20 crores for exports in the fourth Plan. This should not be found difficult if the new organisation goes about its work in the right way. While it has now been definitely established that there can be a regular off-take of Bleeding Madras fabrics and other goods for export to the USA and other countries, keen interest has been shown in artistic fabrics. There is a feeling in export circles in Madras that this line could be usefully developed and the skill of the handloom weavers in different centres of Madras particularly could be utilised to the maximum extent for earning foreign exchange. It is even stated that, with a careful study of the requirements of the overseas markets, handloom goods can easily earn Rs. 20 crores and even more in a short period.

But the Madras Government and other State Governments who were keenly interested in maintaining a revitalised handloom industry must be worried about other problems as well. It is natural to expect that the allocation of the production targets for the fourth Plan as between the handloom, powerloom and mill sectors would be determined only after considerable controversy and hard bargaining, it will probably be necessary for the handlooms in Madras and elsewhere to be sustained for another decade as the switchover from handlooms to powerlooms, as visualised in some quarters, can come about only over a longer period. Besides it has been asked whether a hastening of this process will not lead to other problems and the net advantage arising out of additional employments in the powerloom sector might be nullified to some extent by the displacement or part-time labour elsewhere. The handloom industry has its own advantages as a family occupation and it should be worthwhile to find out whether the efficiency of the handloom should be raised further by enabling it to concentrate on the production of popular varieties which could be produced on a larger scale. In view of the fact that quite a large number of persons are employed in this industry and the problems regarding marketing may not present serious difficulties as before, if the existing looms themselves can produce larger quantity of cloth, the lot of the handloom weaver would improve considerably. Mr. S. V. Ramaswami has indicated that a target of 5,200 million yards has been proposed for the decentralised sector in the fourth Plan. The target for the handloom industry alone is likely to be 3,200 million yards. While there will be an improvement necessary over the third Plan target, as stated earlier, the powerloom sector will become more important as its share would be 2,000 million yards. Madras is the largest producer of cotton handloom goods in the country. In recent years, the weavers have used with success staple fibre yarn and art silk yarn along with cotton yarn. The silk sarees produced on separate looms are, of course, famous for their quality.

The moving finger writes

IF THE fourth Plan fails to provide impressive reading, it will not be for want of trying. An ocean of sweat and tears is pouring into its preparation, which makes me pray that the Plan may nevertheless manage to find some firm earth under its feet. Lest I should be misunderstood, I hasten to make it clear that it is not my intention at all to treat lightly the extremely earnest and the extremely learned labours of Mr. Asoka Mehta and his colleagues. That they must indeed be working hard is evident from the fact that a certain ex-officio Member of the Planning Commission, who is famous for his passion for work, has been heard to say that he is being "slave-driven" by the Deputy Chairman.

★★
I read in the papers that the Government of Jammu and Kashmir may appoint a commission to probe into the charges of corruption and other malpractices levelled against Bakshi Ghulam Mohammed. This provokes me to ask whether we are settling down to a state of affairs in which there is to be one law for politicians and another for mere mortals. It passes my comprehension why the ordinary investigatory procedures of the police or the normal judicial processes of the law courts should not be allowed to take their course even in respect of a politician who is no longer in office and who, in fact, is under detention. There is surely not much chance of the Bakshi influencing police investigations or court proceedings in his favour in the present circumstances. I hope commissions of inquiry are not going to become the rule where there are allegations against or suspicions about the conduct of politicians in or out of office.

This apart, the detention of the Bakshi under the Defence of India Rules must give rise to some very disquieting thoughts. Precisely why has this particular step been taken? Nobody has so far given a satisfactory answer. Both Mr. Sadiq and Mr. Dhar are obviously at pains to conceal more than they would or could reveal. The press note issued by the State Government is of course no help at all. It says that the Bakshi is being detained because he had been indulging in activities calculated to disrupt law and order with a view to frustrating official investigations into the charges against him. In my view this is no adequate justification for invoking the Defence of India Rules.

Even less satisfying is the explanation, left vaguely floating in the air, that the Bakshi had been preparing to exploit means, more or less constitutional, to divest the Sadr-i-Riyasat and Mr. Sadiq of the offices they are holding. This explanation would amount to a fatal confession that the Defence of India Rules have been abused for political purposes by the Government of the day.

There are also a whole series of reports or rumours attributing sinister designs to the Bakshi. It is being suggested that he is being detained because he is getting ready to conspire or plot against the territorial integrity of India in Kashmir. In that case, it is strange indeed that the Prime Minister could tell Parliament that the Central Government was not aware that the State Government was going to detain the Bakshi under the Defence of India Rules. Since when has the Government of India chosen to parcel out its responsibility for the security and territorial integrity of the country among the satraps in the States? Are we now to

suppose that the Central Government has decided to acquiesce in a situation in which State Governments would be free to act in alleged defence of the country without even having to consult the Centre or at least keep it informed of their intentions sufficiently in advance? When Sheikh Abdullah was removed from the Prime Ministership and placed under detention, New Delhi disclaimed neither knowledge nor responsibility. But the decision taken earlier this year to withdraw the conspiracy case against him and set him free was claimed to have been taken by Kashmir's present Prime Minister, Mr. Sadiq, on his own. Now, the State's Home Minister, Mr. Dhar, cheerfully declared that he is prepared to assume responsibility for the Bakshi's detention. Where, I wonder, does the Government of India come into the picture?

Incidentally, if it is true that the Bakshi is being detained for anti-national or disruptionist activities, how is it that certain other politicians in the Valley, who have been avowedly and agitationally secessionist, are not only being permitted to be politically active but have even been given the freedom of the Capital, including the most generous access to the Prime Minister's time and attention? The Bakshi's detention does not make sense except on the supposition that he is really guilty of subversion in Kashmir — and that is a supposition which could be credited by the public only if the Central Government is seen to be willing and able to accept responsibility for his detention and follow it up by taking adequate action against disruptionists whoever they may be.

★★
There is a Tamil saying that a barber's sweepings should not be stirred up lest they clutter up the place with endless clippings of hair. The Santhanam committee's report, which found corruption everywhere, including educational institutions, bore testimony to the truth of this observation. The Home Minister, Mr. Nanda, however, seems fated to learn only from his own experience. But, even he must at least occasionally have doubts and misgivings. It is not businessmen or film stars only who stack away large amounts in low denomination currency. Even in the learned professions, such as Law or Medicine, the practice seems to be quite popular — where incomes rise to five or more figures. Similarly, it is not only on buses or trains that one's age is juggled with: the higher judiciary is alleged to be not entirely free from this weakness of cheating on the date of birth. The question is who is to throw the first stone? Not, surely, the politician whose residence, admittedly, is a glass house.

★★
I must congratulate Maharashtra on the child-like innocence of its Chief Minister, who seems to believe everything that he hears. Mr. Naik talked the other day of a car which, according to the information given to him, had been made wholly with indigenous parts and could be manufactured at a cost of about Rs. 4,000. The Chief Minister has expressed his intention of taking this good news from Bombay to New Delhi. I have no doubt that an air journey will be justified. In fact, I would recommend that he should take the car with him on the plane. A vehicle of such extraordinary attractions deserves to be taken the greatest care of — it would not do to trust it to our savage roads and even more savage traffic.

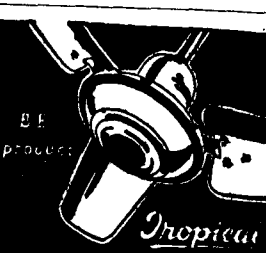
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ITALIAN CREDIT FOR TELEPRINTERS

An agreement for a commercial credit of Rs. 170 lakhs was signed in New Delhi on September 19, 1964, between the Hindustan Teleprinters Ltd., a Government of India enterprise, and the Olivetti & Co. of Italy. The credit will be provided in foreign currency and will help in raising the production of the Hindustan Teleprinters from 1,300 units a year to 5,400 units a year on single shift basis. The factory has a plan to produce by 1969-70, 8,500 teleprinter units a year by operating two shifts. The overall capital expenditure on the factory's expansion programme is estimated to come up to Rs. 150 lakhs. This includes Rs. 40 lakhs as cost of capital goods such as machinery, production tools and equipment, which will be financed out of Rs. 170 lakhs of commercial credit. The remaining Rs. 110 lakhs of the capital expenditure will be met from the Indian sources. Part of the commercial credit would be used for importing raw materials and consumable stores. According to the terms of the agreement, the loan is repayable in 10 years in half-yearly instalments. Four years ago in 1960, the Hindustan Teleprinters and the Olivetti & Co. of Italy entered into collaboration for manufacturing teleprinters. The company went into production in 1961, assembling machines from imported components. The indigenous content of the machines now is about 70 per cent. By the middle of next year, it will be possible to produce 1,300 units with wholly indigenous content.

EXPORTS OF TOBACCO, OIL & LAC

The exports of both manufactured and unmanufactured tobacco from India increased appreciably during the first quarter of the current financial year. During the period April to June, 1964, about 2,44,00,000 kilograms of unmanufactured tobacco worth over Rs. 10 crores was exported. This was about Rs. 1.8 crores more than the value of the exports in the corresponding period of 1963. Exports of manufactured tobacco during April to June, 1964 also increased to over Rs. 43.8 lakhs from Rs. 16.4 lakhs during the corresponding period of the previous year.

During the first three months of the current financial year (April — June, 1964), the exports of major essential oils increased in value to Rs. 34.56 lakhs as compared to Rs. 30.21 lakhs in the corresponding period of the previous year. The increase was mainly due to the earnings from sandalwood oil exports of which went up from Rs. 25.7 lakhs in April-June 1963 to Rs. 30.1 lakhs in the corresponding period of 1964. France and Japan were the major buyers.

The export of lac during April to June, 1964 was of the order of about Rs. 1.2 crores. This was Rs. 15 lakhs more than the value of the exports in the corresponding period of the previous year.

MICA EXPORT PRICES

In its press note dated the 30th January, 1964, the former Ministry for International Trade announced the minimum f.o.b. prices of certain varieties of mica. It was stated that shipment of mica splittings other than specified in the press note will not be allowed for export from or after February 15, 1964 (for details, vide page: 289 of "Eastern Economist" dated February 14, 1964). It has now been decided that subject to the conditions in regard to the opening of letter of credit, etc., specified in the above mentioned press note, shipment of the following varieties of mica will also be allowed at or

TEXTILE MACHINERY COUNCIL

INAUGURATING THE first meeting of the Development Council for Textile Machinery in New Delhi on September 19, 1964, the Minister for Heavy Engineering, Mr. T. N. Singh, said that the production of textile machinery, which was of the order of Rs. 19 crores in 1963, was expected to rise to Rs. 27 crores in 1965-66. During the fourth Plan, as against the total requirements estimated at Rs. 347 crores for the five-year period, the indigenous production, he added, was expected to cover as much as Rs. 272 crores, leaving a gap of Rs. 75 crores. There were also gaps in regard to certain items of textile machinery which were not manufactured at all in the country, e.g. draw-frames, speed-frames, warping machinery, etc. Referring to certain complaints that the existing capacity for textile machinery production was not being fully utilised, Mr. Singh said that shortage of raw materials such as pig iron, steel alloys etc., uncertainty of demand, lack of finance and fear of obsolescence were the factors responsible for this. He, however, assured the manufacturers that the Ministry would take up with the steel authorities the question of adequate supply of the required quality of pig iron. The question of financial assistance, he added, was also being looked into and credit agencies like I.C.I.C.I. and other development institutions would do whatever was possible. Mr. Singh also stressed the need for a Central Research and Development Organisation to keep in touch with the latest technology in the field of textile machinery. Government, he said, would be willing to assist in setting up such an organisation if a proper scheme was evolved by the industry.

Mr. Manubhai Shah, Union Minister for Commerce, also addressed the meeting and pointed out that unless adequate quality control was exercised at the different stages of production, the industry would experience difficulty in selling the machinery. Referring to the need for continuous exploration of the export possibilities in this field, he said that there was nothing wrong in exporting some textile machinery while at the same time we imported some. This was a feature even of developed countries like Japan. In this connection, Mr. Shah referred to the setting up of textile mills by Indian industrialists in developing countries of Asia and Africa. Earlier, the Chairman of the Council, Mr. Prabhu Mehta, said that a scheme had been prepared for setting up an Institute for Research in Designs for indigenous textile machinery.

ANGLO-SOVIET TRADE

The British Industry is attempting to penetrate behind the 'Iron Curtain' in an all-out drive for new markets in Russia. Already a number of British firms, particularly in the agricultural, chemical and heavy industry fields, have broken down the barriers of trade between the two countries, and now the British industrialists intend to take part in a three-year plan to show what free enterprise has to offer to the centrally-planned State trading economy of the Soviet Union. Specialised trade fairs in Moscow in 1965, 1966 and 1967 will provide the opportunity for Britain's largest sample bag yet to be taken behind the Iron Curtain. Fairs, in which Britain is planning to take part, include 'chemistry in industry'; construction and agriculture; agricultural machinery and equipment; mechanisation methods for engineering and technical work; mechanised and automated equipment; packaging and transport for the food industry; 'automation of production processes' and measuring instruments for research, industry and agriculture. In most of these fields Britain has much to offer, measuring instruments and agricultural machinery being just two examples. Britain's overseas sales of agricultural equipment are running at the highest ever, while in measur-

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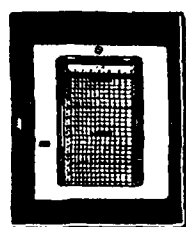
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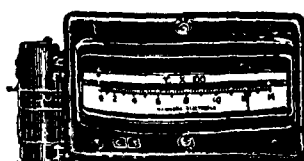
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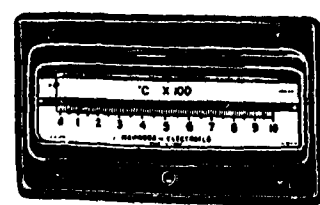
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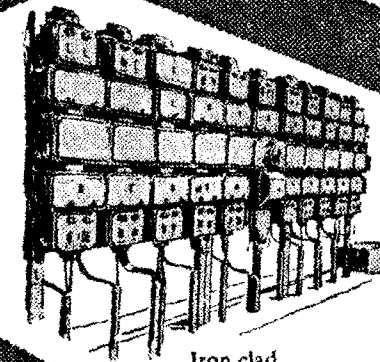
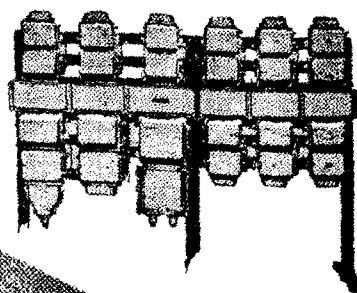
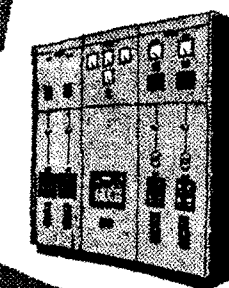
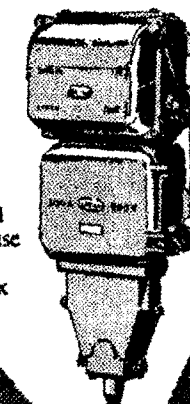
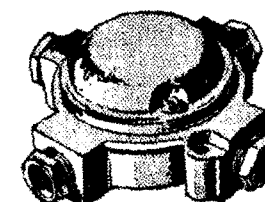
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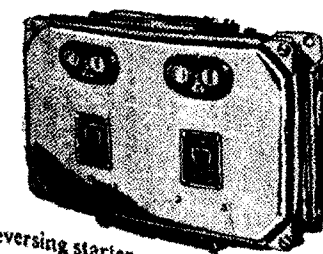
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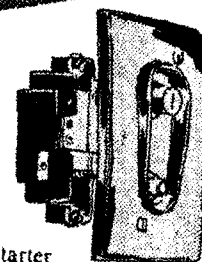
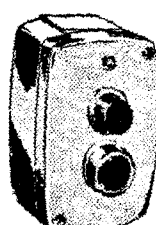
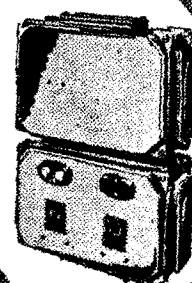
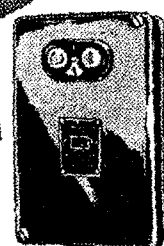
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ASIAN TRADE FAIR

An Asian International Trade Fair on the theme "Peace and Prosperity Through Trade Co-operation" will be held in Bangkok between November 17 and December 10, 1966. It will cover all aspects of industry, agriculture and trade. Exhibits from the industrially developed countries will consist mainly of capital goods and technical equipment appropriate to the development of agriculture and industry in Asian countries. The Fair is organised by the Government of Thailand and supported by ECAFE. The three objectives of the Fair are: (i) to increase trade among Asian countries and between Asian countries and the rest of the world; (ii) to promote co-operation in trade and economic development in the countries of Asia and the Far East; and (iii) to encourage new investment in Asian countries.

KATHMANDU EXHIBITION

In agreement with the Government of Nepal the Government of India is organising an exclusive Indian exhibition at Kathmandu. The exhibition will be of one month duration and will start in the fourth week of November, 1964. A wide range of goods, including capital goods and equipment, light engineering goods and consumer goods of various types, which India can offer, will be displayed at the exhibition. The social, economic and industrial developments taking place in India under the five-year Plans as also the efforts in the field of science, technology and allied subjects will be portrayed at the exhibition.

RATNAKAR EXPANSION

The Ratnakar Shipping Company of Calcutta, which has at present only four vessels, plans to achieve a steady and balanced expansion of its fleet over the next few years. In view of the limited scope in the regular overseas liner services, the company will concentrate on the international tramp and tanker trades where there is a crying need for more vessels. It will also ply on the Indian coast where there is a shortage of tonnage. In addition to two super tankers of 53,000 d.w.t. each — the order for the first of which has already been placed with a Japanese shipyard for delivery during the first half of 1966, while the decision to build the second is likely to be taken soon — the Ratnakar Shipping intends to acquire two bulk carriers as well as half-a-dozen new or second-hand ships of medium size. Two secondhand vessels of about 12,000 d.w.t. each are being purchased by the end of this year under the package deal, one of them to be placed overseas and the other on the Indian coast. The company

also proposes to charter three or four bulk carriers for the specific purpose of engaging in the transport of foodgrains to India from the USA over a long period of a few years. The necessary arrangements in this connection are being made. The bulk carriers may be chartered from London or some other international tramp market and if the operation proves successful, more freighters may be engaged later on.

Efforts are now under way by the Government of India and the shipping companies of the country to bring as much as possible of the 50 per cent of the foodgrains cargo allowed to be carried in non-USA flag tonnage, in Indian vessels. Recently, the economic aspects of the foodgrains movement were discussed in detail at the National Shipping Board meeting in Delhi. As the Government of India is now very serious about the attempts to carry foodgrains in Indian ships, a higher freight rate is being considered. So far Indian companies have not lifted any of the foodgrain imports because they did not have the necessary type of tonnage for the purpose. The inadequate freight rates and the uncertainty of outward cargoes had also made the proposition uneconomic and unattractive.

TAXATION ON MOTOR VEHICLES

The Government is considering the question of appointing a high-powered body to examine the present incidence of taxation on motor vehicles/operators and to report whether it is a disincentive to the growth of road transport industry. This was revealed to the Informal Consultative Committee of Parliament for his Ministry by Mr Raj Bahadur, the Union Minister of Transport. The recommendation for appointing such a committee had in fact been made by the Transport Development Council at its meeting held at Srinagar in July this year. The Minister also told the Consultative Committee that the recommendations of the Study Group on Transport Co-operatives were being examined by the State Governments and decisions would be taken on them in a few months' time. The members were informed that a tentative provision in the fourth Plan period of Rs. 1,150 crores for roads had been suggested by the Working Group on Roads and approved by the Transport Development Council which had also laid down that an integrated plan for construction of roads based on economic justification should be drawn up. It had also proposed that emphasis should be laid on rural roads.

LOANS FOR COTTON & JUTE MILLS

According to a press note issued by the Ministry of Commerce, the Industrial Development Bank, which has started functioning with its head office in Bombay, will consider the applications of the cotton textiles and jute mills for rehabilitation loans. The press note adds that the Indian Jute Mills' Association and the Indian Cotton Mills' Federation have been advised to discuss and finalise the procedural details regarding these loans with the Bank.

EMERGENCY RISKS INSURANCE

The Emergency Risks (Goods) Insurance Scheme and the Emergency Risks (Factories) Insurance Scheme have been modified so as to provide for the automatic extension, by a further period of three months from October 1, 1964, of the policies already issued under these two schemes. No premium will be charged on these policies and no fresh applications will also be necessary for the renewal thereof. In respect of properties which become insurable for the first time on or after October 1, 1964, applications are to be made to the Oriental Fire and General Insurance Company, in the prescribed manner, but without treasury chalang, for the issue of policies as provided for under the schemes. The question whether any premium should be levied in these cases at any later date will be decided at an appropriate stage, but for the time being, no premiums will be due, and no payments should, therefore, be made.

Company Affairs

1.50 lakh fully paid-up equity shares had been allotted to this company.

The chairman stated that the company proposes to manufacture four basic types of glass fibres such as wool, staple tissue, yarn and reinforcement for plastics. In all these fields the company through its association with Fibreglass Limited of England will take advantage of the new developments in other countries both of production methods and sales outlets.

Considerable progress had been made in the construction of the factory. Plant and equipment are expected to be installed in the latter part of this year and commercial production is expected to commence in June 1965.

CAMPHOR AND ALLIED PRODUCTS

Mr. C. C. Desai, Chairman of Camphor and Allied Products Ltd., had given the shareholders an optimistic picture of the company's activities. The plant has gone into operation and it has already produced about 100 tons of camphor. Total sales so far have amounted to Rs. 30 lakhs and are expected to exceed Rs. 80 lakhs by the end of the current year. In view of the contracts that the company has entered into for the sale of camphor, the company's entire production has been sold out for a period of three years.

The Chairman stated that the production will not be hampered for want of raw materials. The company is getting its regular supplies of turpentine, the chief raw material, from U.P., Himachal Pradesh, Punjab and Jammu and Kashmir. But the directors have thought it desirable to plan ahead for self-sufficiency. It has, therefore, negotiated with the Governments of Assam and Nepal for permission to tap pine trees and to establish turpentine distilleries.

Apart from residual turpentine which is being marketed, the company is also exploring markets for its other by-products such as Terpene B, D, G & H. Permission has also been obtained from the Government for the import of capital goods for the manufacture of formic acid.

RAMON AND DEMM

Ramon and Demm Ltd., a new company formed for the manufacture of automobile gears, will be entering the capital market shortly with a public issue of Rs. 22 lakhs. The company has an authorised capital of Rs. 2 crores and an issued equity capital of Rs. 60 lakhs. Of the issued capital, foreign collaborators will take up Rs. 15 lakhs, directors and their friends Rs. 22.95 lakhs, leaving the balance for public subscription.

The company proposes to put up the factory at Thana, near Bombay. The target of production has been set at 2,000 tonnes. The gross value of production, in the first stage, is expected to be Rs. 1.6 crores, in the second stage Rs. 3 crores and in the third stage Rs. 4.5 crores. The company expects to earn reasonable profits from the fourth year of its operation.

Besides the equity capital of Rs. 60 lakhs, the company intends to borrow Rs. 38 lakhs from ICICI, Rs. 15 lakhs from the Maharashtra State Financial Corporation and Rs. 10 lakhs as over-drafts and cash credit from banks. The company has entered into a collaboration agreement with a reputed Italian firm for providing the technical know-how, supply of machinery and equipment worth Rs. 15 lakhs and the training of Indian engineers in Italy.

INDO-BURMA PETROLEUM

The directors of Indo-Burma Petroleum Co. Ltd. have decided to invest Rs. 25 lakhs in two new companies registered in Delhi. The investment of the company in Shama Forge Co., Ltd., will be of the order of Rs. 15 lakhs which will be made up of one lakh equity shares of Rs. 10 each at par and 5,000 cumulative redeemable preference shares of Rs. 100 each at

JAY ENGINEERING

MR. CHARAT RAM, Chairman, the Jay Engineering Works, Ltd., while addressing the annual general meeting, referred to the unfortunate strike in the Calcutta factories from the middle of December, 1963 to the end of May, 1964. In spite of its adverse impact on the profits, the directors proposed the payment of dividend on equity shares at a comparatively low rate of eight per cent by drawing upon the reserves. The company will, however, be able to replenish its reserves in a normal year. The Chairman gave a broad analysis of the causes of this unfortunate strike which meant an enormous loss of over a crore of rupees. The workmen lost the r wages, bonus etc., the Government lost excise duty and direct and indirect taxes and the community lost its much needed supplies. It is all the more unfortunate because the ostensible demands of the workers had already been revived by the West Bengal Government and some of them had been referred to the Industrial Tribunal for adjudication. It is, therefore, a matter for serious examination if strikes leading to so much disruption are caused by genuine economic grievances of the workers or by some political workers who want to make capital out of them. The Chairman rightly indicated that there has been much evidence to show that there was more pre-occupation on the part of a section of our labour leadership with political and other extraneous considerations than ship with political and other extraneous considerations than the ultimate good of the working people and the industry. It is time that the labour leadership learnt to take more responsible attitude at such instances.

Mr. Charat Ram indicated that the company has been making considerable progress in its current operations and has been maintaining satisfactory production trend. "Given sustained hard work by the workers without being diverted by self-seeking men, there should be increased earnings and bonuses for the workmen, increased profits for the investor, increased exports for the country and increased supplies for the domestic market". He added that there existed considerable confusion about the character and nature of profits because a section of opinion in the country considered profits as a crime. He added that making losses, on the other hand, should be considered a crime. Higher rate of business profit was essentially a reflection of efficient functioning of a unit and there was a direct relationship between business profits and economic growth. It was only through larger profits that larger investments could take place.

The Chairman referred to the rising cost structure, particularly in the engineering industry. The management did try to reduce cost by seeking more efficient ways of manufacturing and marketing products but certain costs were beyond their control. For instance, rising prices of consumer goods led to higher rates of dearness allowance. If manufacturing costs continued to increase, he added, sooner or later they were reflected in selling prices.

FIBREGLASS PILKINGTON

Mr. John Creek, Chairman of Fibreglass Pilkington Limited, stated that the public issue made in November last year had substantially been oversubscribed and the final call also had been made for payment of the remaining before 31st August, 1964, as funds were urgently needed to meet the capital expenditure of the project. The directors are confident that the unstable economic situation will not hinder the implementation of its plans.

The company has entered into a collaboration agreement with the Fibreglass Limited of St. Helens, Lancashire, England for furnishing the manufacturing know-how, supplying designs of the plant and equipment, and undertaking to provide consultancy and technical services for a period of 11 years from the date of first commercial production of glass fibres. About

par, carrying interest at the rate of 9.5 per cent per annum. The company also proposes to invest in Shama Pistons and Rings Ltd. to the tune of Rs. 10 lakhs, which will be in the form of subscription to 80,000 equity shares of Rs. 10 each at par and 2,000 cumulative redeemable preference shares of Rs. 100 each at par, bearing an interest of 9.5 per cent per annum.

Shama Forge Co. Ltd. was incorporated in October 1963 with the object of manufacturing forgings of mild steel and alloy steel and other metals. The company has entered into a collaboration agreement with Kropp Forge Co., of Chicago, USA who will supply the plant and equipment. In turn, they will be allotted 2.14 lakh equity shares of Rs. 10 each and will receive a royalty of 2.5 per cent on the net sales, subject to deduction of tax. The Agency for International Development has approved the loan of Rs. 47.50 lakhs to the company. The factory will be situated at Bhopal.

Shama Pistons and Rings Ltd. was registered in December 1963 for the manufacture of pistons, pins, and piston rings for automotive and stationary engines of all kinds. The company has secured the collaboration of Karl Schmidt GMBH of West Germany for the manufacture of pistons and pins, and SIM, S.A. of Switzerland for piston rings. Karl Schmidt and SIM, S.A. will receive a royalty of 4 per cent and 3 per cent respectively on net sales, subject to deduction of tax. The collaborators in turn will invest in 4.88 per cent of equity capital and 4 per cent of preference capital. The company is negotiating with ICICI for a loan of Rs. 37 lakhs. The factory will be put up at Ghaziabad, U.P.

GAMMON INDIA

Substantial improvements in working results have been reported by Gammon India Ltd. for the year ended March 31, 1964. While gross profits jumped up from Rs. 52.08 lakhs to Rs. 82.48 lakhs, the turnover increased significantly from Rs. 555 lakhs to Rs. 680 lakhs. As the company has a large volume of work on hand, the turnover for the current year is expected to be at a higher level. There has been an addition of Rs. 122.78 lakhs to plant and equipment and of Rs. 15.08 lakhs to land and property during the year against Rs. 32.37 lakhs and Rs. 11.85 lakhs respectively for the previous year. The subsidiary and other associated units of the company are also reported to be working satisfactorily. Thanks to the encouraging working results, the directors have recommended an increase in equity dividend from 11 per cent to 12 per cent. The proposed equity dividend will be paid on the old capital of Rs. 1.15 crores. Following the rights issue made during the year, the paid-up capital of the company increased to Rs. 1.38 crores but the new shares will not be eligible for the dividend for 1963-64.

The provision for depreciation is stepped up from Rs. 17.09 lakhs to Rs. 28.32 lakhs, development rebate reserve from Rs. 4.39 lakhs to Rs. 16.40 lakhs and taxation from Rs. 16 lakhs to Rs. 20 lakhs. The allocation to general reserve remains unchanged at Rs. 5 lakhs. The proposed dividend will absorb Rs. 13.80 lakhs against Rs. 12.65 lakhs, leaving Rs. 0.96 lakh to be carried forward to next year's account.

TITAGHUR PAPER

Titaghur Paper Mills Co. Ltd. has reported satisfactory working results during the year ended March 31, 1964. Thanks to the encouraging rise in production from 55,425 tonnes to 57,822 tonnes, sales increased substantially from Rs. 10.47 crores to Rs. 11.74 crores. The working of the multistaged bleaching plant in mill No. 1 is expected to be completed by the end of the current year and it is hoped that the unit would be able to reach a daily output of 100 tonnes towards the end of 1965. The No. 2 mill has been able to achieve an average production of 70 tonnes per day but it will not make the desired contribution to the profit till the output is substantially increased by the installation of No. 6

machine by the middle of 1965. The present daily capacity of the No. 3 mill is about 40 to 45 tonnes. Even this output cannot be achieved until the ancillary equipment is installed. The immediate objective of the company, therefore, is to increase the output of this mill to a level where it ceases to be a financial burden on the company as a whole.

The provision for depreciation is higher at Rs. 46.82 lakhs against Rs. 35.55 lakhs, while the allocation for Managing Agents' remuneration is maintained at Rs. 53,000. Capital reserve claims Rs. 3.03 lakhs (n.a.) while debenture redemption sinking fund absorbs Rs. 10 lakhs against nil last year. The directors have withdrawn Rs. 9 lakhs from the previous year's account for payment of the proposed equity and preference dividends.

MSORE KIRLOSKAR

Mysore Kirloskar had reported considerable progress during the year ended June 30, 1964. Gross profits recorded a sharp rise from Rs. 65.08 lakhs to Rs. 90.72 lakhs while sales improved significantly from Rs. 224.15 lakhs to Rs. 308.68 lakhs. The encouraging rise in sales is shared by almost all the company's products. Apart from making steady progress in the manufacture of existing lines, the company also made considerable headway in the manufacture of capstan and turret lathes. The company has taken on hand the manufacture of grinders and monomatic lathes. These products are expected to be placed on the market by about 1966. The substantial improvements in working results have enabled the directors to increase the equity dividend from 10 per cent to 12½ per cent.

The provision for depreciation is stepped up from Rs. 13.86 lakhs to Rs. 18.97 lakhs, development rebate reserve from Rs. 6.08 lakhs to Rs. 10.56 lakhs and taxation from Rs. 27.40 lakhs to Rs. 31 lakhs. The general reserve is strengthened with an allocation of Rs. 12.22 lakhs against Rs. 1.05 lakhs in the previous year while Rs. 7.80 lakhs is transferred towards managing agents' remuneration against Rs. 4.71 lakhs. The debt redemption reserve absorbs Rs. 5 lakhs against Rs. 1.25 lakhs while contingency reserve claims Rs. 1 lakh against Rs. 2 lakhs in the previous year. The replacement and rehabilitation on reserve is credited with Rs. 4.40 lakhs against Rs. 2 lakhs. No provision has been made to the dividend reserve as compared with Rs. 5.75 lakhs last year. The directors have transferred Rs. 9.30 lakhs from the development rebate reserve to the dividend reserve, out of which the dividends will be paid. The provision for taxation made in the previous year was found in excess of Rs. 2 lakhs and this surplus has been transferred to general reserve.

SHALIMAR ROPE

With a view to getting enlistment for quotation on the Calcutta Stock Exchange and meeting the requirements of the Calcutta Stock Exchange Association Ltd., the Shalimar Rope Works Limited is offering 31,000 issued, subscribed and fully paid-up equity shares of Rs. 10 each to the general public for sale at Rs. 16 per share. The equity shares now being offered will be entitled to any dividend declared in respect of the year ended June 30, 1964. The offer will be open for acceptance from October 6 to October 10. It may close earlier at the discretion of the "offerer" but not before October 8.

The offer for sale is being made by Bangur Brothers Ltd. who accepts the full responsibility of the offer. The authorised capital of the company is Rs. 25 lakhs and the subscribed capital is Rs. 12.38 lakhs divided into 1,23,750 fully paid-up equity shares of Rs. 10 each.

The company which was incorporated in 1917 as a private limited company was converted into a public limited company in 1946. It is manufacturing and dealing in fibre ropes and cordages manufactured from fibres of different varieties such as manila hemp, sisal, jute, cotton, coir etc. The working of the company is satisfactory. The company has earned a reputation for its products in India and abroad and its products are being exported regularly.

COMPANY MEETINGS.



THE IMPERIAL TOBACCO COMPANY OF INDIA LIMITED

Speech by the Chairman, Mr F. A. Collett, at the fifty-third Annual General Meeting of the Company on 24th September, 1964

Ladies and Gentlemen,

The year under review saw two changes on your Board necessitated by the departure from India of Mr C. N. Kirkus and Mr. H. C. Reeve on retirement. Mr. Kirkus had served the Company for 28 years and Mr. Reeve for 31 years and so had well earned their retirement, and with them go our best wishes.

In their places Mr. Patrick Evan John and Mr. Balwant Kumar Nehru were appointed to the Board on 1st April. Mr. John joined the Company in 1938 on the accounting side, and Mr. Nehru in 1950 on the engineering side. They bring with them a wealth of experience and drive which is already apparent in our deliberations.

Turning to the Accounts I am afraid that, as I foreshadowed in my speech a year ago, the Company has come through a difficult year.

The reduction in profit from the high figure of 1962-63 is almost entirely due to two main causes, indirect and direct taxation; indirect taxation in the form of excise adversely affecting our Company's gross trading profits, and direct taxation reducing the net profits available for distribution.

As a result of the 1963 budget, when not only were the basic rates of excise raised, but an additional 20 per cent special Emergency excise imposed, your Board decided to absorb a large part of the extra taxation on some of the lower priced brands as it was considered probable that had we not done so the higher prices would have put these brands at prices which many consumers would have been unable to pay.

Despite the disappointing financial results of the year under review your Directors are still of the opinion that that decision was a right one because even despite it, cigarette consumption during the year showed a reduction for the first time for many years: and had prices been still further increased this reduction would have been even more marked. I should perhaps point out that the value of our sales as shown in the Profit and Loss Account shows an increase of some Rs. 5 crores but this figure is largely offset by additional excise paid and does not therefore represent an increased volume of sales. Nevertheless it does mean that this extra money was paid out for your Company's products.

This overall reduction in volume is a clear indication of the fact that we have, anyhow for the time being, reached a point at which many consumers, particularly those in the lower income groups can no longer afford to smoke cigarettes. This must of course soon be reflected in Government revenue: and it is my opinion that if the revenue from the cigarette industry is to maintain its buoyancy, this is most likely of achievement by a reduction of excise, particularly in the lower categories and the removal of the special Emergency excise.

I now come to the incidence of direct taxation because for the excise to which I have already referred only accounts for part of our reduction in profits, another large part of which is accounted for by retroactive corporate taxation for which we could not possibly have budgeted.

In the last three budgets there have not only been changes in excise rates: but our liability to direct taxation has been increased by retroactive new impositions and increases in rates. The 1962 budget increased the rate of corporate taxation from 45% to 50% at a cost of Rs. 18 lakhs; the 1963 budget introduced Super Profits Tax at a cost of Rs. 20 lakhs,

and there is an unfortunate possibility that the 1964 budget may raise, perhaps unintentionally, our rate of corporation tax to 60 per cent at a cost of Rs. 31 lakhs. I say "perhaps unintentionally" because there are varying interpretations of the provisions of the Finance Act, 1964 relating to Super Tax on companies. In view of this uncertainty we have thought it wise to provide for the higher rate of 60% in our Accounts.

In the case of a change in excise duty which is primarily a tax on the consumer the difference becomes effective from the date of imposition, and your directors are free to decide how much of the change should be passed on to the consumer, and on this decision is the Company's forward pricing policy fixed. In the case of direct taxation being imposed or increased retroactively in the last trading month of the year, forward planning becomes, to put it mildly, difficult.

These very frequent changes in two major forms of taxation, particularly in a trade where on average 50% of the sale value of our product is represented by excise, are bound to lead to erratic results: and if we cannot have a reduction in taxation, then at least a period of stability is overdue.

Your Directors have in previous years considered it advisable to appropriate part of the profits earned to Reserves in order to retain in the business funds needed to replace fixed assets and stocks at current price levels and to finance expansion. Having reviewed the whole situation they have decided to recommend to you that this year no such appropriations should be made and that reserves previously made should be drawn upon in order to cover taxes retrospectively levied for the previous year. It will then be possible to pay a final dividend of 2½%, making a total of 6½% for the year, which I now recommend.

Now to turn to the more cheerful side of the picture.

A more healthy aspect of the current situation is the more intense competition between the manufacturers but your Company is maintaining a satisfactory position and I have no doubt at all will continue to give a good account of itself.

Competition has a stimulating effect on your Company's management, and the results of our various training programmes which we have carried out continuously for several years are now standing us in good stead in overhauling old, and evolving new techniques on all sides of the business.

The year 1963 marked the Diamond Jubilee of our famous SCISSORS brand and we celebrated this by giving it a modern dress which, judging by the reception it has received, has been warmly appreciated by its loyal followers. I mention this particular item because in fact it is probably not untrue to say that this rejuvenation is symbolic of the many changes that we have made, and shall continue to make to keep abreast, and indeed ahead, of today's trading conditions.

In addition, and with an eye to the future, we have been concentrating on the increasing filter tipped trade where we now have the two leading brands in WILLS NAVY CUT Filter and SIMLA which have recently been followed by SAVOY Mentholated for those who like this variation.

Perhaps I should not leave this subject without a lament for the passing away of the round 50s tin, which has been a feature of the market for so long and which has now become a casualty of the Emergency. The Government can undoubtedly put the tinplate, which is in short supply, to a more vital

severe strain. It is a matter of satisfaction that the Prime Minister has already instituted studies for determining the extent to which our economy can bear the load of gigantic long-term investments. I have no doubt that this will result in a review of national priorities with a view to upgrading projects which will yield goods and services in a relatively short time, thus countering inflationary forces and facilitating further investments from earned surpluses.

The other kind of unproductivity arises from confusion about the character and nature of profits. There seems in some lobbies in our country a view that it is a crime to make profits; I submit that on the other hand, it should be considered an economic crime to make losses. The idea that business profits are good for the economy is difficult for many to accept. What the critics of profit say on the surface is that business aims not at helping people, but at making profits through people. Their instinct tells them that one man's profit is another man's loss, and so they conclude that profit means exploitation. Now the relationship between business profits and economic growth is basically very simple. Profit determines investment, for you obviously cannot invest from losses, and investment is essential to growth. Thus declining profits must mean a serious drop in investment, and therefore a slower growth for the economy; per contra, higher profits would mean higher investment and faster growth. It is no accident that business profits, business investment, and unemployment are the three economic indicators that have remained at recession levels during the current economic downswing.

The matter of rising costs of manufacture is certainly one of alarm. The "cost-price" squeeze situation about which I referred last year has worsened for industry in general and for engineering industry in the metropolitan Calcutta region in particular. Management has the primary responsibility for controlling costs by seeking more efficient ways of making and marketing products. But many of the costs of doing business today in our country lie wholly or partially beyond the control of management. To cite only one and latest example, the runaway price situation has led to increases in rates of dearness allowance payments to our workers in the last three months, which would mean increases in costs for your Company to the extent of about Rs. 10 lakhs per year. If manufacturing costs continue to mount up, they must sooner or later be reflected in increase in selling prices. If the goal of our society is to provide the basic necessities of life at prices which the people can afford, we seem to be somehow awfully

off the track in achieving it. To me there appears to be some confusion between ends and means.

SATISFACTORY TREND

Before closing, I should say that our current operations are maintaining a satisfactory trend, considering the aftermath of the strike. Given sustained hard work by the workers without being diverted by self-seeking men, there should be increased earnings and bonuses for the workmen, increased profits for the investor, increased exports for the country and increased supplies for the domestic market. Our shareholders and others concerned with us can feel reassured that the intrinsic strength of the Company remains unimpaired by the strike. The principal asset of any undertaking is its men, and I feel proud to say that the strike has given ample proof of the worth of our management personnel, as well as our rank and file and operating personnel.

A CALL TO WORKMEN

Our relationship with our work-force remains good in spite of the fact that most of them had to make common cause with aggressive elements due to compulsive forces that bear upon the working class. To the leadership of our Company's labour, and to the workmen themselves, I take this opportunity of making a personal appeal. Strike against production can never, never be in the interest of either the labour group or the country at large. Management has responsibilities to the consumer, the labour and the investor alike. Let us all work in the coming years to make Jay Engineering the lowest cost factory in India, for that is the only way to also making it the highest profit factory, from which increased investments and payments to labour can come.

All of you are aware that our old and close colleague, Shri T. R. Gupta, left the Company during the year to take up the chairmanship of the mammoth public sector undertaking, the Heavy Engineering Corporation Ltd. We are sorry to lose him, but take pride in this singular recognition. Personally to me it has been a great loss, but he remains basically a part of us and we seek his advice in any difficult situation constantly. I am sure you will join me in wishing him a successful career in his new challenging job.

Shri B. S. Agarwal, along with the officers of the Company, supported by the staff and workers, deserve more than our usual thanks for the manner in which they conducted the affairs of the Company in an eventful year.

NOTE: This does not purport to be a record of the proceedings of the annual general meeting.

INDUSTRIAL FINANCE CORPORATION OF INDIA

Speech delivered by Shri A. Baksi, Chairman, at the 16th Annual General Meeting of the Corporation held on the 29th September, 1964.

Gentlemen,

I have great pleasure in welcoming you to this Annual General Meeting of the shareholders of the Corporation.

2. We have assembled here only four months after the demise of Prime Minister Jawaharlal Nehru. It is fitting that we should begin by paying our respectful homage to his memory.

3. Printed copies of the Sixteenth Annual Report of the Board of Directors and the Accounts of the Corporation are already in your hands and I shall, with your permission, take them as read.

4. During the year ended the 30th June, 1964, the Corporation sanctioned a total financial assistance of Rs. 38.27 crores made up of rupee and foreign currency loans of Rs. 25.12 crores, underwritings of Rs. 5.41 crores and guarantees of deferred payments and foreign loans of Rs. 7.74 crores. The quantum of assistance disbursed or made available during the year was Rs. 21.38 crores out of which the cash outgoings amounted to Rs. 17.99 crores. To meet the immediate needs of our borrower concerns, we disbursed during the year interim loans amounting to Rs. 3.42 crores.

5. The gross income for the year was Rs. 507.28 lakhs. Deducting interest of Rs. 262.04 lakhs on borrowings, and other expenses including establishment of Rs. 18.18 lakhs, the gross profit subject to provision for taxation is Rs. 227.06 lakhs. After setting apart a sum of Rs. 101.62 lakhs towards taxation, the net profit for the year comes to Rs. 125.44 lakhs. These results, I hope you will agree, are satisfactory.

6. As for appropriations out of the profits, a total sum of Rs. 106.19 lakhs has been transferred to Reserves which now total Rs. 409.19 lakhs as against a paid-up capital of Rs. 7 crores on the 30th June, 1964. The balance profit of Rs. 19.25 lakhs is being distributed as dividend.

7. The gross financial assistance sanctioned by the Corporation during the last 16 years up to the 30th June, 1964 aggregated Rs. 240.97 crores. The net figure for this period, after taking into account cancellations and withdrawals of Rs. 44.19 crores, totalled Rs. 196.78 crores, made up of rupee loans of Rs. 134.29 crores, foreign currency loans of Rs. 16.89 crores, underwritings and direct subscription to capital of Rs. 14.13 crores and guarantees of Rs. 31.47 crores. Out of the 14.13 crores and guarantees of Rs. 196.78 crores, about Rs. 137.16 net assistance sanctioned of Rs. 196.78 crores, about Rs. 137.16 crores (70 per cent) was for new projects and Rs. 59.62 crores (30 per cent) for existing concerns for expansion, modernisation and diversification. As against the net assistance sanctioned of Rs. 196.78 crores, Rs. 124.45 crores had been disbursed or made available up to the 30th June, 1964. Assistance outstanding on that date, after providing for repayments, aggregated Rs. 84.02 crores.

8. Cash disbursements up to the 30th June, 1964 in respect of loans sanctioned and shares and debentures subscribed to, or taken up by the Corporation as a part of its underwriting commitments, amount to a total of Rs. 105.78 crores. These have been financed to the extent of Rs. 26.87 crores (25 per cent) out of repayment of loans, Rs. 28.24 crores (27 per cent) by borrowings from the market, Rs. 35.60 crores (34 per cent) by borrowings from the Central Government, Rs. 3.98 crores (4 per cent) from foreign credits and the balance of Rs. 11.09 crores (10 per cent) from the paid-up capital and reserves.

9. Projects assisted during the year under review numbered 75, covering a variety of industries such as Textiles (20), Metal Products (15), Electrical and other machinery (14), Glass (7), Basic Industrial Chemicals (5), Paper (4) and Iron and Steel (3). The total number of projects assisted by

the Corporation since the beginning up to the 30th June, 1964, was 334 out of which 224 are new undertakings. The total cost of the 334 projects, for which we sanctioned assistance of Rs. 196.78 crores, is estimated at Rs. 558.00 crores. The last figure is significant because an institution like ours is often judged by the extent to which the projects financed by it are able to mobilise resources from other quarters.

10. The Corporation's contribution to industrial development in terms of production is also significant. For example, in the Paper industry the additional capacity created as a result of our assistance is 1,58,000 tonnes per annum as against the total installed capacity of 5,49,000 tonnes per annum. In Basic Industrial Chemicals, the additional capacity set up is 61,800 tonnes of caustic soda, 2,83,000 tonnes of sulphuric acid and 23,100 tonnes of soda ash per annum. In the Cement industry the additional capacity created is 19,20,000 tonnes and in the Refractory industry 2,09,000 tonnes per annum. In Sugar the additional cane crushing capacity amounts to 67,000 tonnes of sugarcane per day. In Cotton Textiles, the additional capacity installed is 6,44,000 spindles.

11. The Corporation has progressively increased its underwriting activities. During the year, we sanctioned 40 applications for a total amount of Rs. 5.41 crores comprising of equity shares of Rs. 3.86 crores and preference shares of Rs. 1.55 crores. In a number of cases underwriting facilities were sanctioned in addition to loans and other forms of assistance.

12. Up to the 30th June, 1964, the Corporation had sanctioned underwriting facilities in 77 cases for a net aggregate amount of about Rs. 12.31 crores made up of equity shares of about Rs. 6.02 crores, preference shares of about Rs. 3.86 crores and debentures of Rs. 2.43 crores. During this period 52 issues involving an aggregate commitment of over Rs. 9.48 crores were placed in the market and shares and debentures of Rs. 7.55 crores devolved on the Corporation as a result of these operations. The main reason for this was the unsatisfactory condition of the capital market in the last two years.

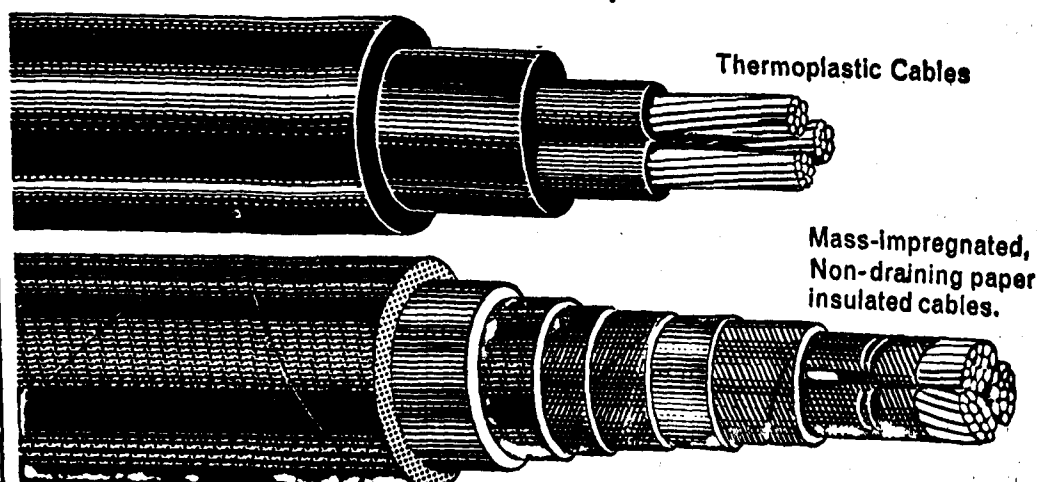
13. While rupee loans constitute the bulk of our operations, sub-loans in foreign currency have been on the increase. Loans sanctioned during the year under the lines of foreign credit available with us amounted to Rs. 8.04 crores as against Rs. 3.04 crores in the previous year. The net amount of foreign currency loans sanctioned up to the 30th June, 1964 totalled Rs. 16.89 crores. Out of the two loans of \$30 million from the Agency for International Development (AID) of the United States of America, the Corporation had committed itself to a total of \$23.78 million (Rs. 11.32 crores). We have repaid to the AID three half-yearly instalments of principal amounting to \$150,000 (Rs. 7,14,000) up to the 30th June, 1964. Two lines of credit aggregating DM 40 million from the Kreditanstalt für Wiederaufbau, Frankfurt have been fully committed and the demand for DM loans continues unabated. The utilisation of the credit of 50 million Francs from the Banque Française du Commerce Extérieur (BFCE), Paris has unfortunately been slow. We have so far sanctioned four sub-loans aggregating 8.59 million Francs out of this credit.

14. The industry-wise pattern of our assistance has been changing. For some years till 1962, the Sugar industry was at the top of the list of our beneficiaries. In 1963 Sugar made way for Non-ferrous Metals. During the year under review Metal Products headed the list with 18.7 per cent of the total assistance, followed by Textiles (16.7 per cent) and Basic Chemicals (15.1 per cent).

15. As regards the State-wise distribution of our assistance, Maharashtra topped the list in the year under review

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use: and we hope that our public will be satisfied with our various alternative packings.

Generally your Company's products have been able to give a good account of themselves against increasing competition and despite increased prices: but in the few exceptions where this has not been the case you may rest assured that the most vigorous action has been and still will be taken.

In the export field we have exhibited in a number of trade fairs, have sent a representative to various European countries and received assistance from our British associates; and we have also made numerous quotations at competitive f.o.b. prices: but all on the whole with disappointing results. The vast majority of countries now have their own cigarette industries which are equally well protected against imports as is the Indian domestic market. There is a limited market in Rupee payment countries, which seems better handled on a Government to Government basis: and it has been arranged to investigate such an arrangement.

Aside of our business which is not perhaps as well known as it might be is the Printing side. We have two printing factories, one in Monghyr and another at Tiruvottiyur near Madras. These were originally set up to supply our own requirements for packaging materials: and they still do this. However Tiruvottiyur, which does some of the most high class offset printing in the country, has of recent years been taking on a certain amount of outside work which we are hoping to develop still further.

I have already referred to the changed outlook of management to meet today's trading conditions and I should now like to say something of our Labour relations, and our relationship with the many trade Unions who represent the workers and clerical staff employed here in Head Office and in our branches throughout the country, in which sphere we consider that our record is good.

The changes in trading conditions to which I have referred necessarily involve changes in working conditions, and these have been under discussion with many of the Unions during the year. Earlier this year we arranged a conference between Management and the leaders of the Unions at which it was agreed, with the unfortunate exception of a small minority

of branches, to set up a Committee composed of four members each from Management and the Unions to review working conditions in Head Office and all the branches represented with a view to rendering recommendations to the Board at the end of this year: and it was further agreed to call a moratorium on demands, apart from local adjustments, during this period.

This Committee has already had several meetings in different parts of the country and I have been struck not so much by the constructive work that they are undoubtedly doing, but by the atmosphere of mutual trust in which they are doing it. On the Committee at least there appears to be an understanding on both sides that the interests of Management and Labour in the prosperity of the Company are the same: and if this is really accepted, and although there will certainly be some bargaining on the way, I think that the fact that these matters are being discussed in a free atmosphere and under no form of duress on either side is a major step forward.

Finally it is usual at this meeting for the Chairman to attempt to give you some indication of our future prospects. I have already said a great deal about the difficulty of doing this. However as regards trading prospects in the long run I am still of the opinion that only the fringe of the eventual cigarette consumption potential has been touched: but that the rate of the increase depends entirely upon two factors, the rate at which the standard of living in the country increases and the rates of excise duty imposed. At present I believe these latter rates to have run ahead of the economic development to an extent that they are not able to be absorbed.

In the short term I believe your Company is well equipped to face the present competitive situation and in the absence of further retroactive taxation I would expect improved results during the current year but that these are not likely to be spectacular. As a result of these improved prospects it is possible to revert to our previous rate of interim dividend and the first interim for the current year of 2½% has already been notified to you. What we are eventually able to pay for the year will naturally depend on the final results we achieve.

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

NEPAL BANK LIMITED

Est:— 1994 B.S. Central Office Kathmandu Est:— 1957 A.D.

Authorised Capital Nep Rs. 1,00,00,000

Issued and Paid-up Capital Rs. 25,00,000

Reserve Funds Rs. 77,31,093

Note:— One Nepal Rupee is the equivalent of 11½ (U.K.), 13C. (U.S.), and 62½P. (Indian)

A network of 28 Branches throughout the country. Banking and Exchange Business of every description transacted with the Principal Commercial Centres of the world.

Director General:— Shri Bhekh Bahadur Thapa.

Acting General Manager:— Shri Ananda Bhakta Rajbhandary.

Telegrams:— "NEPALUXMI" Telephones:— 11185 - 11337.

JAY ENGINEERING WORKS LIMITED

COMPANY'S INTRINSIC STRENGTH UNIMPAIRED BY STRIKE

MR. CHARAT RAM ON NEED FOR ADEQUATE RETURN ON INVESTMENT

Addressing the shareholders of the Jay Engineering Works Limited, at the 27th Annual General Meeting of the Company, held in Calcutta on Wednesday, September 23, Mr. Charat Ram, Chairman, said:



Friends,

I have great pleasure in welcoming you to the Twenty-seventh Annual General Meeting of the Company.

We should begin our proceedings today, by paying our homage to the memory of Jawaharlalji Nehru. I can hardly add to all that has been said, and what all of us indeed must feel, about this great personality. Mahatma Gandhi secured us freedom from foreign bondage and was truly the Father of the Nation; Panditji attempted to bring freedom from material want in the lives of the people. Few peoples are so lucky as to have as their leader a man of such deep humanism and scholarliness. May I request you to pay homage to Panditji's memory by standing up silently for a while.

We are lucky that a person of Lal Bahadur Shastriji's calibre has succeeded Pandit Nehru as our new Prime Minister. Shastriji is known as a man of sagacity and independence. The pragmatism and the determination with which Shastriji has set about his task is indeed gratifying. In the difficult situation that he has inherited, he has shown firmness of purpose and a sense of realism that augurs well for the future.

STRIKE AND AFTERMATH

The annual report of the Company for the year ended March, 1964, has been with you for some time. The profit for the year bears the mark of a part of the period of the strike in the Calcutta factories of the Company from 17th December, 1963, to the end of May, 1964. However, your directors have decided that, as the decline in profits has been due to an abnormal occurrence, the Company should draw upon its reserves to pay a dividend on equity shares, although a lower one at 8 per cent. This is considered equitable, having regard to the overall responsibilities of the Company. I am hopeful that in the course of the year, the Company will be able to replenish its reserves, while compensating the investors adequately.

LABOUR LEADERSHIP

I should, to begin with, make a reference to the most unfortunate strike which the Company had to face determinedly. A broad analysis of the causes may help to prevent a recurrence of such unfortunate events. The strike affected not only the Company's profits, but also the country's export earnings. It caused enormous loss running to over a crore of rupees to the workmen in terms of loss of wages, bonus etc.; the Government lost large amounts of excise duty and direct and indirect taxes; and the community lost much-needed supplies. The strike certainly did not win any rewards for the workmen. The demands, which were the ostensible cause of the strike, had already been reviewed by the West Bengal Government and some of them had been referred to the Industrial Tribunal for adjudication. The same position obtains after the strike. On the other hand, the tempo of production achieved over many years was broken, and production-based earnings of workers have been maintaining a low level; there is no work for a large number of workers; and, as violent activity must feed on its own perpetrators, scores of workers, including many basically good, honest men, have had to be charged for indulging in violence and intimidation. This picture of desolation and disruption, in an undertaking which has been known for its very high remuneration levels and progressive personnel policy, is certainly most unfortunate. I must repeat what I said last year here, that political and

agitational considerations must give way to the paramountcy of the needs of working men and the industry, if labour leadership is to be meaningful and constructive in the economy of the nation. During the year there has been much evidence in the country, apart from our own strike, to show that there is more pre-occupation on the part of a section of our labour leadership with political and other extraneous considerations than with the ultimate good of the working people and the industry. It is clear that labour leadership needs to have a fresh outlook in the matter of labour relations, if the working class and the economy of the nation are to be spared the tribulations brought about by pseudo trade unionism having political overtones. I consider the workmen of Jay Engineering Works capable of making a dynamic shift in this matter, as they have shown dynamism in the past on so many other occasions.

MORE OUTPUT NEEDED

Of the several factors in the economic situation, making for what is now recognized as an economic crisis, the foremost pertain to food production and prices. Responsible people in all walks of life have their own analysis of the situation. I am not a defender of any anti-social business men, but if a disease is not rightly diagnosed, the cure may be hard to come by. There may or may not be some hoarding of foodgrains and other agricultural produce, at the primary level of the producer, or at the secondary level of the distributor; a part of this hoarding must however be distinguished from normal stocking, for unlike green vegetables which are bought for day-to-day consumption, foodgrains are harvested two or three times in a year and stocked for consumption in the coming months. Furthermore, any hoarding could at worst take place only till the arrival of the next crop. I am sure that our Government is not interested now in finding temporary scapegoats, but in a continuing long-term solution of the problem. The fact is that for over a decade now, the price curve of foodgrains has been steadily going up, in spite of shiploads of American bounty food increasing in number year after year. Some economists even fear that at this rate, some day America might be itself short, to meet the widening gap of our demand and supply position. The answer in my view is to be found in inadequate production, and the inadequacy seems to grow year after year. With some hesitation I would like to suggest that the Government might have a second look on some of the so-called socialist objectives, which have become so sacrosanct, at least so far as agriculture is concerned. There is no question that we have to increase our yields from land, and a great many of our policies may satisfy ideology in some quarters not responsible for results, but may not give the much-needed food that the people of this country need. Socialism, democratic or otherwise, or communism, or even capitalism may remain a paper satisfaction for the people, if they fail to make for more production, and availability of goods.

PRODUCTION INVESTMENT

Another problem of our country is expensive and unproductive investment. Unless capital investment is done with stringent economy, and unless the overall economic return on total investment exceeds the economic cost of the investment, the economy of the country is bound to be under continuing

with 15.8 per cent, closely followed by Andhra Pradesh with 14.5 per cent and Madras with 12.5 per cent. A sizable proportion of our assistance was claimed by the less developed areas the industrialisation of which, as you are aware, the Corporation is keen to assist.

16. The net financial assistance sanctioned up to 30th June, 1964 to industrial co-operatives amounted to Rs. 37.86 crores representing about 19 per cent of our total net financial commitment. This covered 51 sugar co-operatives, three co-operative spinning mills and one unit for extraction of vegetable oil.

17. A review of our loan accounts has shown that no additional provision is necessary towards the Reserve for Bad and Doubtful Debts, the balance in which now stands at Rs. 14.47 lakhs. The existing provision relates to three old accounts, action in regard to which is already being taken.

18. The credit record and the financial position of our borrowers, including industrial co-operatives, continues on the whole to be satisfactory. The percentage of default in respect of instalments of principal and interest as on the 30th June, 1964 was negligible, being 0.88 per cent and 0.66 per cent respectively. Many of the concerns assisted by us have earned sizable profits and 21 concerns have, during the year, declared dividends of 12 per cent or more. The Corporation received during the year a sum of Rs. 77.15 lakhs from borrower concerns on account of premature repayments of principal. The total amount received on account of premature repayments of principal up to the 30th June, 1964, was nearly Rs. 7 crores which included a sum of Rs. 1.12 crores from sugar co-operatives. We welcome such premature repayments and do not charge any premium on them.

19. Among events of interest to us during the year, the establishment of the Unit Trust of India was a major one. We welcome this step taken for the mobilisation of the savings of the public for industrial development.

20. Mr. Robert Michel Titus of the Agricultural and Industrial Credit Corporation of Liberia visited the Corporation during the year to study our procedures and working. Dr. G. Varade Gowda, a senior official of the Mysore State Government and two officials from the Indian Overseas Bank Ltd. and the Punjab National Bank Ltd. were also with us.

21. The General Manager of the Corporation participated in the Second Regional Conference of Development Banks in Asia held at Tehran in October, 1963. During the year, one of our senior officers was deputed to the Economic Development Institute of the I.B.R.D., Washington, for a special course in the appraisal of industrial projects. He also studied the organisation and procedures of the International Finance Corporation in Washington and the Commonwealth Development Finance Company Ltd. in London. We thank these institutions for the valuable facilities given.

22. Our relations with the various Chambers of Commerce in the country and with the borrower concerns continue to be cordial. We appreciate the constructive suggestions made by them from time to time.

23. Our cordial thanks are due to the U.S.A. Agency for International Development (AID), the Kreditanstalt Fur Wiederaufbau and the Banque Francaise du Commerce Exterieur for the consideration they have shown us. Their assistance has added to the capacity of the Corporation to serve the development of industries in the country.

24. Shri K. P. Mathrani, I.C.S., who held with distinction the Chairmanship of the Corporation from the 1st July, 1961, relinquished his office on the 16th May, 1964 on appointment as Secretary to the Government of India in the Ministry of Rehabilitation. On behalf of the Board of Directors I would like to express our high appreciation of the valuable services rendered by him to the Corporation.

25. During the year Sarvashri C. C. Desai, M.Ct. Muthiah

and V. P. Varde retired from the Board. Their active participation in the affairs of the Corporation was of great value and I thank them on behalf of my colleagues on the Board. I also take this opportunity on behalf of the Board to convey our thanks to the members of the Advisory Committees for the able and objective assistance they gave to the Corporation throughout the year. I would also like to thank the non-officials nominated by us on the boards of our borrower concerns for the interest they have taken in their work.

26. Considering the time which elapses between the end of our financial year and the Annual General Meeting it will not be out of place for me to refer to a few recent developments without which the picture before you would be left incomplete.

27. The most notable of these has been the setting up of the Industrial Development Bank of India on the 1st July, 1964. The provisions of the I.D.B.I. Act have been commented upon in the newspapers and journals and the charter of the new body and the role it is expected to play have already received wide notice. Without dilating on these matters I may usefully draw your attention to certain important amendments which the I.D.B.I. Act, 1964 has made to the Industrial Finance Corporation Act, 1948 with effect from the 1st August, 1964. The shares held in the Corporation by the Reserve Bank of India and the Central Government have been transferred at par value to the Industrial Development Bank and the latter has acquired additional shares so as to bring its total holdings up to 50 per cent of the paid-up capital of the Corporation which now stands at Rs. 834.60 lakhs. Certain changes have been made in the provisions relating to the composition of the Board of Directors and the arrangements for the audit of the Corporation. The power of giving policy directives to the Corporation has passed from the Central Government to the IDB. The limit of loans assistance by the Corporation to a single industrial concern has been increased. It has been made possible for the Corporation to have access to financial assistance from the IDB in certain specified ways.

28. I expect that the formation of the IDB and the consequential changes in the IFC Act will enable the Corporation to play a more fruitful role in industrial development. Already, we have done some joint financing with other bodies. Now, co-ordination between sister institutions in the field will grow in depth, lacunae in the requirements of industry will be filled in more easily and very large projects which the Corporation could not handle alone will be assured of comprehensive attention by a consortium of financial institutions.

29. The recent amendments to the IFC Act tend to reduce considerably the Corporation's dependence on the Central Government. It is now incumbent on the Corporation to raise funds for its operations to the maximum extent practicable through its own endeavours assisted, of course, by the provision which remains intact in the law that its bonds will be fully guaranteed by the Central Government. As our requirements of outside funds during the current year will be quite substantial we entered the market a few days ago with bonds of Rs. 6 crores @ 4½ per cent per annum at an issue price of Rs. 99.25 per cent with 12 years maturity. The issue was handsomely oversubscribed within a few hours. We thank our shareholders and other investors for the support they gave us. This was our seventh bond issue, the total raisings by this means from the market up to now being over Rs. 39 crores.

30. It is our duty in the Corporation to review from time to time our own procedures to see if we can relax any of the conditions on which we render assistance to industrial concerns. A recent review has enabled us to take three or four decisions which may be of interest to you and the industrial circles.

31. As you are aware, it has been one of the standard

conditions of our loans that borrower companies shall not declare equity dividend at a rate higher than 8 per cent per annum without the prior approval of the Corporation. In view of the prevailing yields on equity and preference shares and the conditions in the capital market, we have decided to raise the limit of equity dividend from 8 per cent to 10 per cent per annum.

32. Loanee concerns so far had to seek the prior approval of the Corporation to the disposal of any item of assets mortgaged to it. It has now been decided to permit assisted concerns to sell or write off specified items of assets of a minor nature within prescribed limits, where they find it necessary to do so, without the prior approval of the Corporation.

33. It has also been decided that the restriction on the disposal and pledge of shareholdings should not apply to all directors or members of the managing agency but should be confined to those who have a real stake in the assisted concern. The Corporation has already decided to liberalise the condition about personal guarantee of directors and/or managing agents in suitable cases.

34. We have also decided that our right to appoint nominee directors on the boards of assisted concerns should be exercised more selectively in future.

35. I trust that these relaxations in the standard terms and conditions will be welcomed by our clients. It will be my endeavour to maintain a flexible attitude in these matters and make, from time to time, such variations as experience may show to be useful so long as these are in accord with the basic principles of sound financing.

36. Thoughts for the future are a natural concomitant of a review of the past. The Corporation has lived through sixteen years of change, has met with new challenges from time to time and has tried to evolve suitable responses. Now, with the progress of sister institutions set up at the all-India and the State levels and with the growth in the demand for long and medium-term financing of industry we shall face new tasks which will need imaginative handling. It is essential that we take stock of the changes in the situation and adapt ourselves increasingly to a versatile approach.

37. For this purpose we shall need a great deal more of foreign credit than has yet come to us. Negotiations for fresh lines of credit have been under way with the Kreditanstalt and the AID. We have just had news that a further line of DM 15 million has been allotted to us. I hope that from the

AID, too, we shall get further credit. We must, nevertheless, look for more assistance from institutions abroad to make good our deficiency, particularly in the line of convertible currency. Our record will show that we, as a single institution, have been associated with investment of over Rs. 550 crores in the private sector of industry since 1948. While not oblivious to considerations of profit we have consistently laboured to give help where help is needed most and not where it can be most easily given. We have tried and shall try harder in future to ensure that the foreign lines of credit that we have and that we get are utilised to the best and promptest advantage of industry and that no procedural obstacles stand in the way.

38. As for our rupee resources we have to do our best to add to them by revolving our investment portfolio at every suitable opportunity. In August this year we added Rs. 1 crore to our funds by sale of certain debentures.

39. We have to see that while industrial concerns receiving or seeking our assistance are not subjected to excessive rigours or fruitless inquiries, projects are prepared with circumspection and probity, with full attention to technical, financial and managerial details and are implemented promptly and with vigour. A sensitive balance has to be struck by the Corporation all the time between generosity and prudence. An excess of the latter will retard development; an excess of the former may use up valuable resources without bringing an economic dividend. This balance is now particularly necessary when the Corporation has taken a long stride into the field of underwriting. If industry is to flourish, underwriting must go on. At the same time, if the Corporation, which borrows money at 5 per cent interest and is not, basically, an investor in securities on the stock exchanges, has to subscribe in a large measure to new shares, its underwriting has to be wise. In this context, I feel that the staff of the Corporation for technical and financial scrutiny of projects and for advice to entrepreneurs needs strengthening. I am giving my best attention to this matter.

40. The tasks before the Corporation are not easy. But I am confident that we shall fulfil them and pass on to more difficult ones. To my colleagues on the Board I wish to express my sincere thanks for their valuable co-operation and wise counsel. And to conclude, I record with pleasure the appreciation and thanks of the Board of Directors and my own to the General Manager, the other officers and the entire staff for yet another year of devoted work.

THE MYSORE PAPER MILLS, LIMITED BANGALORE-9

Speech delivered by Sri M. D. Shivananjappa, IAS, Chairman and Managing Director, The Mysore Paper Mills, Ltd., at the Twentieth Annual General Meeting of the Company held at Bangalore on Wednesday the 30th September 1964.

As you are all aware, we are meeting under a shadow of depression due to the sad demise of Pandit Jawaharlal Nehru, our First and Illustrious Prime Minister. India and the World have mourned the irreparable loss. May I request you kindly to stand up in silence for a minute and pay homage to the memory of the Departed Soul.

Ladies and Gentlemen,

I have great pleasure in extending to you a cordial welcome to the Twentieth Annual General Meeting of the Shareholders of the Company and place before you the Report of the Directors and Audited Balance Sheet for the year ended 31st March, 1964. These have been circulated already and with your permission I shall take them as read and would proceed to review the salient features of the year's operations.

I am happy to report that your mills have produced 8922

tonnes of paper which exceeds last year's production by 643 tonnes and the rated capacity by 922 tonnes. Sales during the year amount to Rs. 130,30,769 exceeding the turnover of the previous year by Rs. 7,32,009. Curiously enough, production and profits are running in opposite directions and profits are declining year by year. Decline in profits is largely due to the fact that production costs have increased and show no signs of decline, whereas there is a ceiling on the prices of paper. The present satisfactory working results are due mainly to increased production and operational efficiency.

It should be recalled that the Government of India, on the recommendations of the Tariff Commission, fixed prices in 1960 which were disappointing. On the repeated representations of the Industry, Government of India granted an increase of Rs. 60 per tonne in 1962, as against an increase in

cost by Rs. 270 per tonne. It could be seen that this slight increase did not meet the demand of the situation. The representatives of the Industry have been making repeated requests and appeals to the Government of India and have also presented their case supported by facts and figures. I take this opportunity again to repeat my appeal to the Government of India immediately to take steps to issue revised price lists, lest the incentive for expansion of production in the country should disappear altogether.

Turning to the Balance Sheet, I have to state 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. 5,76,201 has been provided. No provision is required for tax on as the Company has no assessable income for the year on account of Development Rebate allowance. However, provision has been made towards tax on dividends as per the Finance Act, 1964 amounting to Rs. 78,750.

Your Directors have carefully considered the question of dividend. In this context, I should bring to your notice that dividend was declared and paid on Rs. 25 lakhs (old capital) and proportionate dividend on Rs. 25 lakhs (new capital) absorbing Rs. 5,46,500 for the year ended 31-3-1962, and Rs. 6,75,000 for the year ended 31st March, 1963 on old Capital of Rs. 25 lakhs and new Capital of Rs. 50 lakhs for the proportionate period, though the new Plant had not gone into production. Having regard to the increased production and turnover, your Directors felt reasonable and fair to recommend declaration of dividend at 9 per cent subject to tax or at the rate of 90 Paise (taxable) per Share on the old capital absorbing Rs. 2,25,000 and at the same rate on the new Paid-up Capital also for the proportionate period absorbing about Rs. 825,000 for the year ended 31-3-64, the total being Rs. 10,50,000. It should be noted that though there is a small cut in the rate of dividend, yet it is paid on an enlarged capital which has not begun to earn.

I am happy to inform you that the Industrial Finance Corporation of India have communicated their approval to our declaration of 9 per cent dividend subject to tax in terms of the Agreement for which I am grateful to them.

I have no doubt that in the light of what I have said, you will not be slow to appreciate and approve the proposals. In regard to the future, I can certainly assure you that increased production and high operational efficiency would be maintained but how far these factors reflect in accounts mainly depends on the attitude and action of the Government of India regarding revision of prices of paper. I should content myself by reiterating the hope that the Government of India would afford the Industry the much needed relief speedily and assuring the shareholders that every endeavour would be made to improve the position.

I am very happy to inform you that the Labour-Management relations continue to be cordial. Your Directors have been pleased to sanction a bonus of 3 months salary or wages and one more month's salary or wages as ex-gratia for having co-operated with the Management in increasing productivity and the same has been disbursed to all our employees.

I am glad to inform you that the implementation of the scheme of expansion has made very satisfactory progress during the year under review.

Before going into details, I have pleasure to inform you that the new paper machine was serviced during the early part of March 1964 and the complimentary pads in your hands have been made on the fine paper turned out of the new machine. The expenditure on development work till the end

of March 1964 amounted to Rs. 278 lakhs inclusive of Rs. 150 lakhs incurred last year.

The foreign currency loan of Rs. 70 lakhs sanctioned by the Commonwealth Development Finance Co. Ltd., London, has been drawn in full, a sum of Rs. 61.97 lakhs against a sanctioned loan of Rs. 70 lakhs has been drawn from the Industrial Credit and Investment Corporation of India, Ltd., Bombay, and a sum of Rs. 55 lakhs against a sanctioned loan of Rs. 60 lakhs from the Industrial Finance Corporation of India, Delhi, in rupee currency up to 31-3-1964 has also been drawn.

I am glad to state that the full range of equipments viz. Paper Machine, Stock and Chemical Preparation Plant and other Paper Machine parts for which orders had been placed with M/s. Escher Wyss of Ravensburg, Germany and M/s. Millspaugh of Sheffield, England and Boiler and Steam Distribution equipment from M/s. Babcock and Wilcox have been received, installed and taken to service during the year. The Duplex Super Cutter from M/s. Masson Scott is received and erected. The erection of Black Liquor Recovery Unit ordered with M/s. Babcock and Wilcox is almost completed.

M/s. J. M. Voiths of Germany, in execution of the contract for supply of bamboo pulp plant have despatched the entire machinery which has also been received at site. But there was considerable delay in receiving the three Digesters and other indigenous equipments ordered in the country. However, I am glad to say that these three Digesters ordered have now been received at site and all the other machinery equipment is also received and erection work is going on in full swing and will be completed by end of November 1964.

The new paper machine and other equipments now installed would help increase production during the current year by the use of imported and indigenous pulps.

It is a matter of special gratification to all of us that while high level of production and efficiency was maintained during the year, the scheme of expansion is also speedily and successfully being implemented.

Your Directors have contributed a sum of Rs. 1001 to the Swami Vivekananda Centenary celebrations.

On behalf of the Company, I should express my grateful thanks to the authorities of the Commonwealth Development Finance Co. Ltd., London, the Industrial Credit and Investment Corporation of India Ltd., Bombay and the Industrial Finance Corporation of India, Delhi, State Bank of Mysore, State Bank of India, and the Canara Banking Corporation Ltd., for their support and valued assistance in the implementation of the Development Plans.

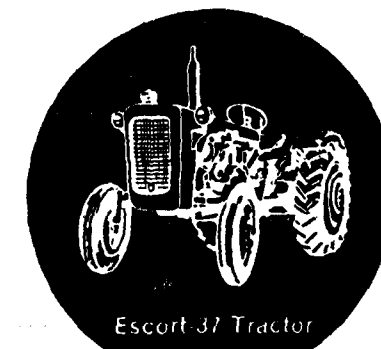
I would also like to express on behalf of the Directors and Shareholders our grateful thanks to the Central and State Governments for their abiding interest in the progress of the Company.

I am grateful to my colleagues on the Board for their whole-hearted support and valuable guidance.

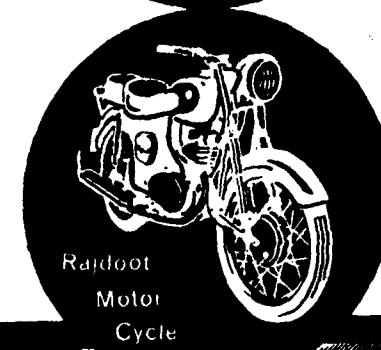
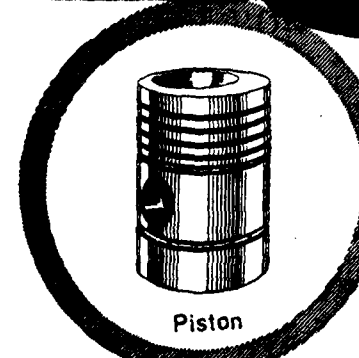
I wish to express on behalf of the Directors and my own, our warm appreciation of the willing and efficient co-operation of all our employees.

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 March 31, 1964 be APPROVED AND ADOPTED.

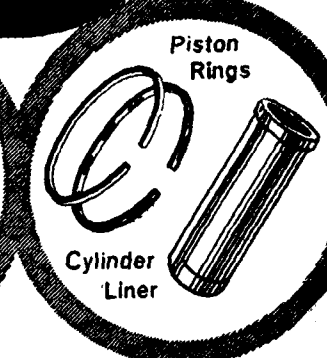
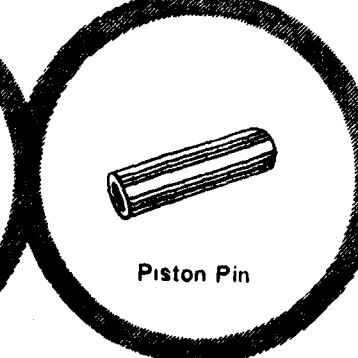
N.B.: This does not purport to be a Report of the proceedings of the Shareholders' meeting, a copy of which shall be sent to the Shareholders separately.



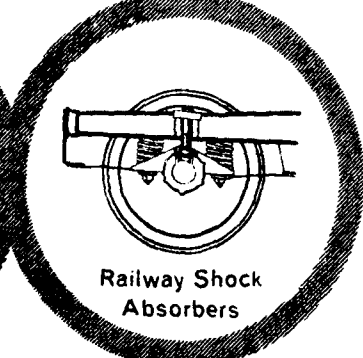
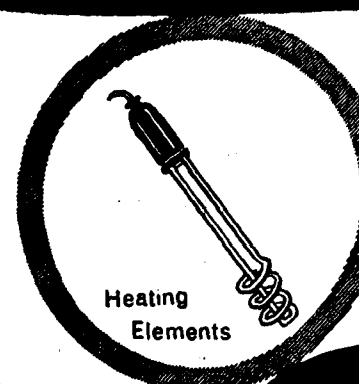
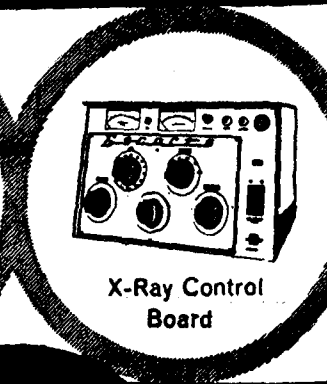
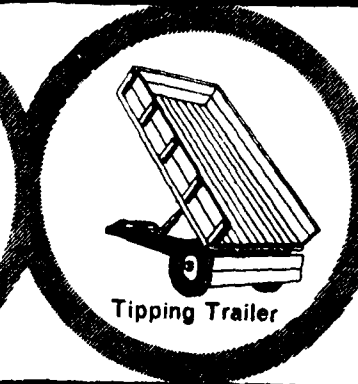
Escort 37 Tractor

Raidoot
Motor
Cycle

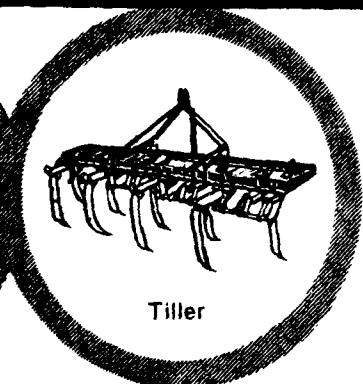
Piston

Cylinder
LinerPiston
Rings

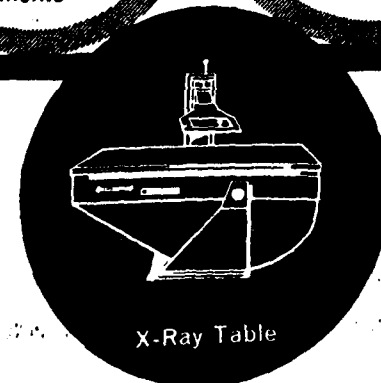
Piston Pin

Railway Shock
AbsorbersHeating
ElementsX-Ray Control
Board

Tipping Trailer



Tiller



X-Ray Table

ESCORTS Enterprises

- Serve National Plans
- Save Foreign Exchange
- Accelerate National Economy to goal of Self-Sufficiency

ESCORTS LIMITED

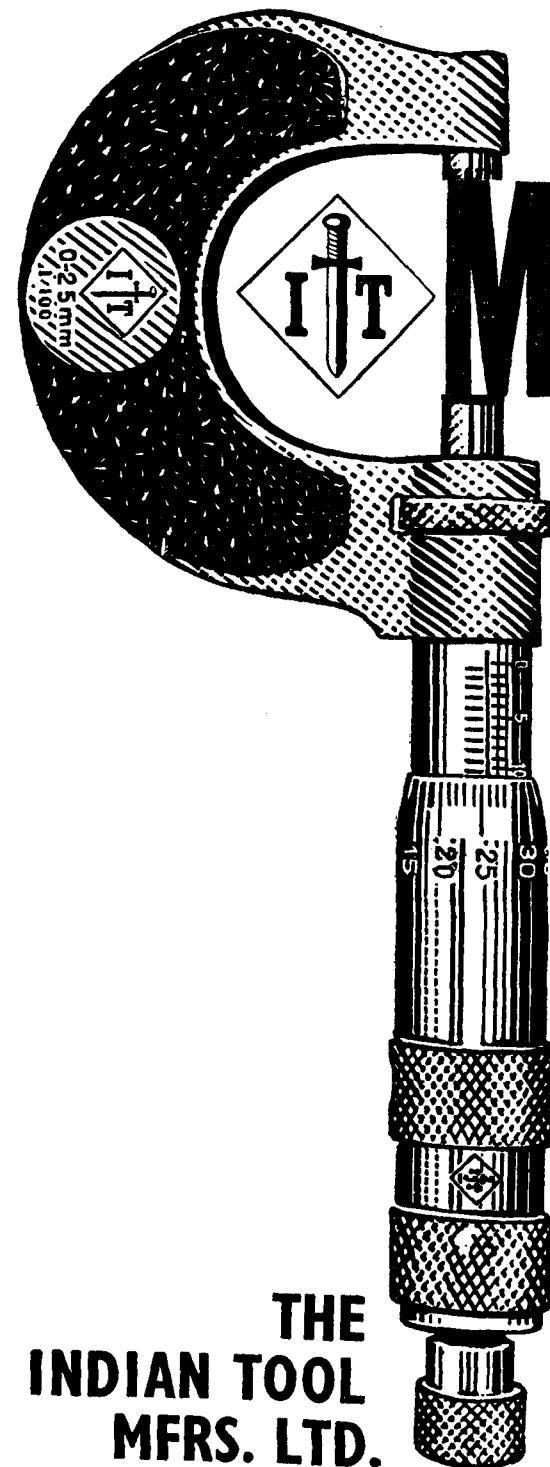
PRATAP BUILDINGS, CONNAUGHT CIRCUS, NEW DELHI

Branches :

BOMBAY - CALCUTTA - MADRAS - PATIALA
KASHIPUR - CHANDIGARH - HYDERABAD

Factories at :

BAHADURGARH (PATIALA) AND FARIDABAD (PUNJAB)



MICROMETERS

Indian Tool Micrometers are of the finest quality, equivalent to the world's best. Yet, because the market is flooded with cheap, imported micrometers we find ourselves fighting for our right to survive.

We are determined to succeed.

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KERALA STATE INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

Speech delivered by Shri K. R. K. Menon, Chairman, at the Third Annual General Meeting on 28th September, 1964.

Gentlemen,

1. I have great pleasure in placing before you the accounts of the Kerala State Industrial Development Corporation Ltd. for the year ending 31st March, 1964, 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. It is only less than twelve months since we held our previous annual general meeting, but, during this short period, two events have occurred which have caused us all much sorrow and concern. Firstly, we in Kerala, along with the whole nation, were plunged into grief by the sudden demise of our late beloved Prime Minister, Shri Jawaharlal Nehru, who, by his dynamic leadership and far-sighted policies had striven assiduously to set our country well on the path towards the goal of a properly integrated social and political unit. And, secondly, less than four months after this national calamity overtook us, we have had a major incident in our own State where the mounting political tension of some months' duration, culminated recently in the termination of the Cabinet form of government and its substitution by President's rule. The untimely passing away of our late Prime Minister has, I believe, served as a grim — and none too early — reminder to the entire nation that we cannot afford to rest on our oars and enjoy the luxury of living snugly in the protective shade of a great leader's umbrella for ever. The passing away of our Government's Cabinet of Ministers will, I hope, bring us Keralites — from the lowliest to the highest among us — to the realisation of the fact that sheer political immaturity of the kind that we have witnessed for some time past in our State in all its naked ugliness must inevitably result, sooner than later, in the sacrifice of the economic progress of the State. In my speech last year I had referred to the feeling of uneasiness and insecurity which even the then political instability in our State had engendered in the minds of outsiders, and the baneful consequences that this had entailed so far as our industrial development was concerned. I sincerely hope and trust that, whatever may be the form of Government we have, our Government will pay due atten-

tion to the urgent and immediate problem of industrial development on the massive scale and rapid pace that the dire economic plight of our people today undoubtedly calls for.

3. The Corporation's work in the year covered by the report placed before you has, on the whole, been rewarding, and financially successful, as the report and accounts placed before you will show. Our gross income rose from Rs. 2.55 lakhs of the previous year to Rs. 6.25 lakhs in the year under report. This has enabled us not only to write off the entire amount of our Preliminary expenses, but also to provide for a Reserve for Depreciation on our investments, and another Special Reserve for general purposes, amounting to a total of Rs. 1,33,000, and also to carry forward a sum of Rs. 90,369 to the following year. Our issued capital on 31st March, 1964 stood at Rs. one crore ninety-five lakhs, as against Rs. one crore on 31st March, 1963.

4. While we had no lack of funds during the year under report wherewith to finance the industrial schemes approved by us, I regret to say that there was a slight fall in the total number of applications received for assistance from us. Ordinarily, there should have been an appreciable increase in this number rather than a fall, even though slight. I must attribute this unsatisfactory feature to the rapidly dwindling number of industrial licences which have been granted for units in this State. This is a matter which I have repeatedly stressed as deserving the urgent attention of both the Central and the State Governments, as nothing less than some kind of special preferential treatment for us at the hands of the Central Government will help to solve this problem satisfactorily. I regret to say there is no sign yet that a solution on these lines will be forthcoming. All that I can do on this occasion, therefore, is to re-stress this point with all emphasis, and to request the Kerala Government to take up the matter with the Centre as one of immediate urgency brooking no further delay.

5. While we must wait patiently for necessary action in this regard being taken by the two Governments, there is a

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good deal that can also be done by all of us in the way of paving the way for attracting industrial capital and entrepreneurship into our State. The first and foremost is the achievement of a modicum of political stability; this I have already mentioned, and needs no further expatiation. Secondly, we would do well to try and achieve a greater measure of stability in the labour — employer relations in the industrial units already established in our State. We have in our State special facilities for developing the sagacity and maturity of judgment that this calls for, in view of the general education and literacy prevalent here; we could profit greatly by capitalising on this. A third thing that our State Government can — and must — do is to take immediate steps to ensure a plentiful and regular supply of electric power for industrial users. We must take note of the hard fact that cheap electricity alone will just not suffice; a regular supply is even more vitally important.

6. Last, but not least, in drawing up and presenting to the Central Government our State Government's suggestions for the fourth Five-Year Plan our Government must keep prominently in mind the primary need for trying to reduce by the maximum possible extent the growing pressure of population on our meagre land resources, and diverting it to industrial enterprise, be it in the public sector or in the private sector.

7. The question of raising additional financial resources for the Corporation will soon have to engage our serious attention, and I hope that we shall find adequate ways and means of solving this problem. We are at the moment engaged in active negotiations with certain foreign companies for securing their technical collaboration in several worth-while schemes, all of which, I hope, it will be found possible to

implement in due course with the assistance of Indian industrialist parties, who will be willing to take over the management. I must, in this connection, make special mention of the assistance and co-operation we have received from the concerned officials of the U.S.A. Agency for International Development organisation in New Delhi in regard to industrial schemes in which we have sought American technical and financial collaboration. While expressing my sincere gratitude to the A.I.D. for their invaluable assistance and advice, I should also like to add that a team of experts from that organisation has recently completed an on-the-spot study of Kerala's economic — and particularly industrial — needs and potentialities, following the discussions which took place between the U.S.A. Ambassador, Mr. Chester Bowles, and our then Chief Minister. I am keeping in close touch with the A.I.D. officials in this matter, and I hope that appreciable results in the form of substantial aid to Kerala will follow from this in due course.

8. In conclusion, I should like to express, on behalf of the entire Board of Directors, our heartfelt thanks to all the industrial entrepreneurs, Indian as well as foreign, who have helped us, in the course of the year under review, with their co-operation and assistance, often in the face of heavy odds. Our grateful thanks are also due to the Kerala Government for the assistance and co-operation we have received from them, and in particular to the former Industries Minister of Kerala, Shri K. A. Damodara Menon, whose warm and enthusiastic support of our Corporation's activities had always been a source of inspiration and strength to us all.

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

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General Manager.

CHAIRMAN'S STATEMENT

THE FERTILISERS AND CHEMICALS TRAVANCORE LIMITED

Addressing the Twentieth Annual General Meeting held at the Registered Office, Udyogamandal, on 29th September, 1964, Mr. T. A. Joseph Said :

Gentlemen,

I am glad to welcome you to this the 20th Annual General Meeting of the Company and to present to you the accounts of the Company and the Report of the Directors for the year ended 31st March, 1964.

2. As in the previous year inadequate power supply was the Company's major problem during the year under review. There was a drastic power cut in the first three months of the year. Again power cut was resumed in February 1964 and continued till the end of June. During the periods of power cut there were several occasions when the posit on became so critical that there was no alternative but to close down the entire plant as it would have otherwise constituted a grave risk to continue to operate it under marginally safe conditions. The total loss in the sale value of production on account of power cut amounted to over Rs. 2.5 crores during the year. Consequently the Company's results have not been as good as one could have expected. In spite of this position it is gratifying to note that the Company has been able to break even and to make a small profit of about Rs. 12 lakhs, after meeting charges on account of depreciation. This has been possible only due to the unstinted efforts of the Executives and the workers and I would like to take this opportunity to record our appreciation of their efforts.

3. Power supply continues to be our major problem. A solution to this has to be found as early as possible if the Company should work on a satisfactory basis. There are several major hydro-electric projects under various stages of progress in Kerala State now. I am not aware if any of them will be commissioned this year. Even with all the hydro-electric projects coming into operation we will continue to be at the mercy of nature unless adequate insurance against its vagaries is provided in the shape of a reasonably large thermal power station. Your Company has been making representations to the Government of Kerala since 1960 for the installation of such a station. I am glad to say that our request has at last been taken up during this year and I gather that the Government have decided to put up a thermal station with a minimum capacity of 100,000 KW at Coch'n. I do hope that the work on that project will be taken up expeditiously.

4. In the light of what I have stated so far you will appreciate that the Company has not been able to declare a dividend this year. The current year also has started with a drastic power cut that lasted for three months resulting in a loss of production amounting to a sale value of approximately Rs. 1 crore.

5. The Third Stage of Expansion is well under way. Although scheduled to be completed in 1965-66, it is expected that most of the plants will be ready for commissioning by the end of this year. But we will be requiring another 20,000 KW of power for operating the plants when the expansion is completed. We are hoping that the Kerala State Electricity Board will be able to give us this power; but if they do not,

the Company will not be able to take any benefit from the expanding capacity till the required power is made available.

6. Another factor that has been causing us concern is the possibility of a severe shortage of water in the Periyar river when the Idikki power project is completed. The Idikki project is designed to generate 800 to 1,000 MW of power. It is based on the waters that flow into the Periyar now. When the project is completed, all that water will be diverted to the Moovattupuzha river as the power house will be located on one of its tributaries. Such a situation can have dangerous consequences as the Ernakulam - Alwaye industrial belt is bound to suffer during the summer months on that account. Your Company has represented this matter both to the Government of Kerala and to the Government of India. We had suggested that the Government revise the plans for Idikki in such a manner as to provide at least a part of the water to flow back into the Periyar. If the water in the Periyar turns saline near the industrial area, factories like ours may have to be closed down for about 3 to 4 months in the year. I understand that the seriousness of this situation has been realised by the Government and that they are considering this proposal along with certain other alternatives.

7. As most of you must be aware, raw naphtha is the feed-stock used in your Company's Oil Gasification Plant for production of Hydrogen, which is one of the constituents of Ammonia. As this is a very important raw material in the manufacture of chemical fertilisers, the Government of India were pleased to exempt it from the excise duty payable on it to the extent of 95 per cent. This position is recognised in States like Madras and Maharashtra where fertilisers are being made out of raw naphtha. In Kerala the situation however is different. Originally raw naphtha was charged sales tax

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at 3 per cent. Recently the Government of Kerala seems to have decided to treat it as a petroleum product and charge sales tax at 15 per cent. This will seriously upset the economics of production of your Company. A representation has therefore been made to the Government of Kerala to reconsider the matter and restore the original position. Raw naphtha is the raw material for most petrochemical industries. In Kerala, fertiliser industries can be developed only on the basis of raw naphtha being used as a raw material. If this raw material is charged this high rate of Sales Tax like a finished product, it will cripple the fertiliser industry in Kerala. I hope the Government will realise the gravity of the situation and revise the sales tax on raw naphtha.

8. Last year I had informed you of the directions received from the Government of India that your Company should plan, design and construct three more major fertiliser plants in South India during the fourth Plan period. Your Company has since then been advised by the Government of the location of two of these plants. One of them is proposed to be built at Madras and the other at Cochin, as near to the Refineries as possible. The project reports for these projects have been prepared by the Company and submitted to the Government of India for approval and further directions.

9. I had mentioned to you last year of the Company's intention to promote a Fabrication Shop in collaboration with the Davy-Ashmore group of the UK for the manufacture of specialised items of equipment required for the fertiliser and chemical industries. I am glad to say that a formal agreement has been drawn up between your Company and Messrs. Davy & United Engineering Company of the UK, one of the units of the Davy-Ashmore group, for the establishment of such a Workshop. As soon as the Government of India's approval to the agreement is obtained, further steps will be taken to organise the new Company.

10. Your Company has also been able to secure the consent of Messrs. Power-Gas Corporation of the UK, a member of the Davy-Ashmore group and a well-known engineering and contracting organisation in the field of chemical engineering, to collaborate with your Company for setting up an Engineering & Contracting Organisation. The Heads of Agreement drawn up in this regard are being submitted to the Government of India for their approval. Further steps will be taken on receipt of Government approval.

11. Most of you must be aware of the steps taken by your Company to promote the use of fertilisers in South India. These measures have been appreciated by the State Governments as well as the Centre. The Fertiliser Festival, a new concept introduced by your Company in the field of fertiliser promotion, has now been accepted as one of the best means of propagating fertiliser use. The Madras Government for example has started organising fertiliser festivals on their own initiative and with the co-operation of suppliers.

The distribution net-work has also expanded considerably during the year under review. Today, your Company has 53 Central Depots and about 1,900 Authorised Agents in Kerala State alone. In Madras, Mysore and Andhra Pradesh, your Company has been spreading its distribution system at a rapid pace. Recognising the efficiency of the methods followed by your Company in fertiliser distribution, the Government of Madras have invited your Company to assist them in the distribution of nitrogenous fertilisers, sales of which were so far confined to co-operatives. Your Company has gladly accepted the invitation and will be starting distribution of nitrogenous fertilisers in Madras State within a few days.

Your Company's agronomists continued to render useful services to the farmers of South India. The nature of services

included the maintenance of demonstration plots, supervision of manuring operations, supervision of application of pesticides and speedy analysis of soil samples.

12. Employee-employer relations continued to be cordial during the year under review. But in July this year a new situation has developed. A member of our Managerial cadre has been elected as the President of the Union. The Union has been insisting on our recognising him as the President of the Union. It is most embarrassing for any Management to recognise one of its own members as an office-bearer of the Union; especially so when he has been the Assistant Personnel Manager of the Company and has conducted negotiations on behalf of the Management with the Union. It will be difficult to find such an instance anywhere else in trade union history. Along with this the Union had also raised an issue relating to the grant of bonus for the year 1963-64. Bonus payment is governed by the long term agreement between the Union and the Management. Any difference of opinion relating to any of the clauses of the agreement has to be referred to the Labour Commissioner for arbitration according to the agreement. The issues were therefore referred to the Labour Commissioner in terms of the agreement for arbitration.

As the Union has refused to accept arbitration, the Government of Kerala have referred the issue relating to Bonus for adjudication. In regard to the other point, namely the anomalous position of a manager holding an office in the Union, the Union has been conducting an agitation for over a month now. A strike notice was given on the 21st of August. The Union has been extending this notice on the dates of expiry. So far no strike has taken place. The Management believes that for the efficient running of an industrial unit a healthy and strong trade union is necessary; but at the same time no management can afford to compromise on fundamental principles. The question now posed by the Union has very grave implications and if conceded shall strike at the very roots of management and trade union relationship. The Management have therefore advised the Union that so long as their President continues to be a member of the Managerial cadre of the Company they will find it difficult to hold any discussions with him. I do hope that the Union will appreciate the difficulty of the Management and take a realistic view of matters.

13. I now move that the Directors' Report and the Audited Statement of Accounts for the financial year 1963-64 be adopted.

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

YOUR ATTENTION PLEASE

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RECORDS AND STATISTICS

Annual Survey of Industries

THE ANNUAL Survey of Industries just released by the Industrial Statistics Wing of the Central Statistical Organisation gives a comprehensive picture of the industrial progress made in 1962 as compared with 1961. The survey covers all the factories which employ 50 or more workers with the aid of power or 100 or more workers without the aid of power. Such factories account for 86.6 per cent of the total productive capital employed in all industries in India and 81.6 per cent in terms of employment and gross output.

It is encouraging to find that all the important indices of industrial growth have recorded increases during the year 1962. While the number of workers employed in reporting factories increased by about 5.4 per cent, their salaries, wages and fringe benefits have gone up by as much as 7.1 per cent. Value added by manufacture, however, has not kept pace with the rate of growth in productive capital. Thus, while the productive capital went up appreciably by 29.7 per cent, value added by manufacture gained only by 8.1 per cent.

	1961	1962	Percentage increase 1962 over 1961
1. Number of factories	9,161	9,733	6.24
2. Number of factories reporting	8,930	9,314	4.30
3. Productive capital (Rs. crores)	2,374	3,078	29.65
4. Employment (In thousands)	3,050	3,215	5.41
5. Salaries, wages and benefits (Rs. crores)	536	574	7.09
6. Ex-factory value of output (Rs. crores)	3,693	3,966	7.39
7. Value at factory of input including depreciation (Rs. crores)	2,716	2,892	6.48
8. Value added by manufacture (Rs. crores)	987	1,074	8.10

Value added by manufacture is a measure of the contribution of the manufacturing industries as a whole to the national income. Taking this as an index, textiles rank first followed by iron and steel industries, miscellaneous chemical

products, miscellaneous food products, machinery except electrical and sugar and gur. The pattern is more or less similar to that of 1961 in so far as these six industrial groups are concerned.

PERCENTAGE SHARE OF VALUE ADDED BY EACH INDUSTRIAL GROUP TO TOTAL

Industrial Group	1961	1962
1. Spinning, weaving and finishing of textiles	31.16	29.33
2. Iron and steel basic industries	6.32	7.72
3. Manufacture of miscellaneous chemical products	4.84	5.62
4. Manufacture of miscellaneous food preparations	5.79	5.19
5. Manufacture of machinery except electrical machinery	3.87	4.35
6. Sugar factories and refineries	4.76	4.04
7. Manufacture of rail-road equipment	3.99	3.71
8. Basic industrial chemicals including fertilisers	3.93	3.51
9. Manufacture of electrical machinery, apparatus and appliances	3.82	3.20
10. Printing, publishing and allied industries	2.54	2.80
11. Manufacture of rubber products	2.71	2.65
12. Electric light and power and gas manufacture and distribution	2.75	2.44
13. Manufacture of metal products (except machinery and transport equipment)	2.20	2.26
14. Tobacco manufactures	2.02	1.79

The position of the States in the industrial sphere is brought out in the following table. It will be seen that Maharashtra, West Bengal, Gujarat, Madras, Bihar, and Uttar Pradesh are the most industrially advanced States in the country. In the year 1962, these six States accounted for 67.0 per cent of the reporting factories 65.9 per cent of the productive capital, 72.8 per cent of employment and 81.5 per cent of the value added by manufacture. The position is almost similar in 1961 in so far as these six States are concerned. The table overleaf gives a comparative picture of the remaining States in respect of these main characteristics in 1961 and 1962.

PERCENTAGE SHARE OF STATES IN SELECTED ITEMS IN 1961 AND 1962

State	No. of Reporting Factories		Productive Capital		Employment		Ex-factory Value of Output		Value added by Manufacture	
	1961	1962	1961	1962	1961	1962	1961	1962	1961	1962
1. Maharashtra	20.33	21.70	22.60	20.23	21.31	20.85	24.45	24.96	26.96	28.58
2. West Bengal	16.07	16.05	21.88	17.42	22.28	21.53	22.04	21.36	20.60	22.48
3. Gujarat	9.48	10.31	7.94	7.24	10.09	9.40	8.75	8.47	10.20	8.60
4. Madras	8.75	8.94	6.13	6.38	7.45	7.39	7.58	7.93	8.15	8.20
5. Bihar	2.97	3.35	11.45	9.40	5.76	5.77	8.29	7.78	6.80	7.85
6. Uttar Pradesh	6.64	6.81	7.06	5.25	8.27	7.88	7.83	7.28	6.34	5.80
Total Share of six States	64.24	66.96	77.08	65.92	75.16	72.82	78.94	77.78	79.05	81.51

PERCENTAGE SHARE OF STATES IN SELECTED ITEMS IN 1961 and 1962 (Contd.)

State	No. of Reporting Factories		Productive Capital		Employment		Ex-factory Value of Output		Value added by Manufacture	
	1961	1962	1961	1962	1961	1962	1961	1962	1961	1962
1. Andhra Pradesh	4.33	5.02	3.61	3.05	4.66	4.43	3.47	3.27	2.80	2.53
2. Assam	4.55	4.19	2.77	2.22	2.01	1.70	2.34	1.82	2.76	1.78
3. Orissa	1.05	0.96	2.45	8.18	0.80	1.58	1.12	1.83	1.22	0.70*
4. Punjab	4.22	4.40	3.12	2.80	2.48	2.60	3.07	3.30	2.45	2.46
5. Madhya Pradesh	6.98	4.34	3.00	10.17	3.35	5.56	2.85	3.55	2.88	1.90*
6. Kerala	6.19	5.69	1.97	1.83	4.58	4.26	2.28	2.28	2.42	2.37
7. Mysore	4.31	4.10	3.62	3.36	3.80	3.81	2.90	3.09	3.46	3.91
8. Rajasthan	1.23	1.56	1.07	1.13	1.43	1.47	1.08	1.14	1.07	1.15
9. Jammu and Kashmir	0.45	0.45	0.15	0.16	0.26	0.19	0.09	0.09	0.10	0.09
10. Delhi	1.83	1.87	1.06	0.98	1.39	1.39	1.77	1.70	1.63	1.48
11. Himachal Pradesh	0.08	0.13	0.06	0.06	0.06	0.07	0.08	0.05	0.15	0.02
12. Tripura	0.13	0.12	0.02	0.01	0.02	0.02	0.01	0.01	0.01	0.01
13. Pondicherry	..	0.21	..	0.13	..	0.10	..	0.09	..	0.09
Total of 1 to 13	35.76	33.04	22.92	34.08	24.84	27.18	21.06	22.22	20.95	18.49

*One unit each in Orissa and Madhya Pradesh reported heavy loss.

ANNUAL SURVEY OF INDUSTRIES 1962

(Figures for 1961 are given in brackets)

Industrial Group	No. of Registered Factories	No. of Reporting Factories	Productive Capital (Rs. lakhs)	No. of Persons employed	Gross Output (ex-factory value) (Rs. lakhs)	Value added by manufacture (Rs. lakhs)
1. Dairy products	8 (13)	7 (13)	3.27 (5.81)	1,955 (2,766)	8.22 (14.19)	1.13 (1.15)
2. Canning and preserving of fruits and vegetables	22 (17)	22 (16)	8.53 (70)	5,823 (1,750)	5.68 (1.67)	1.64 (33)
3. Canning and preserving of fish and other sea foods	3 (3)	3 (3)	18 (12)	422 (421)	1.07 (65)	31 (17)
4. Grain mills	464 (490)	456 (486)	14.88 (15.26)	41,556 (34,421)	107.61 (106.99)	6.93 (6.19)
5. Bakery products	21 (23)	20 (23)	3.89 (3.70)	5,117 (5,509)	9.98 (9.29)	3.15 (2.70)
6. Sugar and gur	234 (234)	232 (226)	134.79 (140.43)	126,292 (127,857)	215.62 (233.04)	43.34 (46.51)
7. Cocoa, chocolate and sugar confectionery	8 (7)	8 (7)	69 (66)	932 (882)	1.53 (1.61)	41 (30)
8. Miscellaneous food	1,251 (1,285)	1,163 (1,242)	142.28 (138.96)	208,544 (219,321)	376.09 (386.33)	55.69 (56.64)
9. Distilling rectifying and blending of spirits	33 (28)	33 (28)	4.15 (3.89)	4,098 (3,437)	3.98 (3.16)	1.10 (94)
10. Wine industries, breweries, and malt manufacture	7 (15)	7 (15)	3.01 (1.84)	1,698 (2,040)	3.62 (3.89)	1.21 (1.81)
11. Soft drinks and carbonated water	11 (10)	10 (10)	1.00 (82)	693 (648)	1.80 (97)	77 (35)
12. Tobacco manufactures	341 (398)	335 (394)	29.70 (29.49)	95,639 (106,468)	91.87 (88.80)	19.24 (19.77)
13. Spinning, weaving and finishing of textiles	1,099 (1,047)	1,056 (1,027)	482.96 (425.08)	1,100,000 (1,140,202)	1,023.85 (991.16)	317.93 (304.58)
14. Knitting mills	30 (25)	29 (25)	94 (60)	2,626 (1,797)	2.87 (1.94)	88 (42)

ANNUAL SURVEY OF INDUSTRIES 1962 (Contd.)

(Figures for 1961 are given in brackets)

Industrial Group	No. of Registered Factories	No. of Reporting Factories	Productive Capital (Rs. lakhs)	No. of Persons employed	Gross Output (ex-factory value) (Rs. lakhs)	Value added by manufacture (Rs. lakhs)
15. Cordage, rope and twine	14 (14)	14 (14)	1.40 (1.21)	3,280 (3,113)	3.46 (3.16)	84 (68)
16. Textiles not elsewhere classified	1,013 (1,097)	1,001 (1,084)	21.78 (18.65)	93,513 (88,503)	62.92 (57.93)	9.16 (7.24)
17. Footwear manufacture	9 (6)	9 (6)	2.85 (22)	4,687 (1,242)	5.93 (1.63)	1.72 (45)
18. Wearing apparel (except footwear) and make-up textile goods	41 (46)	41 (45)	2.59 (2.15)	6,093 (6,182)	5.11 (4.10)	1.07 (1.03)
19. Saw mills, wooden and cane containers and cork wood products	155 (173)	148 (164)	9.43 (6.83)	17,831 (16,586)	15.13 (12.29)	4.02 (3.32)
20. Furniture and fixtures	67 (79)	64 (78)	9.55 (8.09)	15,579 (17,261)	13.31 (10.96)	4.71 (3.86)
21. Paper and products	107 (84)	104 (84)	88.70 (66.63)	50,631 (46,356)	78.70 (68.25)	24.18 (18.52)
22. Printing, publishing etc.	357 (341)	345 (331)	46.16 (39.33)	85,732 (79,664)	71.73 (60.18)	30.12 (24.82)
23. Tanneries	61 (50)	60 (50)	3.99 (5.79)	8,148 (10,298)	14.12 (14.67)	2.00 (2.35)
24. Fur and leather products (except footwear and wearing apparel)	4 (3)	4 (3)	13 (21)	334 (259)	58 (45)	10 (6)
25. Rubber products	81 (79)	78 (78)	47.65 (29.42)	34,953 (33,973)	86.82 (74.72)	28.46 (26.52)
26. Basic industrial chemicals	126 (132)	124 (130)	198.05 (182.25)	49,931 (55,875)	131.15 (124.94)	37.74 (38.44)
27. Vegetable and animal oils and fats (except edible oils)	14 (21)	12 (21)	2.13 (2.31)	1,878 (2,469)	17.30 (14.08)	84 (71)
28. Paints, varnishes etc	23 (25)	23 (25)	4.90 (6.59)	5,214 (6,161)	13.52 (14.48)	3.94 (3.48)
29. Miscellaneous chemicals	317 (275)	315 (271)	100.69 (79.64)	72,707 (63,274)	187.93 (144.58)	60.36 (47.29)
30. Petroleum refineries	7 (7)	5 (7)	57.23 (75.60)	2,361 (4,693)	41.37 (52.28)	16.16 (18.14)
31. Miscellaneous products of petrol and coal	14 (12)	10 (8)	17.19 (5.19)	3,812 (3,518)	13.57 (9.33)	69 (1.13)
32. Structural clay products	282 (287)	279 (284)	18.25 (18.93)	46,656 (46,791)	18.03 (18.55)	8.47 (8.64)
33. Glass and glass products	155 (131)	150 (124)	18.04 (12.06)	42,639 (35,160)	22.15 (17.25)	7.65 (6.17)
34. Pottery china and china-ware	64 (67)	64 (66)	9.67 (8.99)	17,570 (18,978)	7.61 (6.24)	3.18 (2.46)

ANNUAL SURVEY OF INDUSTRIES 1962 (Contd.)

(Figures for 1961 are given in brackets)

Industrial Group	No. of Registered Factories	No. of Report- ing Factories	Productive Capital (Rs. lakhs)	No. of Persons employed	Gross Output (ex-factory value) (Rs. lakhs)	Value added by manufacture (Rs. lakhs)
35. Cement (Hydraulic)	34 (33)	33 (32)	64,37 (62,68)	28,053 (28,312)	70,80 (63,75)	18,46 (14,95)
36. Non-metallic mineral products (not elsewhere classified)	190 (213)	186 (203)	18,07 (14,87)	26,743 (26,939)	25,25 (25,00)	7,84 (8,85)
37. Iron and Steel	404 (378)	388 (361)	675,11 (282,79)	269,503 (171,711)	362,59 (273,23)	82,92 (72,06)
38. Non-ferrous metals	68 (61)	66 (57)	68,63 (51,06)	20,529 (17,604)	65,36 (46,99)	18,63 (12,81)
39. Metal products except machinery and transport equipment	396 (339)	379 (332)	55,00 (47,50)	69,556 (61,187)	96,61 (81,50)	24,25 (21,48)
40. Machinery except electrical	563 (427)	552 (421)	115,50 (79,63)	130,791 (109,106)	134,15 (104,48)	46,70 (37,83)
41. Electrical machinery	257 (261)	250 (255)	107,78 (79,94)	90,648 (80,773)	122,94 (115,87)	36,34 (37,34)
42. Shipbuilding and repairing	41 (39)	40 (38)	13,83 (13,25)	27,068 (24,145)	18,18 (13,27)	6,90 (5,87)
43. Rail-road equipment	118 (122)	109 (115)	81,06 (73,59)	162,113 (156,684)	103,72 (117,58)	39,80 (39,02)
44. Motor vehicle manufacture	57 (70)	56 (68)	50,86 (66,17)	42,304 (52,837)	98,38 (136,46)	26,55 (27,82)
45. Repair of motor vehicles	321 (277)	308 (264)	29,71 (16,99)	52,660 (38,819)	39,64 (20,70)	13,10 (7,45)
46. Motor cycles and bicycles	59 (51)	56 (50)	15,74 (13,66)	15,337 (16,235)	22,86 (22,77)	5,38 (5,85)
47. Aircraft	8 (8)	7 (8)	21,65 (17,76)	6,168 (5,463)	8,93 (5,85)	4,03 (2,73)
48. Transport equipment (not elsewhere classified)	27 (...)	26 (...)	6,94 (...)	7,009 (...)	10,62 (...)	2,44 (...)
49. Professional and scientific instruments	41 (25)	40 (25)	5,17 (3,62)	6,684 (5,680)	5,90 (4,09)	2,59 (1,92)
50. Photographic and optical goods	8 (8)	8 (8)	54 (32)	1,176 (1,146)	71 (62)	41 (22)
51. Watches and clocks	11 (8)	11 (8)	50 (41)	1,094 (621)	84 (38)	29 (11)
52. Jewellery etc.	5 (11)	5 (11)	4,68 (5,70)	4,787 (5,781)	5,61 (5,07)	1,91 (1,97)
53. Musical instruments	4 (...)	4 (...)	8 (...)	453 (...)	20 (...)	8 (...)
54. Manufacturing industries (not elsewhere classified)	199 (175)	192 (170)	19,48 (10,08)	30,996 (21,694)	31,26 (19,48)	9,87 (5,19)
55. Electric light and power	470 (126)	359 (116)	230,54 (197,31)	60,482 (37,624)	76,31 (52,12)	25,18 (26,92)
56. Gas manufacture and distribution	9 (...)	8 (...)	2,27 (...)	1,860 (...)	2,87 (...)	1,03 (...)

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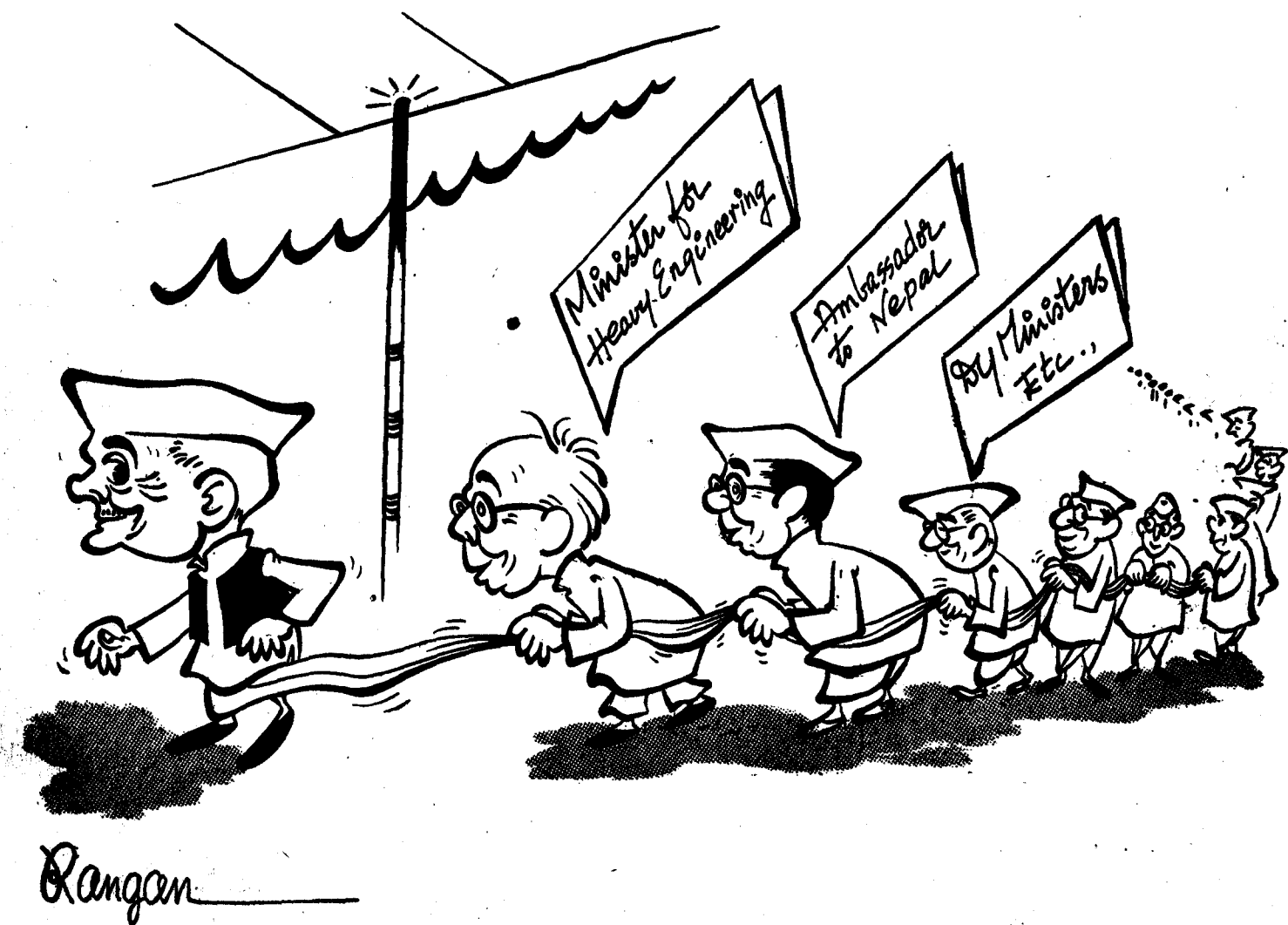
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OCTOBER 9, 1964

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A Fraud on the Nation?

FROM THE trend of discussions in the Planning Commission on the size of the fourth Plan, there is reason to fear that the Prime Minister may have arrived at his ideas on reorganizing that body too late. It would be attaching too much value to the Planning Commission as it has been functioning over a period to accuse it of seeking power without responsibility. While it had certainly exhibited much irresponsibility at critical stages of the nation's development, it must be conceded that it has never had real power, barring, of course, some power for occasional mischief. In this sense, the Planning Commission must be rated rather lower than a harlot in the social scale attaching to Mrs. Warren's profession and there is surely more than a touch of gay abandon in the spirit in which the Planning Commission has been talking of a fourth Plan stretching between Rs. 21,000 crores and Rs. 24,000 crores.

To talk of outlay on the fourth Plan more than twice that on the current Plan in the economic circumstances and prospects which the nation has to reckon with at present does not seem to us to be a sane, let alone a sensible, exercise. On any objective assessment of the economic context, it must surely be conceded that virtually none of the factors which could justify an immediate, large increase in the rate of Plan outlay exists at present. First and foremost is the fact that it is not open to the country now, as it was during the first Plan and at least part of the second Plan, to assume that non-development expenditure could reasonably be expected to be kept under some degree or other of planned restraint. The Government itself has admitted often enough that the highest priority in resources unfortunately belongs no longer to development. That entitlement has now gone to defence. It follows that it has become more important now than ever before to consider the size of the Plan in relation to other essential calls which must be met from the total resources available within or to the community.

Secondly, the rate of growth of population being above 2.5 per cent rather than below, the encroachment of current consumption on investible resources must naturally be expected to go far deeper than is convenient. It is true that there is greater awareness now of population control and that it is proposed to make large allocations of financial and technical resources for family planning programmes in the fourth Plan. But it is evident that these measures can have no moderating effect in the very short period over the increasing pressure of population. Therefore, so far as the fourth Plan is concerned, the investment programme must necessarily allow for the sustenance and consumption needs of a population growing more rapidly than hitherto.

This leads us to the question of price stability. Thanks partly to the rapid growth of population and partly to the increase in aggregate demand from other causes in the context of disappointments and delays in the expansion of current production, especially in the agricultural field, the nation is now playing reluctant host to inflationary pressures. The Planning Commission has become accustomed to make projections on the sizes of succeeding Plans on the assumption that the price line could and would be held irrespective of projected development spending. It is not possible any longer to nurse such wishful thinking. Over the last one year or so it has been conclusively proved that the price line cannot, in fact, be held in the context of current policies and programmes which the Planning Commission, by advocating a Rs. 20,000 crore-plus fourth Plan, evidently wants to see pushed towards their extreme limits. Surely, if in 1964 it could be held to have become urgently necessary for the Central Government to prune its expenditure in order to avoid a further aggra-

vation of instability in the economy, there cannot be much seriousness or sense in suppositions that some miracle would enable the country to contemplate vastly larger expenditures in 1966 or 1967. Is the Planning Commission imagining that after limping for four years, the third Plan is going to take a great leap forward in the fifth?

It is of course being argued in favour of a Rs. 20,000 crore - plus Plan that this magnitude of outlay is necessary for certain rates of agricultural, industrial or aggregate economic growth which are *per se* reasonable. We must bluntly say that this is a dishonest argument. There is the record of 13 or 14 years of Plan execution to show that assumed ratios of inputs and outputs never work themselves out in practice. Actually in many sectors of the economy the correspondence between outlay and output has been so nebulous as to be negligible. This is because, for one thing, output and growth in the vast area of agricultural production still continue to be influenced by data inaccessible to planners. More important still, for some mysterious reason, economic planning in this country has come to be synonymous with the concept that much the greater part of development expenditure should be directly undertaken by government agencies. The public sector having not succeeded in being a prudent or productive employer of capital, the return in terms of economic growth from the greater part of the investments undertaken in the name of the Plans has been very low. There is no reason to believe that the public sector is going to become spectacularly more efficient suddenly simply because the Planning Commission desires to write up a big fourth Plan.

Finally, it seems to us extremely important that our Government and our people must face up to the fact that, we as a nation, are rather slow in doing things. It has been said that one of the more important impressions which the Finance Minister has brought back from Tokyo, which he visited for the Fund and Bank conferences, is of the speed with which the Japanese have executed projects in their country. In Tokyo a mono-rail has been put up in 10 months and a major overhead highway in about 11 months. The Japanese seem to be able to build 1,000-room hotels in less time than it takes the Delhi Administration to patch up stretches of monsoon-washed roads in the city. It is true that this is a deplorable state of affairs and that something must be done about it. But our point is: Is the Planning Commission justified in planning as if this problem of national efficiency does not exist at all?

Surely, neither the Planning Commission nor the Government is entitled to plead that the public should trust in professions or promises of vastly enhanced competence in the years immediately ahead. If there are, indeed, so much resources and powers with these august bodies, it is right to ask the simple question why all this wonderful potential is not being tapped here and now

so that in the 18 months or so still left of the third Plan, something may be achieved to wash up a little its tainted image as a crippled and crawling creature. The back-room boys of the Perspective Planning Division of the Planning Commission may talk till they are blue in the face of the essentiality of high investment in order to secure reasonable living conditions for the population down to the lowest tenth. The fact remains that expenditures unrelated to the circumstances determining their efficient direction and utilization impoverish the nation instead of enriching it. A policy of posing paper outlays out of touch with preceding performances has robbed succeeding Plans of more and more of their substance and stamina. To persevere obstinately in this policy would be to take unnecessary and unjustifiable risks with economic and social stability. The Planning Commission is wont to argue that targets should not be determined by resources within sight at the time of drawing up a Plan, since that would undesirably cramp the style of perspective planning. We wish it were also aware at least to some extent of the even greater danger of distorting economic policies and developments which is inherent in superimposing on the Government fiscal and other obligations which it cannot reasonably assume in the given context. To force the pace unduly in the matter of the mobilization of resources is, as has been proved over and over again, to court inflation. Should a Rs. 20,000 crore-plus fourth Plan ultimately come to be foisted on the country, it would be tantamount to serving the community notice of intolerably oppressive fiscal, monetary and physical economic disciplines. It has been suggested in some quarters that since the first year of the fourth Plan

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IN FRAMING the proper price policy for India after the war, there are two sets of considerations to be taken into account. In the first place, wide disparities in national price levels have emerged under war-time controls and, although Indian price level has risen steeper than in such countries as the U.S.A. and U.K., there are other countries, viz., China, Middle East and Turkey, which have registered a much bigger increase in prices than India, and in the readjustment which will be necessary, the correct height of prices will have to be decided in the light of the occurred inflation in those countries and the averted inflation in others capable of coming to the fore when wartime restrictions are relaxed.

If, from the competitive point of view, reasonable parity with external prices is essential, proper relationship between the different groups of relative prices within the country itself is no less essential for internal harmony and equilibrium. The general price level is, after all, composed of the prices of the diverse groups of commodities, and it is the reasonable relationship among them which we decide upon as being desirable which should determine the height of the general price level.

would be a pre-election year, it would not be politically advisable to initiate in that year the process of revenue gathering for that Plan. It must be equally clear that after at least two draconian budgets, the final year of the third Plan would be even more unsuitable not only politically but also economically for ante-dating the revenue effort of the fourth Plan. It follows that most of the resources efforts of the monstrously large fourth Plan now being canvassed will in fact have to be concentrated in the four years after 1966-67, with nothing to show that, between now and then, the nation's — and

the Government's — economic capabilities would have greatly grown. It may of course be suggested that since there have been shortfalls in the second and the third Plans, too much need not be made of prospects of shortfalls in the fourth Plan as well. This contention ignores the vital point that planning in that spirit, which is deceptive as well as self-deceiving, leads to a rate of economic progress which is slower than it might otherwise have been and to a degree of social instability which could well have been avoided. It would, therefore, be an impermissible fraud on the nation.

Export Credit and Guarantee Corporation

AN IMPORTANT step taken by the Government towards export promotion is the setting up of an organisation to provide exporters from India insurance against export risks. It is the object of this article to analyse the functions and performance of this Government-owned Export Credit and Guarantee Corporation during the last six and half years of its existence ending 31st December, 1963 from the data published by the company.

The main function of the Export Credit and Guarantee Corporation Limited (formerly known as Export Risks Insurance Corporation Ltd.) is to encourage, facilitate and develop trade by providing exporters from India, insurance against certain commercial and political risks resulting in non-payment by foreign buyers. The insolvency of and the protracted default in making payment by buyers and the commercial risks and changes in import policy, delay in the transfer of funds stemming from payments difficulties of buyers' countries, war and civil war are the important political risks which are covered by the Corporation. These are the risks over which exporters cannot have any control and no insurance against such risks is available from private insurers. Generally, the corporation protects insured exporters against losses arising from circumstances outside their control and that of the buyers. As such,

the Corporation does not cover the risk of non-acceptance of goods by a buyer. It does not also cover the risk of non-acceptance of and/or non-payment where goods are exported on payment against documents. Covering this risk would be contrary to the basic principle of credit insurance. Further, it is likely to encourage unscrupulous persons to put the Corporation in jeopardy through exports of goods of substandard quality. The Corporation however compensates the exporter for a percentage of the loss if he can establish that the exporter is not at fault by obtaining a final judgment against the buyer. Where an exporter obtains a judgment against the buyer for his failure to accept delivery of goods or pay for documents where goods are exported on payment against documents and that judgment being not final because an appeal has been filed against it, the exporter could obtain an advance against the amount payable as claim by furnishing a bank guarantee.

The Corporation bears the main burden of risk — 80 per cent in the case of commercial risks, such as default or insolvency of the foreign buyer and 85 per cent in the event of political risks arising from insurrection or war, unforeseen import restrictions, embargoes on transfer of funds in the buyer's country and other similar causes. The Corporation also endeavours

TABLE I.
PROGRESS OF ECGC

	1960	1961	1962	1963	Percentage of increase over	
					1962	1961
I. Policies Insured						
(a) Standard Policies	321	400	502	577)	31.1	70.4
(b) Packing credit policies	3	26	52	148)		
II. Policies in force as on 31st December	318	418	599	802	33.9	91.9
Maximum Liability (Rs. lakhs)	771	1291	1926	1995	3.6	54.6
III. Risk value covered during the year (Rs. lakhs)	697	1201	2069	2945	42.3	145.1
IV. Bank Finance availed of (Rs. lakhs)						
(a) Packing credit policies (FRESHSHIPMENT)	0.6	54	258	395	53.1	626.5
(b) Assignments (Postshipment)	237	320	251	412	64.1	28.8
V. Premium Income (in thousands of rupees)	236	348	563	647	14.7	85.6

to examine the probity and financial status of every overseas buyer on its record, with a view to improving the quality of its own risks and, at the same time, offering its policy holders an insight into the standing and credit worthiness of their clients. The Corporation claims to have built a library of credit information on as many as 15,000 overseas buyers — and this service is being improved and enlarged.

Altogether, the Corporation is offering credit insurance facilities in line with those of the leading credit insurers of the world. It offers a wide range of policies, ensuring protection against credit risks from the “date of shipment” or the “date of contract” in accordance with the requirements of the exporter. It also provides a “Packing Credit Policy”, by arrangement with the commercial banks, which enables the exporter to secure from them preshipment credits — above the line of the banks’ normal rating of their clients — for the purpose of purchasing, processing and packing goods destined for the export market.

Table I (page 673) shows the business done by the Corporation during the last four years—

It will be seen from Table I that during 1963, the number of policies issued has risen by 31.1 per cent, the “maximum liability” in force by 3.6 per cent, the value of risks covered — the real measuring rod of growth — by 42.3 per cent. The average premium rate for overseas risks insurance continued to remain around 1¼ of a per cent. In 1963, the value of risks covered was of the order of Rs. 29.45 crores, which corresponds roughly to about 4 per cent of India’s total exports. Although 60 per cent of our exports are in traditional items in respect of which the exporters have old and established connections and do not feel the need of risk insurance so keenly, the small coverage of the exports by the Corporation only points out the need for augmenting the resources of the Corporation. The Mathrani study group set up by Government in 1962 had recommended that an export oriented credit institution should be set up as an adjunct to the export promotion machinery in the country. In pursuance of this recommendation, the Export Risks Insurance Corporation has been transformed into a full-fledged Export Credit and Guarantee Corporation which, besides covering the schemes of export risks insurance formerly administered by ERIC, will also furnish various kinds of guarantees to banks, with a view to securing for the exporters more liberal credit facilities at finer rates of interest. The guaranteeing functions of the Corporation will be substantially enlarged by the ECGC; and there are plans to evolve new covers to make it possible for banks not only to “discount” bills which they would ordinarily accept only for “collection”, but to provide more liberal credit facilities at the postshipment stage as well. The ECGC is expected to co-operate with banks in the provision for credit facilities for exports. Government have

also decided to raise the paid-up capital of the Corporation from Rs. 50 lakhs to Rs. 2 crores.

The need for augmenting export risk facilities would also be evident from the claims experience of the Corporation from the commencement of its operations in 1957 to December 1963, given in Table II.

TABLE II
CLAIMS

Nature of Claim	(In Rs. '000)			
	Claims paid	Recoveries	Written off	Net outstanding
Insolvency	394	2	55	337
Default	1204	720	97	387
Exchange Transfer	38	10	—	28
Other	53	2	19	32
TOTAL	1689	734	171	784

It would be seen that the Corporation had paid claims amounting to Rs. 17 lakhs, of which it has been able to recover only Rs. 7 lakhs and about Rs. 2 lakhs have been written off. The premium income received by the Corporation from its commencement in 1957 to the end of 1963 amounted to Rs. 20 lakhs and it has paid claims amounting to Rs. 17 lakhs, of which only Rs. 7 lakhs has been recovered. Although the above data would not be adequate for reaching any definite conclusions, it may broadly be inferred that there is need for increased insurance facilities. The Corporation has been compelled to write off already claims amounting to Rs. 1.7 lakhs and the amount finally written off might be higher.

The fact that some payments underwritten by the Corporation have failed raises an important question as to whether in the case of these payments not underwritten by the Corporation, the amount of loss to Indian exporters might not have been higher. In the case of these other exports, the screening by the Corporation of the credit-worthiness of the importer was not there and so possibly the amount of loss to the Indian exporter was higher. To the extent to which these exporters did not take a policy due to the limited facilities at the disposal of the ECGC is another reason why the facilities of the Corporation should be augmented. There may also be cases wherein the exporters allowed certain uninsured payments “to fail” so that a part of the unaccounted money could be held abroad. Increasing the facilities of ECGC and making it progressively compulsory for exporters to insure with this organisation will go a long way in preventing this drain in our foreign exchange resources.

Highlights of the Week

I.F.C.: SWEET AND SIXTEEN

THE INDUSTRIAL Finance Corporation of India has faced a variety of challenges through its sixteen years of existence and has played a significant role in the advancement of Indian industry. Mr. A. Baksi, Chairman of the Corporation, while tracing its progress during these years at the annual general meeting held recently, stated that net financial assistance sanctioned during the last sixteen years was to the extent of Rs. 196.78 crores — rupee loans of Rs 134.29 crores, foreign currency loans of Rs. 16.89 crores, underwriting and direct subscription to capital of Rs. 14.13 crores and guarantees of Rs. 31.47 crores. Out of the net assistance sanctioned, the new projects claimed 70 per cent while the remaining 30 per cent was utilized for expansion, modernisation and diversification of the existing concerns. The Corporation has assisted during the past sixteen years 224 projects covering a variety of industries and its contribution in terms of production meant an additional capacity in the paper industry to the extent of 158,000 tonnes, caustic soda 61,800 tonnes, sulphuric acid 283,000 tonnes, cement 1,920,000 tonnes, sugar 67,000 tonnes of sugarcane crushing capacity per day and in cotton textiles an additional capacity of 644,000 spindles. Its contribution by way of underwriting facilities was also substantial and aggregated to Rs. 12.31 crores for 77 cases — Rs. 6.02 crores in equity shares, Rs. 3.86 crores in preference shares and Rs. 2.43 crores in debentures. During this period 52 issues involving an aggregate commitment of over Rs. 9.48 crores were placed in the market. Shares and debentures of Rs. 7.55 crores devolved on the Corporation as a result of these operations which indicated that the response in the market was comparatively poor. This fact was conceded by Mr. Baksi, who attributed the poor response to the unsatisfactory condition of the capital market during the last two years in particular.

The Chairman referred to the setting up of the Industrial Development Bank of India which now holds 50 per cent of the paid-up capital of the Corporation. The Industrial Development Bank has acquired the shares held by the Reserve Bank and the Central Government and this change is likely to offer the Corporation a more fruitful role. Recently the Corporation took some significant decisions which will make its assistance acceptable to a larger number of entrepreneurs. It was one of the standing conditions of the loans offered by the Corporation that borrower companies would not declare annual equity dividend at a rate higher than 8 per cent without the prior approval of the Corporation but this limit has now been raised to 10 per cent. Similarly the Corporation has relaxed the condition regarding the prior permission of the Corporation for the disposal of any item of assets mortgaged to it. It has now been decided to permit assisted concerns to sell or write off specified items of assets of a minor nature within the prescribed limit without the prior approval of the Corporation. It has also been decided that the restrictions relating to the disposal or pledging of shareholdings would not apply to all directors or members of the managing agency but would be confined to only those members who have a real stake in the assisted concerns. The Corporation has also decided to liberalise the condition about personal guarantee of directors and managing agents in suitable cases. It has been decided that the right of the Corporation to nominate directors on the boards of assisted concerns should be exercised more selectively. All these relaxations have a far-reaching significance and will, without doubt, enhance its popularity.

In order to discharge all its obligations creditably, the Corporation will need much larger volume of foreign exchange

than it has been able to obtain in the past. It has already initiated negotiations for credit from the AID while a line of credit for DM 15 million has been allowed to it by the Kreditanstalt. The Corporation has to seek further credits in terms of convertible currency and unless sizable volumes of foreign currency come its way, its activities may not rise to the anticipated heights.

CALLING KISANS

MR. LAL BAHADUR, ever since taking over the office of the Prime Minister, has been vociferous about the need for raising the level of living of the masses. He has, without doubt, a soft corner for the cultivator. It is perhaps for this reason that while broadcasting from the All India Radio on Friday last, he appealed to the 300 million people of this country who live in 600,000 villages and till over 350 million acres of agricultural land to do “everything possible” to increase the agricultural output of the country in an endeavour to put an end to the current food shortage, and ultimately, defeat “want and misery”. He has assured them of a return commensurate with their investment through the fixation of minimum prices for agricultural commodities. To a large number of his listeners Mr. Lal Bahadur may have sounded something like a believer in fatalism when he referred to “the bounty of Mother Earth” and “the smiles of Fortune”, but he was necessarily speaking the language of the cultivator to bring home to him that hard work seldom went unrewarded. It has to be conceded that a small percentage of those to whom the broadcast was directed heard the Prime Minister speak—evidently, for lack of radio receiving sets in the villages.

Mr. Lal Bahadur provided in a nut-shell, for the consumption of those who till the soil, some very useful tips for increasing agricultural production. Proceeding point by point, he told the cultivators to depend largely on local resources for the supply of manures, seeds, etc., to make the fields more productive. Judicious use of seed, instead of using too much of it, he said, had produced far better results. He urged the cultivators to make the maximum use of the existing irrigation facilities, and to construct masonry wells, tanks, etc., where irrigation facilities were not presently available. Rotation of crops, the sowing of early-ripening crops, the use of pesticides and improved agricultural implements were the other useful tips for the farmer. But before many of his listeners might have been tempted to describe it all as a trite recipe, Mr. Lal Bahadur, in his characteristic humility, thought it fit to make it clear that the cultivators must know much better than he did.

Directed though it was mainly to cultivators, the Prime Minister’s appeal was all-pervasive in the sense that it equally demanded “everyone of us” to take part in what he described as agricultural campaign by going “from village to village, enthusing the cultivators and helping them to resolve their difficulties”. Equating this campaign with the “National Movement”, he wistfully remarked that such an atmosphere might well be recreated. The solution to the serious problem of food shortage, however, is not so simple. What the farmer needs to be dispensed is expert knowledge, and not the symbolic helping hand of his sophisticated urban counterpart. The inadequacy, if not the failure, of the various official agencies, such as the Community Development Programmes, the National Extension Service and the Panchayats, in disseminating the knowledge that the cultivator ought to be equipped with if he is to show better results has been acknowledged by the Government. It is only appropriate that the Union Government should have called this week a four-day conference of the key personnel connected with the implementation of

Intensive Agricultural Programmes. It is to be earnestly hoped that some pragmatic decisions will be taken for the implementation of these programmes.

FLOURISHING FERTILISER CORPORATION

IN A lucid analysis of the problems facing the Fertilizer Corporation of India Ltd., the Chairman, Mr. B. C. Mukharji, presented a creditworthy picture of working results for the year ended March 31, 1964. The gross profit of Rs. 9.29 crores indicated an improvement of more than Rs. 2 crores over the performance of the preceding year. While the provision for depreciation absorbed Rs. 4.95 crores, and Rs. 63.71 lakhs were paid to the Government of India by way of interest on loans, the balance of Rs. 3.70 crores was retained and appropriated to the reserves in order to cover the financial needs of the Corporation for completing the projects under construction. An outstanding feature of the working for the year under review was that the Nangal unit registered a new record in output. The profit disclosed by the Corporation was partly due to the increase in the output of the Nangal factory and partly because of the retrospective revision of retention prices of fertilizers by the Government of India. The Chairman also drew attention to the fact that nearly Rs. 48 crores had been mobilized by the Corporation since its inception out of internal resources which were utilized for the payment of dividends, repayment of loans, expansion of the Sindri plant and meeting the requirements of capital outlay of new projects.

The future profits of the Corporation will, without doubt, depend upon the prices of fertilizers fixed by the Government. The Corporation, according to the Chairman, was conscious of the fact that economies were possible in the working of its units and all efforts were being made to make them more efficient so that the cost of production may be reduced significantly.

Discussing the cost of manufacture of Sindri, Mr. Mukharji stated that the process of manufacture and the raw materials which are used in the manufacture of fertilisers in Sindri are the two basic causes for keeping it at a high level. Again, the Nangal unit, which had a record production during the year under report, is based upon an expensive electrolytic process, the basic raw material for which i.e. electric power, has increased in price and this factor alone has upset the calculations in reducing the cost of manufacture. Referring to the new projects of Namrup, Gorakhpur and Korba, he gave the opinion that it would not be wise to anticipate large profits from these units as, from the feasibility point of view, they were "just viable". Even if the operational efficiency of these plants were improved, the profits, he said, would be only marginal. On the other hand, the Trombay unit and the Durgapur unit held out promise of improved working results.

Dealing with the expansion plans of the fertiliser industry, Mr. Mukharji said that the needs of the country for fertilisers was massive though the indigenous resources for fabricating production units were not sufficient. Even to import the minimum quantum of essential equipment for the expansion programme, a sizable volume of foreign exchange was needed. Many friendly countries have shown keen interest in providing assistance in this regard. USAID has shown willingness in assisting India's fertilizer production both in the public and the private sector. An American consortium has recently offered to undertake feasibility studies preparatory to its participation in construction of a large number of major fertiliser factories. Technical manpower exists in the planning and development division of the Corporation located at Sindri to set up two fertilizer plants a year provided the essential machinery is procured; this particular division needs further encouragement.

FROM THE PRESS GALLERY

Plea for Raising Tax Exemption Limit

By Our Parliamentary Correspondent

NEW DELHI :

ADOPTION OF the Direct Taxes (Amendment) Bill and referring of the Press Council Bill to a Joint Select Committee provided the highlights of the Lok Sabha proceedings last week. The Rajya Sabha approved the proclamation of President's rule in Kerala. The Supreme Court's verdict on the U.P. constitutional tangle and the havoc played by floods in the country this year also figured prominently — the former issue in both the Houses and the latter in the Lok Sabha.

Although the Direct Taxes (Amendment) Bill had a limited purpose of seeking to amend the Income-tax Act, 1961, the Estate Duty Act, 1953, and the Expenditure Tax Act, 1957, with a view to providing relief to assesseees in certain situations and removing certain difficulties arising in the operation of these acts, the opportunity was seized by the Opposition for making a vociferous plea for raising the income-tax exemption limit to at least twice the present level so that the "white collar brigade" could get some relief from the crushing burden of rising prices, and for checking tax evasion. The criticism of the Bill mainly centred around two of its provisions; one relating to the grant of tax exemption to donations to the Nehru Memorial Fund and the other providing for the production of income-tax clearance certificate at the time of registration, by those who intended to transfer their properties worth more than Rs. 50,000.

Welcome Provisions

The other important provisions of the Bill, however, were generally welcomed. These included: (1) in the case of companies which went into liquidation as a sequel to compulsory acquisition of their undertaking by the Government or by a Corporation owned or controlled by the Government, the distribution attributable to the accumulated profits of such companies prior to the period of the three successive accounting years before the acquisition of the undertakings will not be taxed as dividends in the hands of the shareholders. Such distribution will be taken into account only for computing capital gains arising to the shareholders. The provision is to take effect from April 1, 1962, the day on which the Income-tax Act, 1961, came into force; (ii) enabling the income-tax officers to revise the original demand of advance tax and advance annuity deposit with reference to the total income of the latest year for which tax had been paid by the assessee on self-assessment; (iii) rounding of the annuity deposit amounts to the nearest multiple of Rs. 10, instead of Rs. 5 as under the existing provision, so that issue of a large number of annuity deposit certificates of low denominations could be avoided; (iv) allowing as deduction from estate duty the tax which an assessee would have paid on capital gains arising on the transfer of assets comprised in an estate, provided the proceeds were utilized for payment of estate duty — this provision has been made to ensure that the cumulative incidence of estate duty and capital gains tax did not exceed 85 per cent of the value of the estate; (v) enabling an estate duty assessee to offer to the Government any assets comprised in an estate, whether it was movable or immovable property, in payment of estate duty; (vi) exempting from expenditure tax such gifts as were exempted from the Gift Tax Act under sub-section (1) of section 5 of Gift Tax Act.

Opinion was divided on the provision in the Bill requiring production of income-tax clearance certificate at the time of registration by those who intended to transfer their properties worth more than Rs. 50,000. While the Swatantra member

Mr. N. Dandekar, suggested that this limit should be raised to Rs. 100,000, the Congress member Mr. R. R. Morarka wanted the limit to be scaled down to Rs. 10,000 in the interest of unearthing unaccounted money. Replying to the debate, the Finance Minister, Mr. T. T. Krishnamachari, defended the various provisions of the Bill and countenanced the criticism that evasion of tax was practised on a large scale and no effective steps were being taken by the Government to plug the loopholes in the tax system. He observed that this year although the book value of tax arrears stood at Rs. 419 crores, the effective arrears amounted to only Rs. 195 crores. The Finance Minister denied that the Bill would help only the affluent sections of the society and not the middle class.

Fostering Small Papers

During the debate on the Press Council Bill, many a Lok Sabha member pleaded for greater representation for journalists on the Council and for fostering the growth of small and medium newspapers. Concern was expressed at the development of monopolistic trends in the newspaper industry. Intervening in the debate, the Minister for Information and Broadcasting, Mrs. Indira Gandhi, declared that Government desired to help the small and medium newspapers; these newspapers were the best check on the growth of monopolies in the newspaper ownership. Although newspapers generally maintained a high standard in India, Mrs. Gandhi asserted that a machinery for self-regulation of the Press was necessary to guard against breaches and departures from the norm and against the possible misuse of the power of the Press. The Bill, Mrs. Gandhi emphasised, sought to protect the freedom of expression and at the same time to ensure healthy growth of the industry. In his reply to the debate, Mr. C. Pattabhiraman, Deputy Minister, revealed that originally it was proposed that the selection of the Chairman of Press Council should be made by a committee consisting of the Chief Justice of India, the Speaker of the Lok Sabha and the Chairman of the Rajya Sabha, but the latter two had declined to serve on the committee saying that they did not want to get involved in any controversies. The Government, therefore, had to remain content with this selection being made only by the Chief Justice of India who had agreed to do so. This provision, it may be recalled, had been vehemently criticised by two legal luminaries of the Rajya Sabha, Mr. G. S. Pathak and Mr. P. N. Saprú. The Deputy Minister indicated that the Press Council would look into the question of setting up of an institute for providing advance training and facilities for in service training of journalists.

The Supreme Court's verdict in the reference made to it by the President on the U.P. constitutional crisis, vindicating the competence of the judiciary to entertain cases of persons sentenced by a legislative body on charges of contempt of the House provoked a furore in the two Houses; the members zealously asserted the sovereignty of legislatures. Tempers, however, cooled down on calmer reflection and on the suggestion of the Prime Minister that this was a matter which had to be carefully considered in all its implications before a definite conclusion to amend the Constitution could be arrived at. The Law Minister, Mr. A. K. Sen, however, expressed the opinion that the Supreme Court's verdict was likely to cause an erosion of the rights and privileges of legislatures. He promised an early decision by the Government on the issue.

The discussion on the havoc played by floods this year

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was a heated one. There was a general demand for the appointment of a high-powered commission to go into the question of flood control. Some members attributed the periodical floods to the unplanned construction of railway embankments and roadways and building of multipurpose dams, which, they alleged, obstructed natural drainage. The Minister for Irrigation and Power, Dr. K. L. Rao, accepted in principle the suggestion for the appointment of a high-powered commission on flood control. He, however, added that a decision in this regard would be taken in the light of the report expected to be submitted by the end of this year, by a Committee of Ministers of the various flood affected States appointed some time ago by the Union Government to review and assess the flood control measures taken so far by the Central and State Governments. Dr. Rao revealed that the Government proposed to set up a number of radar stations along both the east and the west coasts for accurately forecasting rainfall in the surrounding areas. He refuted the contention that multi-purpose dams interfered with natural drainage.

The Rajya Sabha adopted the State Bank of India Bill as passed earlier by the Lok Sabha. This Bill seeks to facilitate the creation of a large number of local head offices of the State Bank and provides for certain changes in the composition of the Central and local boards of the bank. It also discussed inconclusively a non-official resolution seeking placing of ban on contributions by companies to political parties. The resolution received wide support from the Opposition benches, but was opposed by the Congress member, Mr. Abid Ali, who refuted the allegation of the Opposition that because big industrialists contributed large amounts to the Congress funds, they could influence Government policies. Besides adopting the Direct Taxes (Amendment) Bill and referring the Press Council Bill to a Joint Select Committee, the Lok Sabha debated the Industrial Disputes (Amendment) Bill and unofficial resolution for the appointment of an "independent, non-political statutory board" to deal with the distribution of licences, permits and quotas. The discussion on the non-official resolution remained inconclusive. While the resolution was supported by the Opposition members, the Minister for Industry and Supply, Mr. H. C. Dasappa, characterised the suggestion as impracticable and nothing more than slogan-mongering.

Accurate Estimates

The Public Accounts Committee in its Audit Report (Civil) on Revenue Receipts, 1964, has again urged the Union Finance Ministry to prepare budget estimates more accurately so that the risk of the public being taxed unconsciously more than necessary is avoided. The Committee has pointed out that the total revenue receipts of the Government of India for the year 1962-63 amounted to Rs. 1,585.30 crores, as against an anticipated revenue of Rs. 1,380.93 crores. While accepting fully the explanation of the Finance Ministry that certain difficult factors adversely affected the process of making an aggregate estimate of revenues in India, the Committee has reiterated its earlier view that variations exceeding 3 to 4 per cent in revenue estimates should be regarded as a matter for concern, requiring special remedial measures. The Committee has also commented critically on the abnormal delay in the levy of customs duty on ships' stores, arrears of customs duty, import of contraband goods, incorrect levy of excise duty at concessional rates and lower fixation of the tariff value on motor vehicles.

Before the two Houses adjourned sine die on October 3, the Union Minister for Food, Mr. C. Subramaniam, held out an assurance that since the prospects of procuring rice internally were good and imports of both wheat and rice were picking up, it would be possible to arrange reasonable supplies of foodgrains to the deficit areas.

Question Hour

Fourth Plan: The Finance Minister, Mr. T. T. Krishnamachari, told the Rajya Sabha on September 30 that a growth rate of 6.5 to 7 per cent during the fourth Plan seemed imperative according to the present thinking. He also said that the rate of growth in agriculture should not be less than 5 per cent. Mr. Krishnamachari pointed out that the question of outlay for the next plan was still under discussion and that the Planning Commission would give some glimpse of the fourth Plan to Parliament during the Budget Session. No assurance has so far been received about the availability of foreign exchange and the investment of Rs. 18,000 crores that was earlier proposed, he said, was based on the existing availability of resources including something out of repayments. As regards the question of re-organisation of the Planning Commission, the Minister stated that the Prime Minister was seized of the problem.

Third Plan Shortfalls: The Minister for Food and Agriculture, Mr. C. Subramaniam, told the Lok Sabha on September 29 that shortfalls were expected to occur in the third Plan targets in respect of foodgrains, cotton and oilseeds production. The targeted levels of production were likely to be achieved only in the case of jute and sugarcane. As against the index number target of 176 envisaged for the production of all agricultural commodities by the end of this third Plan, the figure for 1963-64 was 140.5. The shortfalls, Mr. Subramaniam added, were expected to occur in almost all States.

Nuclear Weapons: The Prime Minister, Mr. Lal Bahadur, stated in the Lok Sabha on September 29 that the Government had not considered the question of manufacture of nuclear weapons because it held the firm view that atomic energy should be used only for peaceful purposes and for the welfare of humanity. The requisite technical know-how for the manufacture of nuclear weapons could be developed within a reasonably short time, he added.

Antibiotics: Mr. O. V. Alagesan, Minister of State in the Ministry of Petroleum and Chemicals told the Lok Sabha on September 30 that orders had been placed for the bulk of the machinery and equipment required for the antibiotics plant at Rishikesh. A portion of it had already arrived at the site. Mr. Alagesan further informed that the plant was scheduled to be commissioned for trial production in the middle of 1966. It was being set up with Soviet collaboration and the approximate cost (excluding township) was estimated at Rs. 18.70 crores, he added.

Fertilizer Project: Mr. Alagesan also told the Lok Sabha on September 30 that it had been decided, in principle, to establish a fertilizer factory in Durgapur in the public sector and entrust its execution to the Fertilizer Corporation of India Ltd. The factory, estimated to cost Rs. 34.50 crores, would produce 100,000 tonnes of nitrogen and 108,500 tonnes of P2O5 in the form of ammonium phosphate sulphate, he added.

Petro-Chemical Industry: Mr. O. V. Alagesan stated in the Lok Sabha on September 30 that a six-member technical delegation of petro-chemical experts from Japan, sponsored by the Japan Consulting Institute in India, was presently touring India to get acquainted with the various petro-chemical manufacturing programmes in India and to explore the possibilities of collaboration. The technical delegation would be returning to Japan by October 10, 1964. The outcome of the delegation's visit, Mr. Alagesan added, would be known after it returned to Japan and submitted its report with any proposals for collaboration.

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Sterling on Eve of Elections

PAUL EINZIG

LONDON:

THERE HAS been no trace of the much-feared pre-election sterling scare. The absence of a wholesale flight from sterling and of large-scale speculative selling may be explained mainly on two grounds. As a Socialist victory was taken widely for granted since the middle of 1963 until quite recently, hedging arrangements against such an event were completed by most pessimists long ago. Even so, had the anticipation of a Socialist victory been maintained, the approach of the election date would undoubtedly have induced additional people to hedge against it in the eleventh hour. Fortunately from the point of view of sterling's stability, the last few months and more especially the last few weeks witnessed a revival of Conservative hopes, as indicated by public opinion surveys. Consequently any new hedging must have been more than offset by the undoing of many hedges previously entered into.

The other reason for the absence of a sterling scare lies in the arrangements made for the defence of sterling in the form of drawing rights with the International Monetary Fund, reciprocal swap arrangements with the Federal Reserve, and other forms of co-operation between monetary authorities. The potential support to sterling from all these sources is so formidable that speculators are deterred from committing themselves to a gamble in which the dice are loaded so obviously against them.

Needless to say, if a persistent adverse balance of payments should in the long run deplete the British gold reserve, the possibility of using temporary credit facilities in support of sterling would not deter speculators for ever from taking action. That stage is, at the time of writing, very remote and need not give cause for concern in respect of the immediate prospects of sterling.

Vague Uneasiness

Finally, the possibility of Senator Goldwater being elected President is causing some vague uneasiness about the prospects of the dollar. But for this uneasiness there would be more inducement for transferring funds from London to New York. As it is, some funds are being transferred to Germany and Switzerland, but both countries are doing their best to discourage such transactions.

As a result of the improvement of chances for a Conservative victory the sterling dollar rate rose slightly from the middle of September having covered during the first half of that month a shade above its lower support point of \$2.78. There can be no doubt about it that, should the Conservative Party be returned at the election with a clear working majority, the prospects of four or five years of Conservative Government would result in an immediate demand for sterling. Such short positions in sterling as exist would be covered in haste and there may be speculative buying in anticipation of a rise. Foreign residents who are in the habit of keeping sterling balances in London and who have reduced their balances to the indispensable minimum would replenish their balances. Foreign investors would buy security sterling in order to invest in sterling securities. There would be a selling of investment dollars by British investors wanting to switch back into sterling securities, and the resulting decline in the premium on investment dollars would produce a favourable psychological effect on sterling. British residents who had transferred capital abroad by taking advantage of some loopholes in exchange control would reverse the process.

The combined effect of all these influences would be exaggerated during the interval between the British and American

elections by anticipations of a Goldwater victory in the United States. While at present those who are afraid of the effects of such a victory on the dollar would not think of transferring their funds from New York to London, once fears of a Socialist Government in Britain are removed London would become the obvious centre towards which funds from New York would gravitate.

All these factors might well result in an appreciation of sterling above par immediately after the election. To some degree the rise might be halted as a result of a defeat of Senator Goldwater. But should a Conservative victory in Britain be followed by a Stock Exchange boom in London, the resulting influx of capital would cause an accentuation of the rise.

It would be unduly optimistic, however, to expect sterling to be able to maintain its firmness over a long period unless and until the balance of payments problem is solved and inflationary overfull employment is corrected. To that end the Conservative Government is bound to adopt disinflationary measures, which again would tend to accentuate the firmness of sterling. But for political reasons it would not be in a very good position to do so immediately after the election. Otherwise it would admit by implication that such measures, however necessary in the national interest, had been unwarrantably deferred for electioneering purposes. An interval of a month or two at least would have to be allowed to pass before it would become possible to argue that since the election the economic situation had changed in a sense as to call for corrective measures.

Stepping Up Wage Demands

In any case, there is no reason to suppose that such an argument would lack justification. For it seems more than probable that a Conservative victory will be followed by an all-round stepping up of wage demands. For one thing the trade unions would be in a bad temper about the election result and would be in no mood for compromise. In any case it is the declared intention of some trade union leaders not to co-operate with a Conservative Government to the end of elaborating and applying an incomes policy. Last but by no means least, amidst the boomlike conditions that are likely to prevail, most employers would be only too willing to concede wage increases which they would be in a position to pass on to the consumer. They would be keen on competing for the scarce labour resources by outbidding other industries in respect of wages and other terms.

In such circumstances it would become absolutely vital for the Government to adopt firm disinflationary measures. Notwithstanding the growing unpopularity of the much-denounced "stop-go" monetary policy, the Government would have to resort to it, since the alternative would be a non-stop inflationary boom. A higher Bank rate would of course help sterling both directly through attracting funds and indirectly through tending to improve Britain's relative competitive position in international trade. But it is conceivable that the painful corrective measures might be delayed for some months, in which case sterling's appreciation resulting from a Conservative victory would be followed by a decline, necessitating official support.

Should the election result in a Socialist victory or a deadlock or near deadlock in the form of the absence of a working majority (a majority of less than, say, twenty would make the Government's position precarious and would foreshadow the possibility of an early election), sterling would necessarily weaken.

*march together
work together*

"Let people in different parts of the country, however strong their feelings might be on particular issues, never forget that they are Indians first, and that all differences must be resolved within the unalterable framework of one nation and one country. Let us make every endeavour to foster this feeling of oneness and to carry forward the work of national integration."

*—Lal Bahadur Shastri
Prime Minister*

*Our way is straight and clear—to build a strong India with freedom and prosperity for all.
Let us march together, work together as one nation, imbued with courage and determination, goodwill and tolerance.*

JAI HIND
PRESERVE UNITY, PROTECT FREEDOM

"in need or in old age" will receive "two-thirds of their previous pay" as benefits, and prescription charges for medicines will go.

The Conservative Manifesto looks somewhat different from the Labour Manifesto. It is against the Labour Party's policy of "extended state ownership and centralised control". It believes that in a rapidly changing world of industrial technology, flexibility, which is essential to progress, is best provided by a "system of free competitive enterprise". It will not further extend nationalisation; it would complete denationalisation of steel.

But it is afraid to discard the magic word planning. It would continue its policy of planning with consent through the agency of the National Economic Development Council, with development committees for individual industries, "bringing together government, management and unions in a co-operative venture". If this concept of planning should develop into anything more than indicative planning — i.e., setting up economically feasible targets to be attempted by private enterprise and public sector undertakings, followed by periodic assessments of performance — it may detract from economic and social progress through the inevitable leakages from, and misdirections of, resources, which must attend any attempt at their centralised allocation.

The Conservatives dare not economise either on the give-away programme. They would "reshape" social security so as to step it up and to link it with output. The resulting increase in expenditures will be debited to the "savings of

the nation" and to taxes and rates; the expectations would seem to be that, with the target of a 4 per cent increase in national income, savings, taxes and rates would rise sufficiently to take care of the expanded social security payments without adding to the strain on the national finances. But national income achievements have, hitherto, fallen short of targets.

The modernisation of industries to improve their competitive efficiency, on which all the three Manifestos rightly lay great emphasis, is just not possible without generating savings on a scale comparable with Britain's rivals in world trade. The U.K.'s share of world trade, on which British national income so largely depends, has been tending downward in the post-war period, West Germany snatching from it the second rank since 1959. The weakening export position is doubtless related to the rising domestic costs and the retarded modernisation, the incidence of social security measures contributing to both.

The actual alternatives before the British electors are not, however, very promising. If Labour is voted to power, the economy may slip down an inclined plane with retarded incomes, deficit budgets, inflation, widening balance of payments deficits and a continuing threat to the stability of the pound. If, on the other hand, the Conservatives are returned to power, these developments may be resisted, though a march forward of the economy may be doubtful. These prospects, however, may change if the policies actually pursued should be an improvement over those outlined in the Manifestos.

Industry in the GDR

From A Correspondent

THE GDR, which celebrated on the 7th October, 1964, its 15th anniversary, has achieved a tremendous development since 1949. Now the industrial production of the GDR takes the tenth place in the world. The GDR whose territory does not even amount to one quarter of the old German Reich reached the same production volume in 1963 as the industry of the entire old German Reich in 1936. Industrial output increased from 1959-1963 to 344 per cent. The production per capita of the population increased from 1950 to 1961 on an average of 10 per cent every year.

Estimating the progress the GDR made during these 15 years the starting position in this part of Germany should never be forgotten. The eastern regions of Germany were the most backward parts of the country in respect of the general economic level and the living standard of its population. In the eastern part of Germany up to the world war II only a few textile, machine building and chemical plants existed which could not rely on a metallurgical basis after the division of the country. Prior to the war, only six per cent of the iron ore, two per cent of the hard coal, one per cent of the pig iron and seven per cent of the raw steel was produced in this part of Germany. Before world war II the main upsurge of German industry had taken place in the western regions of the country, especially in its Ruhr district with its decisive raw material base.

The chemical industry is the largest industrial branch of the GDR. Its share in the overall industrial production was 16.6 per cent in 1963, i.e., 13,000 million marks production value. Alone between 1959 and 1963 100 new chemical plants were erected. The GDR ranks second in the world after the USA in chemical production per capita of the population.

A modern industry came into existence in the GDR on the basis of lignite. For many years the German Democratic

Republic has been leading in the world with an annual production of more than 200 million tons (in 1963: 247 million tons) and a per capita production of 14,000 kg.

For the first and only time in the world metallurgical high temperature coke was successfully extracted from lignite with which iron can be smelted in low shaft furnaces. Now long and constantly increasing quantities of petroleum are flowing into the GDR through the longest continental "Friendship" pipeline from the Soviet oil fields on the Volga. On this basis an entirely new branch of highly productive chemical economy, petroleum chemistry, is coming into existence. Before the end of this year 100 of the new 200 chemical plants or branch works under construction will start production.

As far as the production of electricity is concerned the GDR belonged already in 1962 to the 7 top-most electrified countries in Europe. The metal working industry (engineering, electro-technics, precision mechanics etc.) being the largest supplier of the means of production, agricultural machinery and industrial consumer goods increased its production by 65% from 1958 to 1963. About half of the export of GDR is made up by products of the metal working industry.

It is quite natural that such a highly developed industrial country with one of the world's largest chemical industries and highly modern engineering industry also had a modern consumer goods industry. The textile machine industry with its exports to most of the countries of the world had a well-known reputation. Very large new works for the processing of synthetic fibres have come into existence. In 1963 every 3rd family had a TV-set, every 5th family a washing machine, every 6th family a refrigerator. At the end of 1962 there were 330 flats per 1000 inhabitants.

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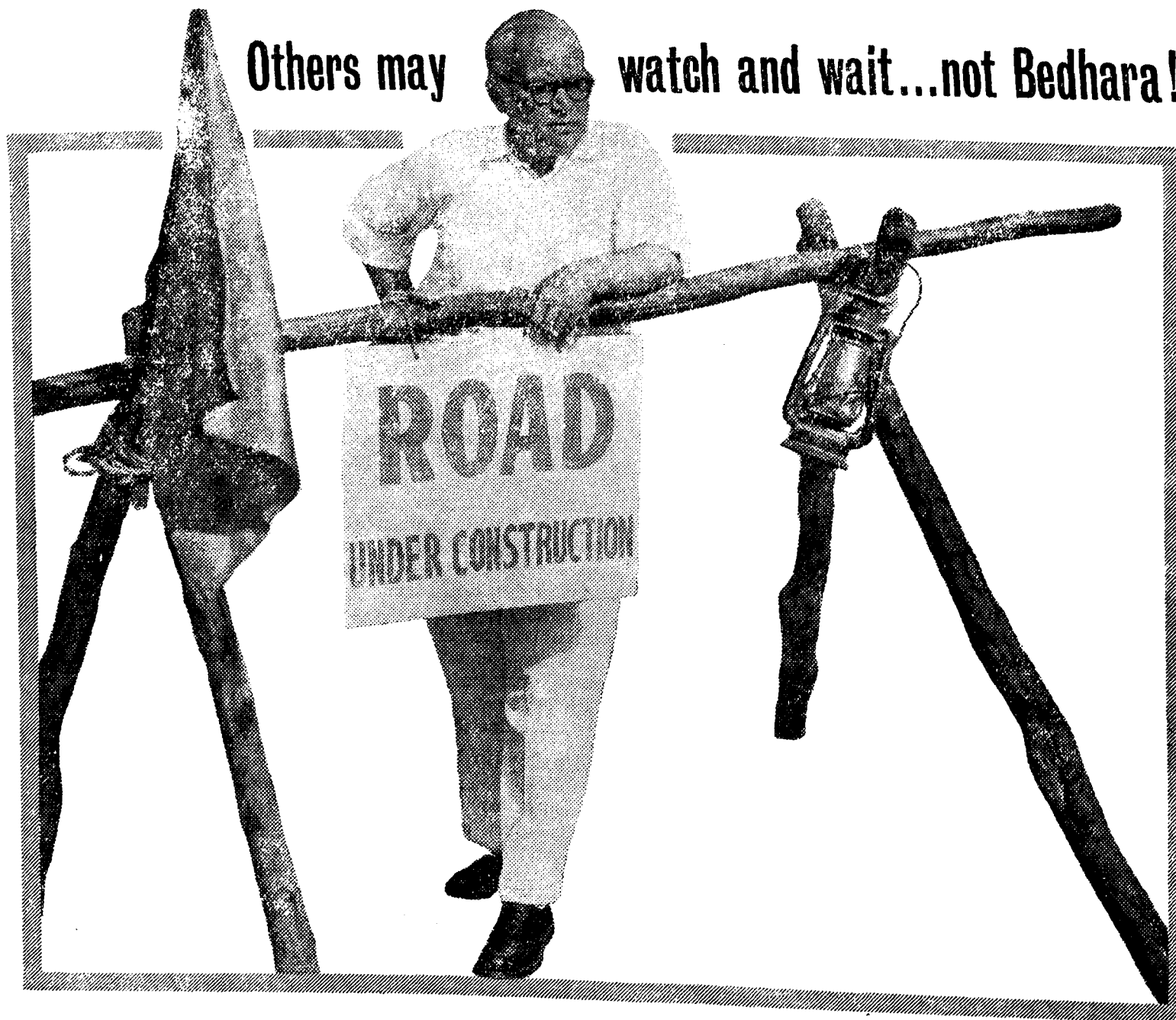
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WINDOW ON THE WORLD

British Election Manifestos

An Economic Analysis

B. R. SHENOY

WEMBLEY (MIDDLESEX) :

THE LABOUR Party Manifesto offers to the country a "New Britain", the Conservative Manifesto "Prosperity with a Purpose", and the Liberal Manifesto, which is avowedly without hopes of the Party being called to form a Government in the "short run", merely appeals, "Think for yourself — Vote Liberal".

The manifestos demonstrate that once welfarism becomes part of national politics, the appetite of the voters for welfare measures grows with every hand out and there is apparently no limit to which rival parties may not go to feed this appetite in the race for power. The contribution of welfarism to economic growth seems to have been, on balance, negative, through its corrosive incidence on national savings and the resulting retardation of investment. This aspect of the matter seems to have received less than adequate attention in the reckoning of the rival policy strategists. These developments should be a warning to the under-developed economies with loan finances, many of whom wish rapidly to metamorphose themselves into model welfare states; and no less to the more affluent economies which are still beyond the full sway of social security measures.

The "New Britain" of the Labour Party will be fashioned through a "national economic plan", which will have before it two "giant" tasks; first, to "energise and modernise" British industries and, second, to "ensure" that a due share of the "new wealth" created through planning goes to meet the "urgent and now neglected human needs".

Its first task will be to equal, and if possible, surpass, the rate of progress of the Western powers, through mobilising the resources of "technology", the national wealth in "brains" and the British "genius" for scientific invention and medical discovery. Each industry will know both what is expected of it and what help it may receive in respect to exports, investment, production and employment; and commodity commissions will regulate the main imported food stuffs for balancing imports with home production. The steel industry will be nationalised.

National Income Policy

The second task of the plan will be implemented through a "national income policy" and "drastic" reform in the major social services. All incomes, not merely wages, will be linked up with the vicissitudes of production. There will be a "major overhaul" of the tax system to eliminate, among other things, the inequity of the rewards of "hand work" contrasting with the capital gains accruing from the passive ownership of stock exchange scrips. The reforms of the social services will provide for a long list of security benefits; these benefits will be subject to a national minimum floor determined by "minimum levels of human need"; there will be a new wage-related scheme of retirement, sickness and unemployment allowances; the prescription charges for medicine under the National Health Service will be abolished; and so on.

The Manifesto asserts that the "root" cause of Britain's economic difficulties was the abandonment by the Conservatives of the "purposive planning of the post-war Labour Government" and the attempt to restore a free market economy; it adds that it is not "possible in the second half of the twentieth

century to hark back to a nineteenth century free enterprise economy and a nineteenth century unplanned society."

Even as in the case of a family, the economic well-being of a people hangs on the level of its income; and the main lever for a continued rise in incomes is to step up savings and their economically most effective investment of savings. Economic policies which infringe adversely on the flow of savings must, therefore, sooner or later, react adversely, too, on the volume of investment, incomes and economic well-being. This economic truth, even as the law of gravitation, has no functional date line. The root cause of the economic difficulties of Britain seems to lie in the low level of its savings and investments. Aggregate national savings and investments are much lower than that of almost any of the West European countries. They are about 26 per cent of the gross national product in Germany, 24 per cent in Italy and 21 per cent in France. The corresponding percentage in UK is less than 17. Little wonder that the other Western powers have been making — to quote the rather exaggerated language of the Labour Manifesto — "roaring progress" while "Tory Britain has moved sideways, backward but seldom forward". The national income of the EEC countries during the past three years has risen at an annual rate of over four per cent, as against a rise of under 2½ per cent in Britain. The contrast was greater before this period.

Consumption Expenditures

The low level of national savings would appear to be the outcome, principally, of the massive consumption expenditures of the welfare state. The total expenditures of the Public Authorities in U.K. are about 40 per cent of the net national income and about 55 per cent of this expenditure is on social services, including the National Health Service. Part of the finance for these expenditures is drawn from national savings, tapped through government debt, and by far the largest part from taxation.

Taxation shifts incomes from the pockets of the people into the coffers of the state. If the taxes were reduced and the incomes were left in the pocket of the people, part of these incomes would be saved and invested. This obtains particularly under the prevailing steeply progressive tax system. These developments would correspondingly propel forward national income and economic well-being. Wages and salaries, the worker's share of the national income, should rise faster than under the welfare state. Every welfare pound, therefore, costs the nation much more than a pound, through the foregone expansions in savings in investment and income. This is not a matter of indifference even to the beneficiaries of social security. Workers, numerically the largest sector of the community, cannot expect to forge ahead when the economy as a whole slides downward.

Apart from a reference to the need for a "lavish flow" of goods, people and ideas — the term free trade is, apparently, politically inexpedient — the Liberal Manifesto is in large part similar to its Labour counterpart. It sees no alternative to planning for ushering in a "new age of abundance" and is not much behind Labour in its giveaway programme. Among other things, it would raise pensions to half the average national earnings, widows pensions would be stepped up, insurance stamps will be replaced by a social security tax; those

LISTENING POSTS

Fresh Look at Fifth Public Sector Steel Plant Sites

By Our Special Correspondent

NEW DELHI:

AN UNDERSTANDING is said to have been reached between the Union Ministry of Steel and Mines and the Fred Foy delegation of the Anglo-American Consortium of Steel Manufacturers on having a fresh look at the possible sites for the fifth steel plant to be set up in India as a wholly public sector undertaking. The Consortium is being entrusted with the task of surveying the proposed sites in the Goa/Hospet, Visakhapatnam/Bailadila, Salem and Orissa areas. The results of this survey, which will indicate both the advantages and disadvantages of locating the plant in each of these areas, are likely to be available by the end of January, 1965.

After the selection of the site on the basis of this survey, the Consortium will be asked to draw up a detailed project report for the plant for a specified fee. The project report will be ready in about nine months after the contract commissioning it is signed by the Union Government. The Consortium is understood to have submitted a draft agreement for this purpose for consideration and ratification by the Union Cabinet.

The Consortium has offered to arrange loans in the United States and the United Kingdom for financing the foreign exchange component of the project. A steel plant with an ultimate capacity of 3 million tonnes ingots is favoured. Capacity to the tune of 1.00 to 1.25 million tonnes ingots may materialise by the end of the fourth Plan period.

Co-ordinating Activities

With a view to making the fourth Plan iron ore export programme an unqualified success, the Union Ministry of Commerce has set up a 9-member Committee, called the Iron Ore Export (Project) Committee, to co-ordinate all the activities connected with this massive scheme — the development of mines, roads, railways and ports. The Committee is headed by Mr. Govind Narain, Chairman, the Minerals and Metals Trading Corporation. Its other members are: Dr. Nagendra Singh, Director-General, Shipping; Mr. Vasu Deva, Joint Secretary, Ministry of Mines; Mr. K. Srinivasan, Development Adviser, Ministry of Transport; Mr. K. Narayanan, Deputy Secretary, Ministry of Transport; Mr. Jagjit Singh, Director, Railway Board (Transportation); Mr. M. N. Berry, Director, Railway Board (Planning); Mr. S. N. Bilgrami, Chairman, National Minerals Development Corporation; and Mr. D. N. Banerjee, Joint Secretary, Ministry of Commerce. Mr. Banerjee has also been appointed as the full-time secretary of the Committee.

The Committee will be held responsible for any failure in the implementation of the project which envisaged stopping up iron ore exports by 1970-71 to 25-30 million tonnes per annum. It will be required to submit monthly reports to the Ministry of Commerce and the Union Cabinet.

In order to give further policy considerations and directions to the working of this Committee and to any important recom-

mendations which this Committee makes to the Government for implementation by different Ministries from time to time, the Government has also appointed a Co-ordination Committee of Secretaries under the chairmanship of Mr. S. Boothalingam. The other members of the Co-ordination Committee are the Secretaries of the Ministries of Commerce, Transport and Mines and Metals; Financial Commissioner, Railway Board; Member for Transportation, Railway Board; Adviser for Industry and Minerals, Planning Commission; and the Chairman of the Minerals and Metals Trading Corporation.

The working of the project is stated to be progressing fairly satisfactorily and is expected to gather further momentum in the near future. The World Bank is extending credit for financing the foreign exchange component of the project which is estimated around 20 per cent of the expected total investment of Rs. 300 crores.

Further Fillip

Iron ore exports during the fourth Plan period should receive further fillip if the proposal put forth by Esso Standard Eastern for setting up an iron ore reduction plant to process iron ore fines into pellets or lumps materialises. Esso Standard intends to use a special process for this purpose discovered by it. By means of this process, the ferrous content in the ore fines can be raised to about 80 per cent. There is a ready world market for pellets and high-grade iron ore.

The proposal, however, is linked with crude supplies to the tune of 1.25 million tonnes per annum to a public sector oil refinery. If Esso is taken as a partner in the proposed Madras refinery and crude supplies for this unit are to be arranged by Esso, the stipulation of 1.25 million tonnes of crude to be supplied by the company in consideration for setting up the iron ore reduction plant will be waived.

The net foreign exchange earnings from the iron ore reduction plant, it is estimated, will exceed the cost of importing 1.25 million tonnes of crude annually from Esso sources at posted prices minus the usual discount. The surplus naphtha which will be available from processing of this 1.25 million tonnes crude at a public sector refinery will be taken by Esso for use in its iron ore reduction plant.

The proposal is under consideration of the Union Ministries of Finance, Petroleum and Chemicals, Steel and Mines and Commerce. Exports of pellets or lumps from this plant will be in addition to the Commerce Ministry's iron ore export programme.

With a view to boosting Indo-African trade, official circles feel that an independent Indo-African shipping service on a round-the-continent basis should be started. Starting from Bombay, the service would touch Djibouti or Magdishu (Somalia), Dar-es-Salaam (Tanganyika), Tanatave (Malagasy), Port Louis (Mauritius), Matadi (Congo), Douala (Cameroons), Port Harcourt or Lagos (Nigeria), Takoradi (Ghana), Free-town (Sierra-Leone), Dakar (Senegal), Casablanca (Morocco),

Algiers (Algeria), Tunis (Tunisia), Port Said (UAR) and Port Sudan (Sudan).

Lack of shipping facilities is stated to be a serious hurdle in the way of promoting India's trade with Africa. Scindias, who were operating a service to West Africa, have discontinued their service. The only services now operating to East and West Africa are some foreign lines. Recently, quite a few complaints have been received about the unwillingness of these lines to carry certain types of cargo from India. Further, no direct lines exist for India's trade with such countries as Mauritius and Madagascar; goods have to be transhipped to such countries.

The present level of trade between India and Africa — about Rs. 100 crores both ways — it is felt, can make an Indo-African shipping service a feasible proposition. This trade should grow with India's participation in the economic development of various African countries. The Union Ministry of Commerce has plans to step up exports to Africa to about Rs. 70 crores during the current financial year.

★★

India has been the beneficiary of what is described as the "most far-reaching bilateral" agreement so far concluded by Sweden with any developing nation on financial development co-operation. Under the agreement, Sweden will make available to India economic assistance to the tune of 36 million Swedish kronors (Rs. 3.24 crores) — 12 million kronors (Rs. 1.08 crores) as grants in kind and 24 million kronors (Rs. 2.16 crores) as development credit.

Of the 12 million kronors grants, a sum of 8 million kronors (Rs. 72 lakhs) will be utilised for financing deliveries from Sweden of 8,000 tons of textbook paper for primary education in India. This is the third Swedish gift of paper of this size to this country. The rest of the assistance in grants is to be extended by Sweden in the form of forestry tools in connection with a U.N. project for training of logging instructors at different sites in India and for financing an eco-

nomic and technical study on grain storage problems in certain Indian States. The forestry tools will be distributed to the locally trained Indian instructors in order to facilitate training of logging workers by them. The grain storage problems study will be carried out by Swedish and Indian experts and will be specially focussed on the development of an efficient grain storage system in the country.

The 24 million kronors development credit is to be extended on soft terms; it will be remarkable over a period of 20 years, including a five-year grace period, and will carry interest at the rate of 2 per cent per annum. Half of this credit will be utilised for import of equipment for 15 dairies. A sum of 8 million kronors will be used for purchase of electrical switchgears and control equipment, transformers etc., for seven electric power schemes. The remaining four million kronors (Rs. 36 lakhs) are proposed to be utilised for various other projects, including Indo-Swedish joint ventures. It has already been agreed to allocate two million kronors to the Sandvick-Asia project for the manufacture of tungsten carbide tools. Orders for imports to be financed out of the proceeds of the Swedish development credit will be allowed to be placed in any country but the Swedish suppliers will be given an opportunity of bidding for them.

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The Union Minister for Industry and Supply, Mr. H. C. Dasappa, is understood to have told the Informal Consultative Committee of Parliament last week that the restrictions proposed to be imposed on the entry of new units in the small-scale industrial sector would be applicable only when such units required scarce raw materials. No fresh restrictions were envisaged to be imposed on small-scale units which did not make use of scarce raw materials.

Mr. Dasappa clarified that in respect of even units based on scarce raw materials, it was not intended to resort to

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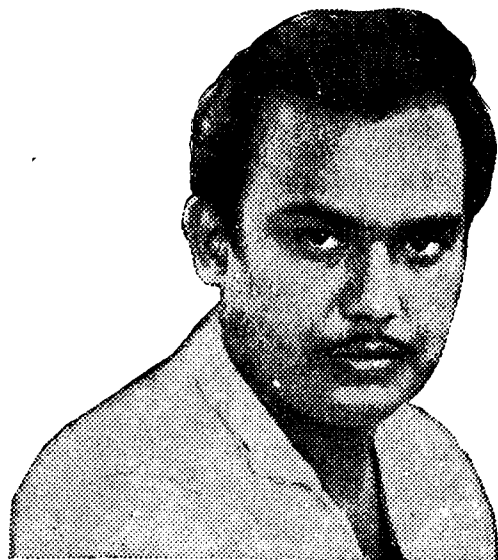
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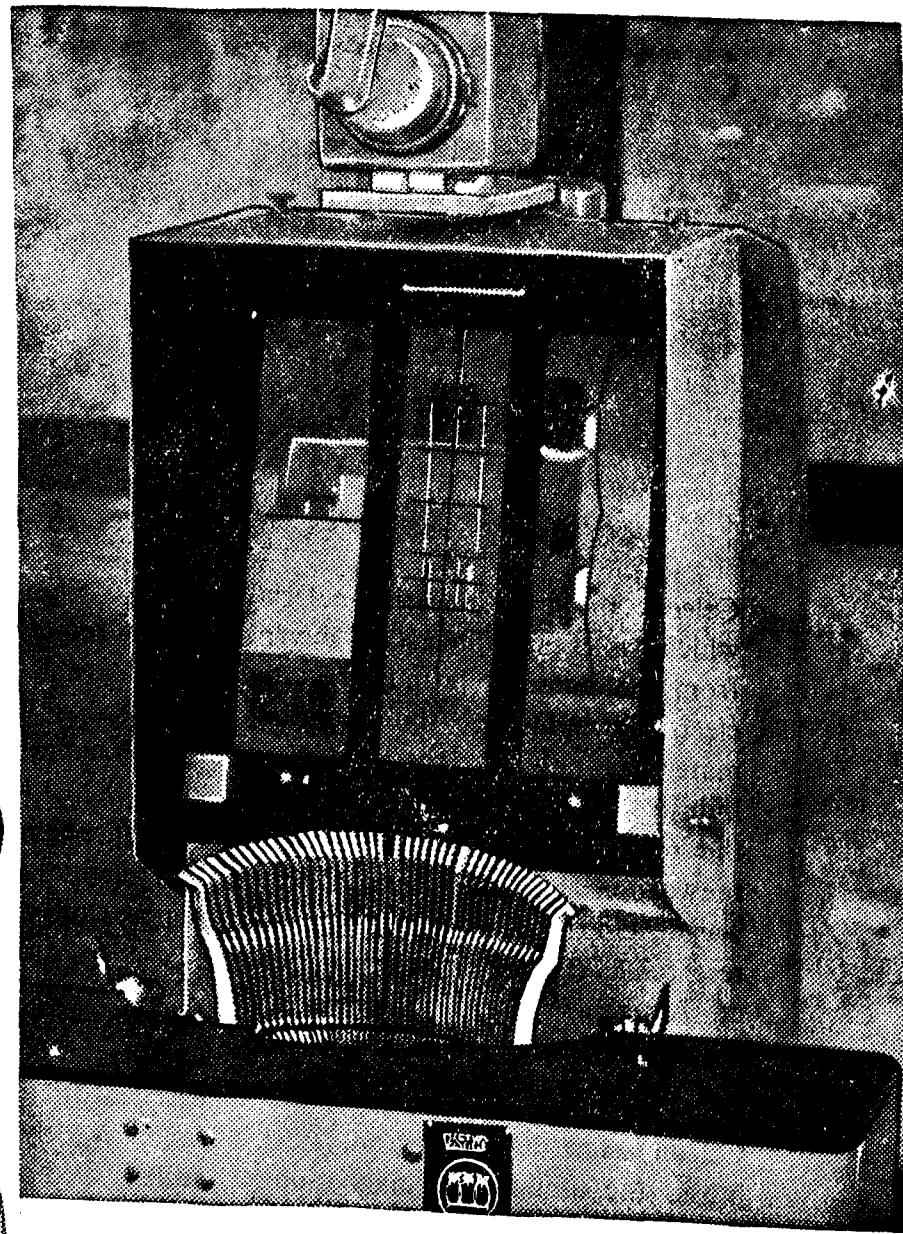
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Why I am Going to Vote Tory

JOSSLEYN HENNESSY

LONDON:

WHETHER THE Tories or the Socialists win the coming election, the questions before the incoming government will be the same.

Must the present "Go" end in a "Stop"? Can the inch by inch creep of prices be halted? Pensions be increased? Income-tax cut? More spent on roads, schools, and hospitals? Industry made sufficiently competitive to keep exports rising fast enough to pay for all these, and other, desirable expenditures?

These are the questions. Neither party gives clear cut answers.

The trouble is, of course, that the answers involve complex economic problems (and social responses) that cannot be expressed in simple slogans: the answers are largely beyond the comprehension of the average citizen—a fact which is no compliment to our economists. Astronomers have long ago popularised such elementary points of astronomy as that the world is a sphere which travels round the sun on its axis in such a way as to produce night and day and the seasons. Anyone who maintains that if you are not careful, you'll fall over the edge of a flat world is treated as a harmless eccentric. On the other hand, the views that pensions can be raised, more houses built, and exports promoted by subsidies, without raising taxes, are just as eccentric but are widely believed. The economists have a long way to go before they catch up with the astronomers.

Investment in Progress

Neither party can guarantee economic growth unless the government refrains from creating inflationary credit to pay wage increases unjustified by higher productivity, and unless it creates conditions, and seeks to promote social attitudes, which lead entrepreneurs to invest in change and progress, to eliminate obsolescent industries, and induce the willing transfer of workers and capital into expanding industries.

Both parties claim that they are out to achieve these aims. Is it, then, a question of choosing the more competent team?

When Mr. Gaitskell led Labour there was a hope that this was the only question for the electors to answer. Unfortunately, he died before he could turn his old fashioned Socialist followers into a modern progressive party. Although Labour contains many modern progressives, like Roy Jenkins and Patrick Gordon Walker, Harold Wilson has either not wished, or been unable, to get rid of the party's commitments to emotional concepts that have their historic origins and interest, but which all those countries in Europe with fast growing economies have discarded. And although the Communist countries still pay lip service to some of them, they are, in fact, ignoring these concepts more and more.

Labour's first emotional commitment is its faith in centrally directed national planning, compulsorily imposed. Attempts to convert Socialists to the pragmatic view that a national plan in a mixed economy can only be hammered out in co-operation between the state, private enterprise, and the unions, have failed. A central plan, with a ministry to run it, remains Labour's leading idea. Allied to this is a cast-iron faith in nationalisation—the embodiment of the belief that because a man is an official he can run industry better than a man who is trying to earn a living out of industry—despite the post-war record of the nationalised industries of millions wasted in investments, which give the lowest returns in the country. The Socialist argument is that prices are kept below costs "in the national interest". But to bolster demand artificially for gas, coal, electricity, houses, etc., by lower than

market prices is not in the public interest: it merely distorts and wastes the allocation of resources.

The Socialists shrink from tackling the problem of restrictive practices and feather bedding in unions. At the TUC annual conference, Mr. Wilson undertook to strengthen union power without asking for anything in return.

Next, the Socialists do not admit that if you limit a man's permissible earnings to £ x, once he has attained that level, he has every incentive to raise his expense account and none to raise his productivity. Equally, if all profits above a "reasonable" percentage are taxed, first, waste follows, since there is no point in economising labour or materials if the additional return is to be taken away from you; secondly, no one will venture on untried techniques and products involving unknown risks. In 1912, when young William Morris (the future Lord Nuffield) launched his motor venture, there were only 23,200 cars in the UK. By 1925, there were 165,000 and Morris alone was turning out over 50,000 a year. His effort had transformed the UK car market from one of high priced vehicles for the few into one of low priced vehicles for the multitude. He would not have found the backers to launch out if all that he could have offered them for their leap into the unknown had been a "reasonable" 5 per cent. Nuffield's millions not only have given employment to millions, they have financed the biggest charitable trust in the UK and provided the ancient university of Oxford with a new college devoted to the study of contemporary social sciences.

Finally, Labour leans strongly towards protectionism by quotas or tariffs. A prominent Labour MP was recently quoted in the "Daily Telegraph" as declaring that there was no case for letting in more goods from developing countries; the answer to their problem was more aid; they were already getting too much of our trade. The same view was also expressed by a leading Labour MP in my hearing at a private gathering to discuss ways and means of helping developing countries.

What all this adds up to is that Labour's claim to be the party of "modernisation" is nonsense. Have the Tories a better claim?

Lacking in Courage

The trouble with the Tories is that they have, in my view, many of the right ideas, but they lack the courage of their convictions. That is why the country has inched forward under their charge instead of striding ahead.

I don't happen to believe in planning. I know of no western country which can prove that its advance has been due to its plans. But if you do believe in it, it is no good being half hearted about it. At the top level, Neddly is all right for voluntary "indicative" planning, but it needs spreading out into a score of industrial co-operative planning groups if it is to do anything more than merely shout exhortations.

The Tories believe, rightly, that competition promotes efficiency, but their use of the Monopolies Commission has been lukewarm and their actions against restrictive practices in the unions and in industry half hearted. The Tories believe in free trade, yet the UK remains the highest tariff country in Europe. They believe in tax reform and incentives, but they have done little more than tinker with them. If Labour has its eyes fixed on the past and its back turned to the future, the Tories are pointed in the right direction—and stay pointed, letting "I dare not" wait upon "I would".

I am, however, going to vote for the Tories, not because I have any great faith in them, but because if they win it will mean the break-up of the antiquated Socialist party, and we will stand a chance of getting a progressive radical alternative in 1969.

rigid licensing. The procedure would be made as simple as possible. The proposed screening, Mr. Dasappa added, would be advantageous to the small-scale units since they would be assured of the raw material supplies at reasonable prices once they were recognized for the production of specific items. Mr. Dasappa revealed that State Governments were strengthening their machinery for effecting checks on the use of scarce raw materials allotted to various small-scale industrial units.

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The installed capacity for producing aluminium is expected to increase to 68,000 tonnes during 1964-65 with the commissioning of the 10,000 tonnes smelter at Mettur in December and the first stage expansion of the Alwaye smelter by 5,000 tonnes early in 1965. During 1965-66, the installed capacity is expected to go up further by 45,000 tonnes with the expansion of the capacity of the Rihand smelter by 40,000 tonnes and that of the Alwaye smelter by another 5,000 tonnes. Actual production of the metal is expected to be around 60,000 tonnes during the financial year, 70,000 tonnes in 1965-66 and 1,00,000 tonnes in 1966-67. The third Plan targets of installed capacity and production of aluminium were originally fixed at 87,500 tonnes and 80,000 tonnes, respectively. These were later revised to 1,10,000 tonnes and 1,00,000 tonnes. While the revised capacity target may, thus, be attained by 1965-66 the revised production target will be achieved only by the end of the first year of the fourth Plan.

The present installed capacity of the aluminium industry is 53,100 tonnes — Indian Aluminium Co. (Orissa) 20,000 tonnes, Hindustan Aluminium Corporation (U.P.) 20,000 tonnes, Aluminium Corporation of India (West Bengal) 7,500 tonnes; and Indian Aluminium Co. (Kerala) 5,600 tonnes.

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Recognising the importance of soil and water conservation as the basis for development of agriculture, the Conference of State Directors of Agriculture and Chief Conservators of Forests, held in New Delhi last week, recommended the fourth Plan targets for soil and water conservation which will be three to four times those of the third Plan. The Conference further recommended that in the fourth Plan soil conservation should not be limited to contour bunding or dry farming. The programme should be taken up on catchment basis in a comprehensive way to include conservation and management of soil and water.

The planning of the soil conservation programme will be based on appropriate soil survey data. The programme will

include soil and water conservation on a catchment basis and in the watersheds of the river valley projects, reclamation of saline and alkaline soils, reclamation of ravines, field drainage, land levelling and conservation, irrigation for effective utilisation of irrigation potential.

The other two important recommendations made by the Conference were: (i) in the watersheds of the river valley projects, measures should be taken to prevent sedimentation from road-side erosion and bank cutting; and (ii) the soil conservation programme in the watersheds of the river valley projects should be Centrally sponsored and States should strengthen organisations for soil conservation and soil survey. For creating widespread awareness for conservation and management of soil and water, the Conference stressed the need for building of education and information cells in each State. Advance action in this connection, it was recommended, should be taken up during the current Plan period.

Soil conservation work was started only towards the end of first five-year Plan when about 700,000 acres were covered under contour bunding. In the second Plan a more co-ordinated programme, covering survey, research, demonstration, training and development, was formulated. An area of about 3 million acres was protected with various soil conservation measures during the five years to 1960-61. Soil conservation has been accorded a high priority during the current Plan period. The important targets fixed for the programme include contour bunding 11 million acres; dry farming 22 million acres; reclamation of ravines 36,000 acres; reclamation of saline and alkaline soils 200,000 acres; afforestation and pasture development 700,000 acres and soil conservation in the watersheds of the river valley projects about 740,000 acres.

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The Government of India has decided that bona fide gift parcels imported by post will now be exempt from payment of the whole of the customs duty leviable on them subject to the considerations that (i) where the post parcel contains articles of food, including provisions and confectionery (but not including liquor and alcoholic drinks), and medicines, the value of the articles does not exceed Rs. 25; and (ii) in any other case, the value of the goods does not exceed Rs. 10. Under the existing orders, goods imported by post on whose contents the total duty payable is not more than Rs. 3 are exempt from whole of the customs duty leviable on them.

Liquidity to the Fore

From Our Correspondent

BOMBAY:

ADDRESSING the University School of Economics, Bombay, Mr. Pierre-Paul Schweitzer, Managing Director of the International Monetary Fund (IMF), remarked that, by and large, international liquidity was adequate. However, he was not opposed to an increase in the quantum thereof, but his thesis was that the mere provision of additional liquidity would not solve all the problems being faced by the developing economies. The question of providing adequate liquidity itself, let alone additional liquidity, is quite urgent from the point of view of developing countries. And what are the prospects? These do not appear to be bright, especially if, as the IMF Chief apprehends, the rate of increase of reserves during the next decade should fall short of requirements, the rate of

growth of international trade should slacken (from the present level of six per cent to about four per cent per annum) and the magnitude of payments disequilibria should fail to decline relative to the volume of trade. As regards the first, Mr. Schweitzer's fear seems to be mainly based on the expectation that the US payments deficits are likely to slow down. But this view is not shared by many who feel that, for a long time to come yet, the US may have to reconcile itself to learn to live with payments deficits.

All this is not to deny the need for continuing and broadening international action aimed at increased international liquidity. While there is more or less a general consensus on the need therefor, there seems to be some apprehension



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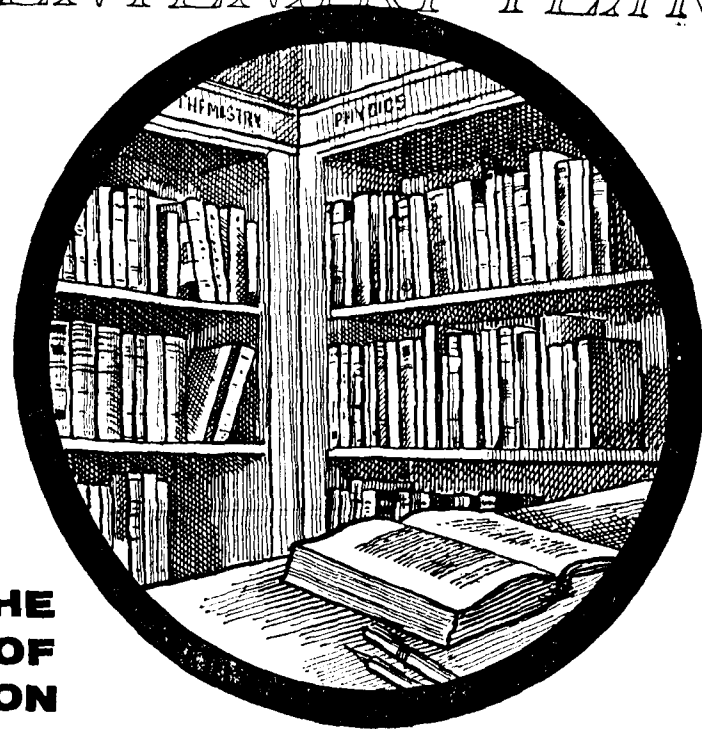
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as to whether such pre-supposes a drastic overhaul of the prevailing arrangements. According to the IMF Chief, experience of the last 20 years, notwithstanding occasional problems and difficulties, has been happy enough on the whole. Even so, he did not rule out the relevance of efforts at ensuring a more effective functioning of the present system to the benefit of all countries. If all the countries have to benefit, they have also to pull together. Hence the emphasis on multilateral action through the Fund.

From the point of view of developing countries, the IMF has not only played an important role but has been imaginative enough to adapt its policies and action to the changing needs of these countries. This has, in fact, been publicly recognised by our Union Finance Minister in Tokyo, at the time of the annual meetings of the Fund when he said: "The Fund's activities and policies have been adapted progressively to the emerging needs of the members, and I have no doubt that the Fund has to be a focal agency and point of action in respect of whatever decisions we reach for securing adequate international liquidity and strengthening the world's payments system."

Whilst meeting the challenging pressures for rapid economic development, many developing countries, including India, have been obliged to run down their reserves substantially. But, as the Managing Director of the IMF pointed out, there is a point beyond which this cannot be allowed. "It is important for each country", to quote him, "to maintain sufficient reserves to meet temporary savings in its balance of payments without unduly upsetting its import programmes or disturbing confidence." What precisely "sufficient reserves" mean naturally varies from country to country and at different points of time. What needs to be noted, as Mr. Schweitzer insisted, is that these resources should be maintained at an adequate level, notwithstanding the availability of a second line of defence in the form of the Fund's resources.

Available Assistance

The IMF Chief was at considerable pains to explain the extent of assistance that is available to a member-country, both in a virtually automatic way and under certain conditions after the first 50 per cent of a country's quota has been exhausted. There is no doubt that developing countries have amply drawn upon the facilities of the Fund under the prevailing system. This was indicated by the IMF Chief according to whom, developing countries have quotas totalling about 4.3 billion dollars (or 27 per cent of the total quotas) in addition to their own reserves of about 12 billion dollars. Since the beginning of the Fund operations in March, 1947 up to June, 1964, the drawings of these countries were 2.8 billion dollars, or about 37 per cent of the total drawings from the Fund. This is in addition to their use of the Fund's standby arrangements. Since 1952, when these arrangements were introduced, it is estimated, practically half the drawings have been on this basis. Of the total drawings outstanding on June, 1964 amounting to 1.8 billion dollars, the developing countries account for about 70 per cent.

In addition to the financing of balance of payments deficit arising from short-term fluctuations in primary products exports under its ordinary tranche policies, the Fund has also been providing other special facilities. Although there has only been a limited recourse to these special arrangements, the great psychological significance of their existence should be evident from the fact that the swing in the basic payments balance of the developing countries can be very wide indeed.

ranging from a deficit of 650 million dollars in 1962 to a surplus of 850 million dollars in 1963!

In view of its extreme usefulness to developing countries, the latter have a personal interest in strengthening the Fund, particularly if the Fund is to be enabled to meet the growing requirements of its members in the dynamic world of today. This was, in fact, the main theme of the Tokyo meeting and a decision has already been taken to increase the quotas by 25 per cent, although the details of the composition of these increases in quotas have yet to be worked out. Of particular concern to India is the normal requirement of the Fund that any increase in quota means payment of 25 per cent thereof in gold. With India's gold reserves low enough in all conscience, this obligation would constitute a very heavy burden, which doubtless explains her particular interest in alternative modes of payment, such as, for instance, gold certificates.

Possible Ways

Mr. Schweitzer instanced the following three illustrations to indicate the various possible ways in which the Fund could contribute to an increase in the supply of international reserves:

- (1) Allowing members to draw a part of the credit tranches in the same virtually automatic manner as the gold tranche, to increase the supply of this 'almost unconditional liquidity';
- (2) Making greater use of Fund's power to waive the limit on drawings of 125 per cent of a member's quota, to increase the supply of 'conditional liquidity', and,

- (3) investments by the Fund in member-countries so as to create liquidity at its own initiative.

The actual implementation of any or all of them is, of course, subject to a close study of all the circumstances involved. Developing countries will await with interest the exploration of these possibilities. Meanwhile, their immediate concern relates to two proposals for changes in the Fund's policies put forward recently by their spokesmen, namely the introduction of greater flexibility in the time limit for repayments and the Fund's arrangements for financing fluctuations in the proceeds of primary exports. Mr. Schweitzer seemed practically to rule out the first proposal. He was averse to the extension of the time limit beyond five years, on the score that, while such extension could increase the leeway available to member-countries to some extent, it might also weaken the incentive to take corrective actions to reverse adverse swings in the payments position even when feasible. As regards the second proposal, although he seemed to appreciate it, he believed it fell outside the Fund's jurisdiction.

The most heartening observation of the IMF Chief in Bombay was that there is not only scope but need to do more in the field of providing an adequate flow of long-term international investment, both private and official, to developing countries. He significantly added that there was also need for adapting the forms of aid to meet the changing requirements, a point which the developing countries have all along been stressing, as witness the growing requests for soft loans and non-project assistance.

Mr. Schweitzer also pointed to what the developing countries themselves have to do if they do not wish — and no self-respecting country would desire — to see an indefinite continuation of aid programmes. First, he said, they have to adopt policies to increase their exchange earnings by laying greater stress on their developing programmes for promoting exports; secondly, they must establish conditions of stability and confidence to attract foreign private investment and dis-

courage capital flight. In particular, he emphasised the crucial importance of monetary stability. "Persistent inflation", he declared, "will make it impossible for a country to achieve and maintain international economic viability. What is more, under such conditions, no amount of international liquidity provided to it will be found adequate. The importance of monetary stability in the development process is, of course, even broader; by itself, it will not bring about development. But, without it, development will be stunted and distorted and its fruits will be maldistributed." Here, in essence, is the most timely and appropriate advice and, to the extent that it is heeded, the Fund may be expected to do its best to help this country both directly and indirectly.

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When, whilst inaugurating the 17th All-India Plastics Manufacturers' Conference in Bombay last month, Mr. Asoka Mehta, Deputy Chairman of the Planning Commission, quoted Mr. Khrushchev ("Had planning and economic organs studied economic problems more profoundly, they should have determined in what quantities ferrous and non-ferrous metals should be replaced by the synthetic materials"), he more or less accepted the complaint of the plastics industry that the Planning Commission had failed to provide the necessary stimulus for its growth. The complaint was categorically made by Mr. Kanthikumar R. Podar, Chairman of the Reception Committee, who illustrated his point by reference to the omission of the plastics industry in the priority list announced by the Union Finance Minister and the exorbitant rate of the excise levy of 24 per cent on the entire range of plastics. The Planning Commission has been not only unsympathetic to the industry's aspirations but also unrealistic as to its production potential, according to him. He was particularly critical of the Planning Commission's third Plan target of production of plastics at 74,000 tons. In this connection, he referred to the present capacity of the industry which has been established at 30,000 tons. This, incidentally, is also the present consumption demand. As against the latter, the industry has already been producing 25,000 tons, and this could easily be stepped up, if the industry were assured of an adequate supply of alcohol for the production of polythelene and reasonably liberal imports of the latest types of plastics machinery, which is imperative if the industry is to cater to the changing and exacting

needs of both indigenous consumers and foreign markets. Neither of these should present much difficulty to the authorities. While a more imaginative prohibition policy and a less onerous excise policy should ensure a greater supply of alcohol than at present, (not to speak of the relief which should be soon forthcoming from the establishment of the petro-chemical industry), a relaxation of the stringent import restrictions in respect of the more sophisticated and up-to-date plastics machinery should pay prompt dividends. The plastics industry, in particular, has demonstrated, along with its remarkable progress, its ability not only to replace imports of plastics materials but also its potentialities as a promising export industry. As has been claimed, the plastics industry has brought down the imports of plastics items from Rs. 7.77 crores in 1961-62 to Rs. 4.71 crores in 1963-64. Also, the industry has increased its exports from a mere Rs. 74 lakhs in 1959-60 to as much as Rs. 2.65 crores in 1963-64. In other words, the industry has materially contributed towards relieving the shortage of foreign exchange in the country.

Technical Progress

While agreeing with the need for technical progress in production, Mr. Asoka Mehta suggested that it was not the entire answer in so far as the consumer demand went. There were other factors, he said, such as the level of national income, the rate of growth of the economy, the economies involved in substituting plastics for traditional materials, the pattern of industrial structure, the progressive attitudes of user industries and the high-powered salesmanship of plastics products. No one questions the existence of any or all of these factors, but, at the same time, one cannot afford to underestimate the supreme importance of technical progress for a relatively newcomer in the field like India. And it is here that the exhortation of Mr. Mehta about the imperative need of intensive research and other processes in the industry becomes relevant. One need not waste time arguing as to who — producer or fabricator — should undertake such research. If either alone or both together can do it, let them. If not, let the authorities themselves lead the way. And why should they not do so, when they stand actually to collect as much as Rs. 160 lakhs by way of excise duty, as against the budget estimate of only Rs. 40 lakhs?

Fury of the Floods

From our Correspondent

MADRAS:

THE RECENT floods in the Andhra Pradesh have been the worst in living memory. With the river Krishna and its tributaries in spate, extensive damage has been caused to life and property. The huge spillover from Nagarjunasagar Dam, the breaching of its banks by the tributary, Chandravanka, and the bursting of the banks of some tanks were responsible for the flooding of Macherala below the Nagarjunasagar Dam and the washing away of a number of spans of the recently constructed bridge on the Krishna at a cost of Rs. 40 lakhs. Several lakhs of acres under paddy have been inundated while the town of Vijayawada was badly threatened and there were several breaches between Rajahmundry and Vijayawada. The districts of Krishna, East and West Godavari are the principal rice-growing areas while Guntur is famous for tobacco cultivation. It is not known what is the extent of damage to the standing food and cash crops. The Chief Minister of Andhra Pradesh, Mr. K. Brahmananda Reddi, has stated that the loss would run into several crores and there is need for active Central assistance in order to enable the grievously affected State to get over its difficulties. Apart from the damage to the crops which would cause heavy loss to

growers and great difficulties for other States which are dependent on the exportable surplus of Andhra Pradesh, valuable lives were lost in the cyclone that hit the Kakinada area and in the floods that devoured large tracts of cultivated land. It was feared that several hundreds of lives had been lost and over 600 fishermen were missing or dead. Fortunately, the casualties in terms of lives have not been so serious as apprehended earlier as many fishermen have returned to their homes after a severe ordeal in the sea. The rehabilitation problem will naturally cost heavily and it is only to be expected that the required financial assistance from the Centre will be forthcoming.

Some serious problems have been posed by the heavy floods and the collapse of the huge bridge below the Nagarjunasagar Dam. There are fears that work on the huge dam would be interrupted or delayed until communication facilities could be re-established on a basis which would ensure regular supplies of materials to the dam site. An assurance has, however, been given that every effort would be made to maintain the tempo of work on the dam and with the larger assistance promised by the Centre the whole work can be completed

earlier than expected. It is needless to emphasise the fact that the benefits accruing as a result of the completion of this huge project to the nation will be considerable as nearly 4.5 lakh acres will be brought freshly under cultivation while about 7 lakh acres will be able to yield a second crop. The full benefits are expected to be realised by the middle of the next Plan. The additional production in terms of foodgrains and other crops is expected to have a value of over Rs. 50 crores. It can be easily very much more if the land under the command of the project can be prepared sufficiently early and utilised in an intensive manner.

It has also been suggested that the problem of flood control should be tackled vigorously and that a committee should be appointed for this purpose. During the current year particularly severe damage has been caused by floods in East Punjab, Bihar, Assam and Andhra Pradesh. Luckily, in the last mentioned State the Godavari river did not play its usual pranks. But it is felt that an early decision should be taken in regard to the repair or reconstruction of the Dowleswaram anicut in which several cracks have been noticed recently. It is feared that in the absence of arrangements for strengthening this anicut or the construction of a new barrage, rice cultivation in East and West Godavari districts will be seriously affected. The Central Government are keenly aware of the problems confronting the State. Mr. C. Subramaniam, Union Food Minister, and Dr. K. L. Rao, Union Minister for Irrigation and Power, have inspected the areas affected by the floods in order to have a first-hand idea of the problems created by the damage caused. It is only to be hoped that the necessary remedial measures would be adopted without delay.

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Two Chairmen of chemical companies in Madras and Kerala have pointed to the need for giving careful attention to the problems affecting industries promoted at heavy cost. Apart from the serious effect of power shortage on production, there are also other problems which stand in the way of further development. The Chairman of Fertilisers and Chemicals Travancore Limited actually stated that there had been a loss of production to the value of Rs. 3.5 crores in the past 1½ years while it would not be possible to derive full advantage out of the third phase of expansion until power becomes available in the required volume. In fact, it is apprehended that even after the huge hydro-electric projects, now under construction, have been commissioned there will be a problem of shortage in the summer months. It had, there-

fore, been represented to the Central and State Governments that a thermal station should be erected in Kerala. It is now reported that a thermal station having a capacity of 100 MW will be constructed at Cochin.

New projects create new problems while solving many existing ones. The Chairman of FACT has pointed out that the diversion of waters of the Periyar river, as a result of the construction of the Iddiki project, would result in salinity in the Periyar river in the summer months in the Alwaye-Cochin industrial belt. Unless this problem is satisfactorily overcome, it is apprehended that chemical units might have to be shut down in the summer months even if there was power availability. It is gratifying to note that this question is being seriously considered and alternative proposals are being thought of.

Nuclear Power

As the power situation in Madras State also has been unsatisfactory, though not to the same extent as in Kerala, and power cuts have been imposed every year in the recent past, Dr. P. S. Lokanathan, Chairman of Mettur Chemical and Industrial Corporation, has emphasised the need for erecting a nuclear power plant at an early date. He has also emphasised the desirability of fixing realistic targets for producing caustic soda and bleaching power. The actual performance has been considerably below the targets in recent years as a result of the unattractive character of fresh investment in chemical industries and the acute shortage of foreign exchange. The decontrol of prices in December last year has no doubt been helpful but there is a feeling that the producers of heavy chemicals also should benefit by the concessions announced early this year. As for Mettur Chemicals, the results for 1963-64 were satisfactory and it is expected that there would be a further increase in output even in the current year. In 1965-66, there can be a doubling of output of caustic soda to 120 tons daily as the second factory for producing rayon-grade caustic soda having a capacity of 60 tons daily is expected to be completed by March next year. The Corporation has also a programme for manufacturing chlorine-based chemicals in collaboration with US interests. As there may have to be continuous expansion in the coming years and the requirements of working capital will increase considerably, the Chairman has hinted at the possibility of additional capital having to be raised at a later date.

Groping in the Dark

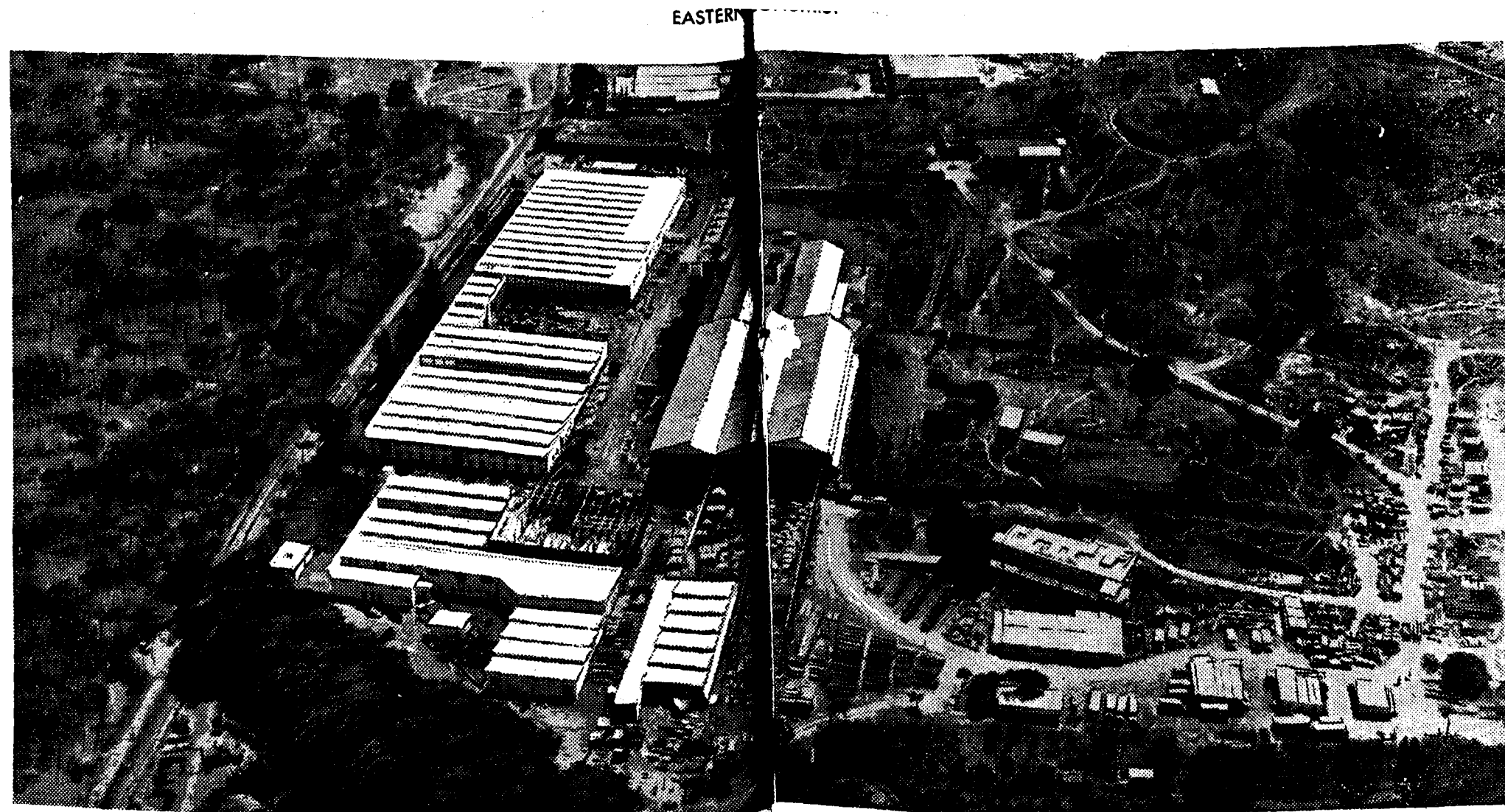
From Our Correspondent

CALCUTTA:

THE CONFERENCE which the Union Food Minister, Mr. C. Subramaniam, last week had in Calcutta with the Food Ministers of eastern States (of Assam, Manipur, Nagaland, Orissa and West Bengal; Bihar is not included in the eastern food zone) was useful in one respect at least. It provided the Union Minister with some definite idea as to the crop prospects for the next year, and this would no doubt help him in formulating the price policy for the food crops — paddy, rice and wheat — which he is due to announce very shortly after considering the Jha Committee's report on this very difficult question. No definite conclusions however emerged on two very important issues of the region, on which the Conference and the Union Food Minister were expected to give their views. These are: first, West Bengal's new food distribution and policy visualising statutory rationing in urban areas and modified rationing in rural areas backed by a suitable pro-

curement policy; secondly, the free movement of foodgrains within the zone, especially from Orissa to West Bengal.

If Mr. Subramaniam could not express any definite opinion on these matters except broadly endorsing such common-sense propositions that the new price policy must be realistic enough to provide the farmer with adequate incentives for growing more food and that it must facilitate the movement of rice from a surplus State like Orissa to a deficit one like West Bengal, it was not entirely his fault. The West Bengal Government's own scheme of distribution is still in a tentative stage which the Chief Minister hopes to finalise by the middle of this month, to be presented to the Chief Ministers' meeting in New Delhi at the time the National Development Council meets towards the end of this month. Moreover, although it is generally believed that the next crop in West Bengal is going to be a good one no reasonable estimate is available as to what exactly the size is likely to be. In the circumstances,



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Mr. Subramanian could not commit the Central Government to any definite figure as to the quantity of rice that it should provide for a million-ton rice stock which West Bengal's Chief Minister proposes to build for the operation of his new distribution scheme. The Food Minister of Orissa also refused to give any undertaking on the quantity of rice that State could spare for West Bengal. He said he had to consult the Cabinet first, and moreover, no firm estimate of Orissa's crop was possible at this stage, which has suffered from some damage from the floods. For the same reason, no dependable estimate of Assam's food crop can be made. It is however expected that by the time the Chief Ministers meet in New Delhi towards the end of this month, most of the doubts and uncertainties about the food prospects in the eastern zone will have been cleared. At least, West Bengal would know the size of its own marketable surplus and how much more it would need from the Centre and the neighbouring State to build a reserve stock of one million tons of rice. It would also have drawn up the plan for a machinery which would handle the procurement and distribution of foodgrains for the ambitious State trading venture.

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With the Union Ministry for Steel and Mines estimating the Indian economy's coal requirements by 1970-71 at 136 to 137 million tons, it looks reasonably certain that the coal target for the next plan will be fixed around this level. But the problem involved in the fulfilment of the target in the aggregate has two opposite sides; one is to economise the consumption of superior or metallurgical grades and the other is to find new outlets for the lower grades, the consumption of which has of late fallen below expectations. Mr. D. C. Driver, President of the Coal Consumers' Association of India, has just suggested a rational line of approach to the coal problem which is worth discussing here. Mr. Driver starts with low-grade coal. He has little faith in such solutions as making low-grade coal a substitute for cow dung as fuel in the villages. Economic reasons are against it. The villager gets his cow dung practically free, whereas he would pay something like Rs. 50 to Rs. 60 per tonne for coal delivered to him by the railways over long distances. The Government will, therefore, have to subsidise coal consumption in the villages heavily, and with the ever rising cost of coal and freight the subsidy may become heavier than can be rationally justified. It seems, therefore, that substitution of cow dung by soft coke is not economically practicable in the circumstances.

On the other hand, the Central Fuel Research Institute's efforts at high-pressure gasification of low grade coal are a promising experiment. The Institute at present is working on a project through a pilot plant, in order to ascertain which of the country's low-grade coals can be economically and suitably gasified under pressure, for industrial and domestic uses, under Lurgi and other processes. The success of the experiment, Mr. Driver visualises, will revolutionise the prospects of the low-grade collieries, especially those producing the coal suitable for the purpose. Mr. Driver gave the example of the West Bengal Government's Durgapur Projects Ltd. which has pioneered the piping of purified gas under pressure to Oriental Gas Company at Calcutta, about 90 miles away, saving thereby one lakh tons of superior grade coal consumed annually by

the Gas Company and its freight from collieries to Calcutta. The National Coal Development Corporation is also planning to pipe gas from its Ramghar coke ovens to Ranchi for domestic use and also for the Heavy Engineering Corporation. Mr. Driver suggests that the Union Steel and Mines Ministry should consider whether in the interest of fuel economy and saving in rail transport, it should encourage the steel works in Bengal, Bihar and Orissa to have surplus coke oven gas capacity wherever possible, for industrial and domestic consumption, with pipe connections co-ordinating with existing Durgapur Coke Oven gas grid and its extensions. Such a gas distribution scheme in combination with that of large future units producing Lurgi gas under pressure, would be for the States of Bihar and West Bengal, a remarkable measure of rationalising the use of coal and its transport.

Economic Solution

Mr. Driver, discussing the country's metallurgical coal problem, says that coal washing does not appear to offer a proper economic solution to the problem as the coal cost to steel plants rises very high when they use washed coal for their blast furnaces. This is because of the high capital cost and the need to cover middlings, now mostly wasted, in the pricing of washed coal. The beneficiation, as a measure to preserve superior grade coking coal, has its limitations under Indian conditions, Mr. Driver observes. He would therefore like the consumption of metallurgical coal economised through technological processes such as have been adopted by the Bhilai steel works and which are going to be tried at Durgapur and Rourkela shortly for their expansions. Even by adopting the latest technological processes, India cannot make her metallurgical coal reserves go more than six decades or so. The only answer then would seem to be to use foreign coal with much lower ash content than ours, blended with Indian coal, not only for the coastal steel works but for most of the inland steel works also.

However, Mr. Driver's views on the amalgamation of un-economic and small collieries will not command the same measure of support. In Mr. Driver's view, only small coking collieries should be encouraged to amalgamate; the merger of lower-grade small collieries would create more problems than solve. The usual legal difficulties apart, it would lead to a rise of coal of the unwanted varieties. This view has been disputed by Mr. S. N. Mullick while presiding over the annual meeting of the Geological, Mining and Metallurgical Society in Calcutta last week. Mr. Mullick points out that according to the Amalgamation Committee, a colliery with an area of 100 acres and having a production potential of 7,000 tons a month is an economic and viable unit. Most collieries producing superior grades of coal, down to grade I, belong to this category, and the question of their amalgamation, therefore, does not arise. He however agrees with the view that the amalgamation of lower-grade collieries will lead to a burdensome surplus of these grades. But Mr. Mullick's view has been challenged by the Coal Controller, Mr. A. C. Bose, who argues (at the above Society's meeting) that amalgamation is basically an aspect of conservation, and even collieries producing more than 7,000 tons a month may have to be amalgamated.

The moving finger writes

THIS IS testing time, surely, for the Government. The Prime Minister, the Finance Minister and the Deputy Chairman of the Planning Commission, particularly, are on trial. The national economy is sadly and sorely strained. Prices of essential articles of everyday use are getting out of control. For some time now the spotlight has been on the increase in food prices. But the increase in food prices does not tell the whole story. As a matter of fact, some relief in food supplies and food prices may soon be expected as imports arrive in quantity and the kharif harvests are gathered in. But I doubt that an improvement in the food situation would make any basic difference to the aggregate inflationary pressure on the common man and his cost of living. Pulses, edible oils, vegetables and milk and milk products, fish and meat are all becoming dearer day by day. Prices of firewood and other fuels, house rents and fees and charges for miscellaneous services are also rising. As a result, the cumulative economic and social distress is reaching a point where conditions of instability — even political — could arise.

In such circumstances, incomes and costs in the economy are also naturally surging. I am afraid we are as yet only on the threshold of a wide and wild outburst of wage demands in industry and offices. Meanwhile, since it is impossible for wages to keep pace with prices in conditions of inflation, the will to work of the mass of the people is wearing away. I do not want to sound alarmist, but the fact is there to see that less and less work is being done in factories and offices. This must necessarily mean that the economy is getting enfeebled both in regard to current production and with regard to further expansion.

A problem of this kind admits of only one solution which is an intensification of a drive for more production. Unfortunately, the Government which today controls so much of the economic activity in the country, seems to be lacking in intentions of as well as ideas on such vigorous mobilisation of the economy. Its measures have been half-hearted. Granted that some relief could be given to the economy by cutting down wasteful or unproductive expenditures, the saving of Rs. 70 crores or so attempted in Central Government spending will surely be no more than a marginal contribution, especially in view of the fact that State Governments have so far shown no desire for participating in this economy drive. The increase in the Bank rate, again, may not make any positive contribution to the health of the economy, since the Finance Ministry and the Reserve Bank may find it easier to give than to keep the promise that sufficient credit would not be denied for productive purposes. As it is, the increase in the Bank rate appears only to have given a boost to higher costs and, consequently, prices, as industrial and trade borrowers are reportedly marking up prices in order to allow for dearer and scarcer money.

The country is facing now an economic emergency which could be graver than the military emergency of the Chinese invasion of October, 1962. I am saying this because the nation was at least aware of the danger, and the Government alive to it, when the Chinese struck. Today I find that the economic outlook is not only being viewed with complacency but even with highly irresponsible optimism. It is because there is this mood of irresponsibility in the Government that it has been possible for the Planning Commission to be talking of a Rs. 20,000 crore-plus fourth Plan. What I find particularly difficult to appreciate is the strange attitude of the

Deputy Chairman of the Planning Commission. Having fought and lost in two elections he at least should have got tired of playing the demagogue. This apart, he has the powerful backing of both the Prime Minister and the Finance Minister for taking a pragmatic stand on the size of the fourth Plan. Why then does he not do so? He is surely economist enough to realize that financial targets would mean little except in terms of fairly stable prices. Surely, money outlays have to be related to price levels just as real resources have to be related to production. With prices remaining more or less stable, much more could be achieved, say, with a Rs. 18,000-crore Plan than could be expected of a Rs. 25,000-crore Plan with inflation writ large on it. If I were Mr. Asoka Mehta, the one question for which I would demand an answer of the back-room boys of the Perspective Planning Division is what they imagine the purchasing power of the rupee would be at the end of a Rs. 21,000, 22,500 or 25,000-crore fourth Plan.

★★

Having no head for legal matters, I have always been apt to take refuge in the assurance contained in Mr. Bumble's magisterial pronouncement: "The law is a ass — a idiot". I am, therefore, grateful to the Legal Correspondent of "The Hindustan Times" for presenting in a convenient, casual form the "highlights" of the judgment of the Supreme Court on the constitutional battle between the Allahabad High Court and the U.P. Assembly. Going through the "highlights", I as a citizen of the sovereign, democratic Republic of India, was particularly pleased to find the Supreme Court ruling that in our country the Constitution is supreme and that all other agencies of or authorities in the State are subordinate to the supremacy of the Constitution. It seems to me that it has now become all the more important for the people of this country to ensure that no government of the day tampers with the Constitution too much or too often in order to accommodate its own prejudices or provide for its own convenience or comfort.

★★

Although there was much discussion in Rajya Sabha last Wednesday regarding the identities of persons who might be having incomes exceeding Rs. 25 lakhs but who were being assessed on less than that amount, I find that the names of the individuals who did figure in the list of persons assessed on incomes of Rs. 25 lakhs and above (which the Finance Minister placed on the Table of the House) have not appeared in Press reports. This does not speak very highly of the news sense of our newspapers. The individuals concerned are the famous Mr. Haridas Mundra of Calcutta, who was assessed on an income of Rs. 38.58 lakhs for the year 1959-60; Mr. Mundra's current income, assessed or unassessed, I dare say, will be considerably less now. Then there is the name of S. Anantharamakrishnan, the Madras industrialist, who passed away earlier this year. In his case the income is Rs. 38.04 lakhs for the year 1963-64. Follows two interesting names, both women, and both from Madhya Pradesh, Smt. Jadavbai and Smt. Ujjambai, both care of "Messrs. Mohanlal Hargovindas, Jabalpur". Each lady is assessed on Rs. 33.06 lakhs for the year 1959-60. Incidentally, Messrs. Mohanlal Hargovindas are assessed on Rs. 66 lakhs for the same year.

★★

Finally, on a personal note. "Moving Finger" will rest for the next some weeks while its owner himself will be moving about in Europe.

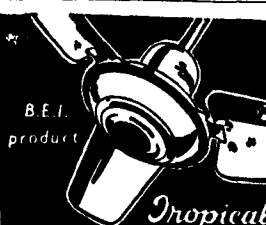
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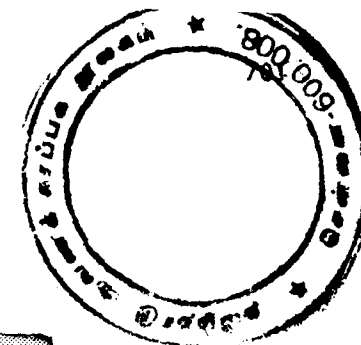
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Trade Winds

U.S. FOOD ASSISTANCE

AN AGREEMENT for the supply of four million tons of wheat, 3,00,000 tons of rice and 75,000 tons of soya bean oil under the US Food for Peace Programme was signed in New Delhi on September 30, 1964. The values of the three commodities add up to \$398.3 million (Rs. 190 crores). This brings the total value of commodities, since the Food for Peace programme was extended to India in August 1956, to \$2,883.1 million (Rs. 1,372.9 crores), covering a total of 31 million tons of wheat, 1.7 million tons of rice, 800,000 tons of maize and other foodgrains, 2.4 million bales of cotton and considerable quantities of tobacco, soyabean oil, milk powder, cheese and canned fruits. Two other agreements were also signed on September 30. One agreement provides for a loan to the Government of India for economic development projects, out of the rupee fund created by the sale of commodities under the US Public Law 480. The loan will be repayable within 40 years and will bear an interest of 3 per cent. Under a similar agreement, a sum of Rs. 16.6 crores, accruing under an earlier 1962 PL 480 sales agreement, will be given as a loan to the Government of India.

Under an earlier PL 480 agreement concluded in May, 1960, wheat is being shipped to India at the rate of 20,000 tons a day. The United States is expected to complete the shipping of the entire quantity stipulated in that agreement before the end of this year. The new agreement under the US Food for Peace Programme ensures that wheat shipments will be maintained at this rate till the end of June 1965. Supplies of rice under the new agreement will soon start arriving in India. Early shipments are also expected in the case of soyabean oil. During the fiscal year ending June 1965, the United States would have made available to India as much as 6.7 million tons of wheat under the Food for Peace programme.

The arrangements with US authorities provide that the dollars for purchasing and shipping the foodgrains will be made available to the Indian Supply Mission in Washington. The Government of India will deposit the equivalent sum in rupees in New Delhi. The funds will be divided in three ways: 80 per cent for long-term development loans to the Government of India; 10 per cent for loans to Indo-American joint enterprises (Cooley loans), and 10 per cent for expenses of the US Government within India, including some joint scientific research projects.

A three-member Indian delegation has already left for the United States to purchase, for immediate delivery, 75,000 tons of soyabean oil. Mr. R. Ramaswamy, Vice-Chairman of the Hindustan Lever Ltd., is the leader of the delegation, while Dr. A. C. Chatrapati, Secretary of the Indian Vanaspati Manufacturers' Association and Mr. F. G. T. Menezes, Deputy Director (Vanaspati), Ministry of Food and Agriculture, are the other members.

BONN AID POLICY

The West German Government is considering a new scheme of cheap rupee credit with a view to facilitating greater flow of German private investment into India. The proposed assistance will be more or less on the pattern of the Cooley Amendment loans under PL 480. Preliminary studies are being made to set up a rupee counterpart fund comprising the interest payable by India on German loans and part of the rupee payments of the capital. Cheap rupee credits from this fund will be used to encourage German private investment in India. This will open up new avenues for Indo-German industrial co-operation. Dr. Hans Henckel, a top official of the Economics Ministry in Bonn, was in New Delhi last week

and had initial talks with the Indian authorities. Detailed negotiations on the scheme are expected to be held soon, after the signing of an Indo-German investment protection treaty. Bonn Government is also understood to be reviewing its aid policy generally in the context of the growing shortage of foreign exchange in developing countries. India, as one of the largest recipients of German assistance, may be the first country to benefit from the new policy. According to Dr. Walter Scheel, Minister for Economic Co-operation, the West German Government has accepted the need for liberal assistance to developing countries because of the persistent deterioration in their balance of payments position. He has estimated that the deficit in balance of payments of these countries, which is at present around \$2,500 million, will rise to \$15,000 million to \$20,000 million by 1970.

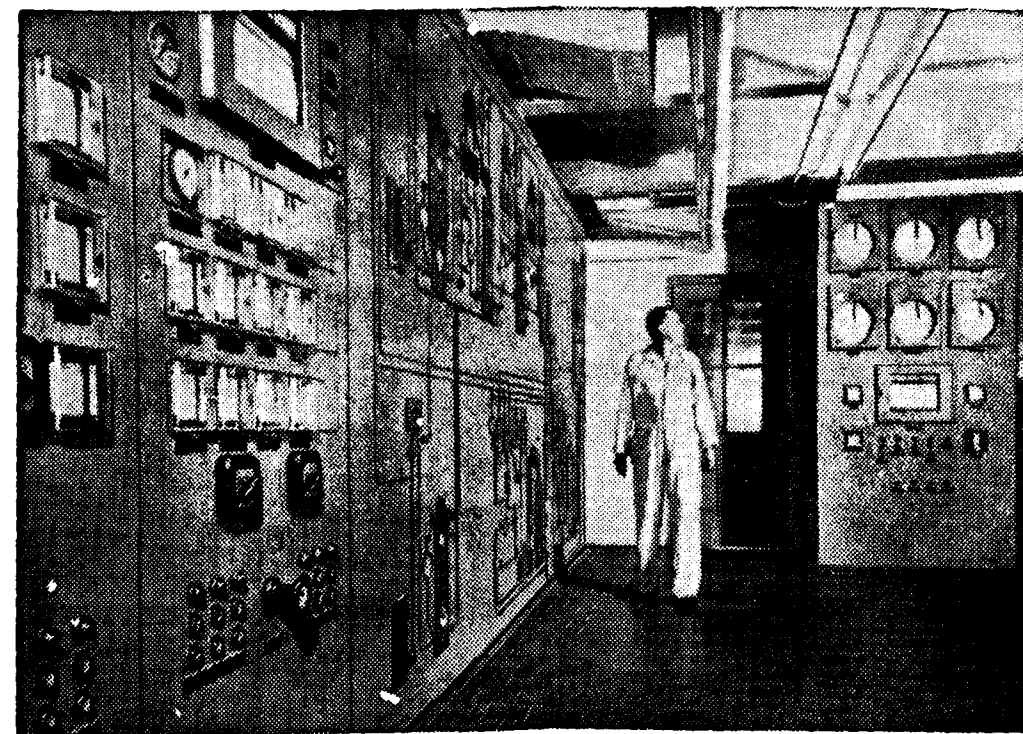
WOOLLEN HOSIERY YARN

The enquiry committee set up by the Government of India in July, 1964 has recommended the implementation of the woollen hosiery yarn distribution scheme by a governmental agency. In its report, the Committee has suggested that either the State Governments concerned or the Textile Commissioner should be in charge of the distribution of the woollen hosiery yarn; in the alternative, the States concerned and the Textile Commissioner should jointly do this work. At present the distribution is being done by the Hosiery Industry Federation, Ludhiana, which is an apex organisation representing the majority of woollen hosiery manufacturers. The Federation was responsible for working out the individual entitlements and for the issue of yarn permits. For the last one year, the issue of permits, on the basis of the Federation's recommendations, was being done by the Office of the Textile Commissioner, under the Woollen Textiles (Production and Distribution Control) Order, 1962. The Committee has proposed that the basic period for determining quotas should be 1st April, 1956 to 30th October, 1959, instead of 1st April, 1956 to 30th September, 1959, as at present. With regard to the newcomer hosiery units, which do not qualify for quotas under the revised scheme, the report says that there should be a reservation of 8 per cent of the total available supplies for ad hoc distribution to them. There should also be a reservation of 2 per cent of the over-all available supplies for distribution to bona fide public utility institutions like the Red Cross, hospitals, educational institutions and technical training centres. In order to narrow the gap between the maximum and minimum entitlements, a system of progressive cuts in the larger entitlements has been suggested.

Another important proposal made by the Committee is that a "Development Fund" should be created for the common purpose of development of the industry, market promotion and exports. The arrangement also envisages exemption from the levy of smaller quota-receiving hosiery units. It has also been suggested that the yarn quota-holders may form a Woollen Hosiery Yarn Quota-holders Association to collect and administer the Fund and to promote the development of the industry. The recommendations of the Committee are now under Government's consideration.

ANTIBIOTICS

At a special ceremony held in New Delhi on September 25, the Union Minister for Petroleum and Chemicals, Mr. Humayun Kabir, released to trade Chlorotetracycline Hydrochloride, a product of the Hindustan Antibiotics, Pimpri. This public sector undertaking, which had come into being as a result of the tripartite agreement between the Government of India, the World Health Organisation and the United Nations International Children's Emergency Fund, has made good



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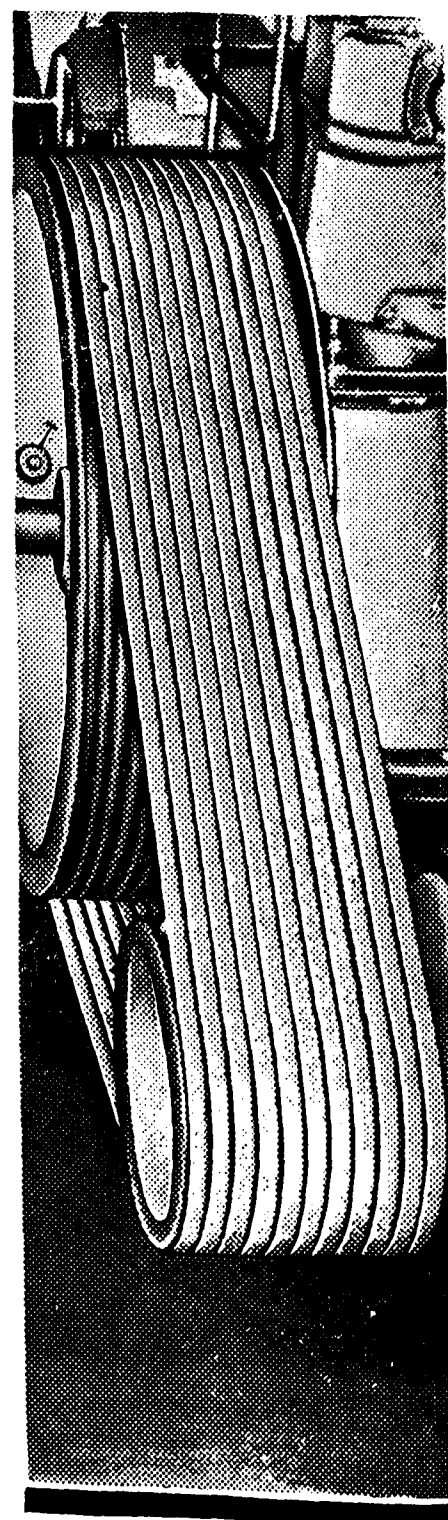
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progress during the last few years. The factory is expected to produce 70 mmu in 1964-65. The production would go up to 84 mmu after the introduction of new strains and plant expansion. The Streptomycin plant of the company, with a rated capacity of 40 tonnes per annum, had gone into production in March 1962. This plant is now producing, to target capacity, Dihydrostreptomycin Sulphate and Streptomycin Sulphate. Proposals are afoot to double the production before the end of the financial year 1964-65. The entire capital cost of the plant namely, Rs. 2 crores, is financed from surpluses earned by the company in the short span of its working. Speaking on the occasion, Mr. O. V. Alagesan, Minister of State in the Ministry of Petroleum and Chemicals, said that the present market price of Chlortetracycline Hydrochloride was Rs. 4.19, even on the lowest DGS & D rate contract for supply. The Hindustan Antibiotics proposed to put this product in the market at a price of Rs. 2.95 for the public and Rs. 2.50 for hospitals, he added.

HINDUSTAN AERONAUTICS

With effect from October 1, 1964, the Hindustan Aircraft Ltd., Bangalore, has been merged with the Aeronautics India Ltd. and will henceforth be known as the Hindustan Aeronautics India Limited (HAL). Thus, the new company will retain the initials of the Hindustan Aircraft Ltd., the oldest aircraft manufacturing unit in India. With this merger there will now be one single public undertaking controlling the various manufacturing units in the country. The Aircraft Manufacturing Depot, Kanpur, was merged with the Aeronautics India Ltd. on June 16 this year. The AIL itself was a complex of three MIG-21 manufacturing units being set up at Nasik, Koraput and Hyderabad. The amalgamation of all the aircraft manufacturing units in a single State-owned undertaking is expected to streamline aircraft production and bring about economy in the utilisation of men and material.

PUBLIC RELATIONS IN BUSINESS

The benefits of sound and steady public relations are not measurable in terms of financial or other direct returns. This was emphasised by Mr. F. S. Mulla while speaking at a meeting held in New Delhi on September 30, 1964, under the auspices of the Forum of Free Enterprise. He pointed out that one of the main benefits of public relations was discernible only by the absence of trouble rather than positive proof of goodwill. The basic cause of strikes, he added, could be attributed to ill-treatment and neglect of workers and other employees in an establishment. The sense of dignity and belonging that is generally lacking in the subordinate staff could be replaced by good public relations fostered by the big bosses as well as the proprietors, he said.

INTERNATIONAL COMPUTERS

The interest of business and industry in electronic computers and their applications is constantly growing in India; there are at least 60 large computers installed, or on order, in the country, one of them costing more than a crore of rupees. In view of the high cost of the computers and of there being several types produced by various manufacturers, the selection of a computer has become a difficult job. One of the main reasons for this is that the technological advance in the field of computers being rapid the rate of obsolescence is very great indeed. With a view to solving this difficulty the firm of "International Computers & Tabulators" has evolved a new range of computers known as "ICT 1900 series", ranging from the basic 'configuration' costing Rs. 5,00,000, for routine accounting, to more sophisticated systems needed for complex commercial and scientific work and costing Rs. 1,00,00,000 or more. The main advantage provided by this "1900 series" is that it allows for the tailoring of each system to meet the present needs of the user and yet permits the

system to be modified and expanded easily and quickly to satisfy the changing requirements without the need to scrap out the previously installed machines. The introduction of this new range puts the British computer industry in a strong competitive position in the world markets.

LOAN TO NEPAL

Under an agreement signed in New Delhi on September 29, the Government of India has made available to His Majesty's Government of Nepal a loan of Rs. 1,00,00,000 in Indian currency. The loan, which will carry an interest of 3 per cent and will be repayable over a period of 15 years, will be utilised for the establishment of industrial enterprises in Nepal, particularly in the fields of jute, cement, paper, textiles and such other industries which would be beneficial to Nepal.

HIGHER EXPORTS AND LOWER IMPORTS

As compared to the corresponding period last year, during the first four months of the financial year 1964-65 (April-July) exports at Rs. 271 crores were higher by Rs. 27 crores and imports at Rs. 369 crores were lower by Rs. 53 crores. The increase of Rs. 27 crores in exports was widely spread. The highest increase was registered by jute manufacturers (+Rs. 6.6 crores) followed by cotton textiles (+Rs. 4.4 crores), coffee (+Rs. 3.3 crores), cashew kernel (+Rs. 2.5 crores) and raw wool (+Rs. 2.5 crores). Exports of tea, which were lagging behind up to June 1964 as compared to the previous year, also improved during April-July 1964. Exports of vegetable oils, however, declined by Rs. 4 crores. The decline of Rs. 53 crores in imports was mainly because of the fall in cereal imports, followed by transport equipment and petroleum and petroleum products. Imports of machinery, iron and steel, non-ferrous metals and fruits and vegetables, however, remained high.

AIR PARCEL RATES REVISED

Air parcel postage rates from India to a number of Latin American countries have been revised. The new rates, exhibited at all post offices in India, came into effect from October 1, 1964, and will operate in respect of the following 24 countries: Argentina; Bahamas; Barbados; Bermuda; Bengal; British Guiana; British Honduras; Chile; Columbia; Cuba; Dominican Republic; El Salvador; Grenada; Guatemala; Haiti; Mexico; Nicaragua; Panama; Paraguay; Surinam; Tortola; Trinidad and Tobago; Uruguay and Venezuela.

INTERNATIONAL FILM FESTIVAL

A regional advisory committee has been constituted for advising on and looking after the arrangements for the third International Film Festival to be held in New Delhi in January, 1965. The Committee is headed by the Chief Commissioner, Delhi, and the 15 persons who have been invited to become its members are: Dr. B. Gopala Reddi, MP, Mrs. Sharda Mukerjee, MP, Mrs. Amita Malik, Mrs. Sumitra Charat Ram, Mr. I. K. Gujral, MP, Mr. E. Alkazi, Mr. Sham Lal, Mr. Chanchal Sarkar, Mr. K. Kishore, General Secretary, Delhi Administration, Mr. H. K. L. Bhagat, Deputy Mayor, Mr. C. P. Gupta, Joint Secretary, Ministry of Works and Housing, Mr. S. D. Kalelkar, Director, Information Services of India, Ministry of External Affairs, Mr. S. Sarkar, Under Secretary, Ministry of Finance, Mr. B. Israni, Chief Traffic Manager, Indian Airlines Corporation, and Mr. K. Saravanai, Assistant Collector of Customs. Mr. P. C. Bhagat, Joint Secretary, Ministry of Information and Broadcasting and Director of the Film Festival, will be the Member-Secretary of the Committee.

CORRECTION

In the "Trade Winds" column of the issue dated September 25, 1964, the caption "INDO-AMERICAN COLLABORATION" on page 594 should be read as "INDO-AFRICAN COLLABORATION".

U.K. to establish the Engineering and Contracting Organisation and for this also the official approval is awaited. The Chairman gave a picture of the company's expansion which today had 53 central depots and about 1,900 authorised agents in Kerala State alone. In other Southern States also the company has been spreading its distribution system rapidly. In fact the Government of Madras has invited the company to assist in their distribution of nitrogenous fertilizers, the sales of which were so far confined to co-operatives. This again is a measure of the company's strength in the field of distribution.

DUNLOP RIGHTS ISSUE

The directors of the Dunlop Rubber Company (India) Ltd. have decided to issue, 1,50,000 ordinary shares of Rs. 10 each at a premium of Rs. 10 in the ratio of one ordinary share for every three held to its shareholders, subject to the consent of the Central Government. The above issue is to be followed with a bonus issue out of the share premium account. This matter was considered at a meeting held recently and it was decided to submit, in due course, an application to the Controller of Capital Issues for consent to make a bonus issue. Meanwhile the Directors have decided to recommend an interim dividend of 8½ per cent, less tax, for the year ended December 31, 1964.

ROCKWELL INDIA

The Rockwell India Limited has received an industrial licence for the manufacture of light weight gasoline engine. Negotiations are in progress with Rockwell International S.A. Switzerland, for the necessary technical assistance and manufacturing rights for implementing the project. Its plant for the manufacture of drilling machines was commissioned in July 1964 and the first batch of drilling machines are expected to be ready during the first quarter of 1965. The company has negotiated a loan of Rs. 16.90 lakhs with the US Agency for International Development out of the Cooley Fund. The final documentation is likely to be completed soon.

BRITANNIA ENGINEERING RIGHTS

The Britannia Engineering Company Limited has proposed to offer 25,000 cumulative redeemable preference shares (9.3 per cent) of Rs. 100 each for cash at par, as rights shares to its shareholders in the proportion of one cumulative redeemable preference share for every 40 ordinary shares held.

DEVIDAYAL TUBE

Devidayal Tube Industries Ltd. has earned a higher gross profit of Rs. 16.2 lakhs for the year ended June 30, 1964 as compared with Rs. 14.0 lakhs in the previous year. Despite the closure of the factory in April and May 1964 for certain major repairs, the turnover has increased by about 8 per cent. The higher turnover is due to a more scientific running of the plant No. 1. Most of the machinery for plant No. 2 has arrived at the factory site. The construction of buildings and the installation of plant and equipment are progressing satisfactorily. The plant is expected to be commissioned by the middle of next year. The dividend remains unchanged at 10 per cent but this is payable proportionately on the new equity shares. The proposed equity dividend claims Rs. 5.43 lakhs against Rs. 2.46 lakhs last year.

The directors have allocated Rs. 5.41 lakhs for depreciation against Rs. 5.14 lakhs and Rs. 4.16 lakhs for taxation against Rs. 2.77 lakhs. No provision has been made for development rebate reserve against Rs. 1.70 lakhs; while general reserve absorbs Rs. 2.75 lakhs as against nil in the previous year.

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Company Affairs

TAN INDIA WATTLE ISSUE

THE TAN India Wattle Extracts Company Limited will enter the capital market on October 16, 1964 to raise Rs. 12.50 lakhs with a public issue of 12,500 equity shares of Rs. 100 each. The subscription list will close on October 27 or earlier at the discretion of the board of directors but not before October 23. The company has an authorised capital of Rs. 50 lakhs and issued and subscribed capital of Rs. 12.50 lakhs. The entire present issue has been underwritten by the Madras Industrial Investment Corporation Ltd., (Rs. 5 lakhs), Messrs. Somayajulu & Co. (Rs. 2 lakhs), Messrs. Subramaniam & Co. (Rs. 2 lakhs), Messrs. V. S. Krishnaswami & Co. (Rs. 2 lakhs) and Messrs. Paterson & Co. (Rs. 1.5 lakhs). The company has been licensed to produce wattle extract from the bark of wattle trees grown in Ooty and Kodaikanal in Madras State. Wattle extract is an important product used in the tanning of leather. The production of wattle extract in this factory will save foreign exchange to the extent of Rs. 35 lakhs immediately and later on up to Rs. 90 lakhs every year. The bulk of the machinery for the project is to be supplied by Messrs. Niro Atomizer Copenhagen, Denmark who have erected similar factories at other places and are considered to be the leading manufacturers of such equipment. The Industrial Credit and Investment Corporation of India, Bombay, has agreed to sanction a loan in foreign currencies to the extent of \$277,300 in order to meet the cost of imported machinery. The entire project is estimated to cost around Rs. 41.5 lakhs and land for the project has already been acquired.

METTUR CHEMICALS

DR. P. S. Lokanathan, Chairman, the Mettur Chemical and Industrial Corporation Limited, reviewed the working of the company at the annual general meeting held recently. The total sales during the year 1963-64 increased to over Rs. 2.65 crores as against Rs. 2 crores last year. The net profits also increased by about Rs. 10.67 lakhs which enabled the directors to maintain their dividend of 12½ per cent on equity shares on increased capital of Rs. 2.50 crores from Rs. 1.60 crores. The output of caustic soda achieved a peak of 12,700 tons and the production of other chemicals was also large as compared to the previous years. The company was also able to adjust its prices to the increased production costs because control on prices of caustic soda, liquid chlorine, bleaching powder and hydrochloric acid was removed by the Government in December, 1963.

The Chairman referred to the expansion undertaken by the company during the year under review. The machinery for the production of a further 20-ton capacity for caustic soda in the existing factory was commissioned in March 1964 and this additional capacity has been in full production since August. He indicated that efforts are being made for arrangements with well known organic chemical manufacturers in the USA for technical assistance for the manufacture of chemicals like methyl chloride, methylene dichloride, chloroform, carbon tetrachloride and pentachlorophenol. The production of these, he expected, will start early in 1966. The company has also made arrangements for the further cells and other auxiliaries required for the manufacture of rayon grade caustic soda.

Talking about the chronic problem of power shortage, the chairman pointed out that this problem had caused consider-

able hindrance in the smooth working of the unit. In spite of the commissioning of the thermal unit at Neyveli the power shortage persisted. He, however, expressed hope that the construction of two large thermal power stations in Madras State might solve the problem to some extent.

Dr. Lokanathan touched the recent report of the Bonus Commission and indicated that it was much more desirable to have bonus related to production rather than having profit sharing bonuses. The introduction of a minimum bonus, he added, changed the entire concept of bonus and gave it more the character of a deferred wage. He hoped that at the time of the introduction of legislation the Government would give full consideration to the views of the minority report which had considerable weight in its arguments.

IMPERIAL TOBACCO

Mr. F. A. Collett, Chairman, the Imperial Tobacco Company of India Ltd., discussed at the annual general meeting held recently, the impact on the company of the recent tax measures. It was decided, he indicated, to absorb a large part of the extra taxation on some of the lower price brands as it was considered probable that increased prices might take these brands beyond the reach of the consumers. As a result, this company recorded an increase in its sale value by nearly Rs. 5 crores although the overall cigarette consumption during the year declined slightly. This increase was largely offset by additional excise duty. The Chairman, however, indicated that if the Government revenue from the cigarette industry is to be maintained, excise duty on lower categories of cigarettes will have to be reduced and the special emergency excise will have to be abolished. The Chairman also referred to the impact of the corporate taxation which had continuously increased, and due to frequent changes, made forward planning considerably difficult. In view of the increased taxation the directors found it necessary not to separate any amount for reserves. In fact a part of the reserves was proposed to be drawn in order to cover taxes and to make possible the payment of a final dividend of 2½ per cent adding upto a total of 6½ per cent for the year.

The Chairman indicated that there was also a cheerful aspect of the whole situation as it meant an intense competition between the manufacturers and stimulated the management. It has been able to overhaul old techniques and evolve new ones to improve efficiency. The Chairman also pointed out that the year 1963 marked the diamond jubilee of its famous Scissors brand which revealed a sense of loyalty of its consumers as well as rejuvenation in the sales and publicity procedures. The company was also alive to the future demand and has been concentrating on the increasing filtered tipped trade. It has now two leading brands in Wills Navy Cut filtered and Simla which have been recently followed by Savoy mentholated for those who like this variety. The company also made efforts to explore markets abroad and the Chairman stated that in rupee payment countries possibilities were being investigated. The company also has improved its position as a printer and its two printing factories — Monghyr and Tiruvottiyur — originally set up to supply the company's packaging material, have done some offset printing for other clients too.

The company, the Chairman added, was alive to the problem of labour management and a committee composed of four members each from management and the Unions was

set up to review working conditions in Head Office and all the branches. It was also agreed to call a moratorium on demands, apart from local adjustments during the year. This represents a very healthy trend and speaks of the constructive attitude adopted by both management and labour of the company.

KERALA STATE INDUSTRIAL CORPORATION

Mr. K. R. K. Menon, Chairman, Kerala State Industrial Development Corporation Limited, stated at the annual general meeting held recently that the gross income of the Corporation increased from Rs. 2.55 lakhs last year to Rs. 6.25 lakhs during the year ended March 31, 1964. This improvement enabled the Corporation to write off the entire amount of preliminary expenses and also provide a reserve for depreciation on investment and also a special reserve for general purposes. The issued capital of the company at the end of the year was Rs. 1.95 crores as against Rs. one crore last year.

As against this improvement, the Chairman indicated that there was a slight fall in total number of applications for assistance. Ordinarily the number was higher every year and this decline was a reflection of the dwindling number of industrial licences granted for units in the State. He advocated strongly that some special preferential treatment had to be given to the State because of its poverty and over-population. The Chairman added, however, that something more than preferential treatment was necessary to attract industrial capital and entrepreneurship. Political stability, steady labour-employer relations and the supply of electricity were three important factors which could attract more capital. He believed that immediate steps should be taken to ensure these things. A regular supply of cheap electricity was of vital importance, the Chairman added.

Mr. Menon pointed out that the issue of raising additional financial resources for the Corporation would soon be taken up. At the moment negotiations were being carried on with certain foreign companies for securing technical collaboration for some worthwhile schemes and it was hoped that with the assistance of Indian industrial parties, considerable success would be achieved. The Chairman referred to on-the-spot survey of industrial requirements and potentialities of the State by a team of experts from the USAID, which might result in more industrial schemes financed by American technical and financial collaborations.

MYSORE PAPER

Mr. M. D. Shivananjappa, IAS, Chairman and Managing Director of the Mysore Paper Mills Ltd. reviewed the working of the company for the year ended March 31, 1964 at the annual general meeting held recently. The output increased considerably to 8,922 tonnes of paper which was more than last year's production by 642 tonnes. Consequently sales were higher at Rs. 1.30 crores — Rs. 7.32 lakhs more than last year. The Chairman added, however, that the profits, on the other hand, declined, essentially due to increase in production costs. The prices of paper have been fixed while costs have continued to increase. The Government of India fixed the prices in 1960 which were not considered satisfactory. An increase of Rs. 80 per tonne was granted in 1962 but it was not sufficient because the corresponding increase in cost had been nearly Rs. 270 per tonne. The representatives of the industry, the Chairman added, have continuously approached the Government to make the necessary adjustments in prices. He again appealed for a revision lest the incentive for expansion of production should disappear altogether.

The Chairman indicated that the company has maintained a

continuous increase in production and high operational efficiency and the new paper machine was in operation early in March 1964. Moreover the full range of equipment — paper machine, stock and chemical preparation plant and other paper machine parts — for which orders had been placed in Germany and England had been received and installed and progress in these new units was satisfactory. The bamboo pulp plant has been received from Germany and the three digesters and other indigenous equipment were slightly delayed but this unit also was likely to be completed by November this year. This will add to the company's production capacity. The Chairman was specifically pleased to state that the scheme of expansion was speedily implemented while production was efficiently maintained at the existing units.

FERTILISERS AND CHEMICALS

Mr. T. A. Joseph, Chairman, the Fertilisers and Chemicals Travancore Limited, gave a detailed position of power supply in the State of Kerala while addressing the annual general meeting of the company. The shortage of power supply caused a major damage to the company as during the period of power cut in the first half of 1964 there were several occasions when the entire plant had to be closed down to avoid grave risk. The total loss in sale value of production on account of power cut amounted to over Rs. 2.5 crores, which was a considerable loss. In spite of this handicap the company was able to show a small profit of about Rs. 12 lakhs after meeting the depreciation. Mr. Joseph indicated that a solution of this shortage was possible only if a reasonably large thermal power station was established. The State Government, he added, had decided to put up a thermal station with a minimum capacity of 100,000 KW at Cochin which would make the position better.

The Chairman referred to the third stage of expansion which will be commissioned in 1965-66. This will require another 20,000 KW of power and he hoped that the Kerala State Electricity Board will be able to provide it, failing which the company will not be able to take any benefit from the expanding capacity. Mr. Joseph also talked about the possibility of a severe shortage of water in the Periyar river when the Idikki power project will be completed. The Idikki project will require the diversion of Periyar water to the Moovatupuzha river which will leave less water for Periyar. If the water turns saline the factories like the Fertilisers and Chemicals Travancore will have to close down for three to four months in a year. The Chairman, therefore, hoped that the Government will reconsider the proposal in the context of this problem.

Mr. Joseph indicated that raw naphtha, a raw material for the company's products, was exempt from excise duty payable on it to the extent of 95 per cent. This position was recognised in States like Madras and Maharashtra, where fertilisers were being made out of raw naphtha. Recently the Government of Kerala seems to have decided to treat it as a petroleum product and charge sales tax at the rate of 15 per cent instead of original 3 per cent. The company has, therefore, made a representation to the Government of Kerala to re-consider the matter and restore the original position. This being a strategic industry, it is hoped the Government will realise the significance of lower sales tax.

The company has entered into an agreement with Messrs. Davy and United Engineering Company of the U.K. for the establishment of a fabrication shop. The Government of India's approval to this agreement was awaited. It has also secured the consent of Messrs. Power-Gas Corporation of the

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CHAIRMAN'S STATEMENT

ALIND'S EIGHTEENTH ANNUAL GENERAL MEETING Mr. S. Narayanaswamy Reviews Activities

Addressing the Eighteenth Annual General Meeting of Office, Kundara, on 28th September, 1964, Mr. Narayana

the Aluminium Industries Limited held at the Registered swamy, Chairman, said:

At the outset, let me perform the solemn and melancholy duty of expressing our sorrow on the passing away of our esteemed Prime Minister, Pandit Jawaharlal Nehru. It is not given to every country to have in unchallenged helmsmanship of affairs, a person of his moral and cultural stature, for a cycle of seventeen years — particularly in the wake of discarding the fetters of foreign rule, which was accompanied by the pains of partition. It was good to have had a statesman of his calibre, with an unshakable distaste for wrong doing, in administrative captaincy of India. This exalted the country's image before the world. The sorrow caused by his passing is mitigated in some measure, by one whom he loved, esteemed and trusted becoming his successor. Mr. Lal Bahadur Shastri's unanimous choice as Prime Minister of India has been well received and been acclaimed by the world as sagacious and sound. Let me wish Mr. Shastri a purposeful and long term of office.

The year 1963-64 has been for ALIND a period of fulfilment and consolidation, no less of expansion and preparation for greater expansion. From the point of view of distribution, it has been the year of restoration of dividend to what may be called its classical level, this having been rendered possible by the abolition of the Super Profit Tax — which is of course not saying much for its twin successors — the Surtax and Dividend Tax. It was not necessary to substitute a retrograde tax by other imposts that tend to render the reliefs somewhat unsubstantial in content. In particular, the Dividend Tax is infelicitous in concept — in so far as it implies that distribution of any dividend on risk capital is among things that Government disapprove, which is far from being Government's intention.

Taxes imposed in post-independence years have proved that the psychological damage done by tax levies has a sinister way of outliving the financial damage done to corporations as to individuals. The long term victim of such damage is the New Issue Market, which Government are so anxious to see revived.

SOLIDAL PLANT

The company's "Solidal" plant for the manufacture of low voltage underground cables has just been erected and will go on stream next month. Members of our Engineering staff that went to Europe to receive training in operating and field-laying of these cables are back in Kundara. The problem of acquainting the Indian consuming market with the properties and high-keeping qualities of this comparatively unfamiliar type of underground cable, is being actively tackled. "Solidal" will take ALIND quite a distance on the highway to comprehensive cable production.

Our production of welding cables — the first attempted with Aluminium metal in India — has been well received by consuming markets and the indications are that we shall be considerably augmenting our production of these. Production of microgauge aluminium wire required for stranding in the manufacture of cables has opened up a new field of possibilities in the manufacture of welding and trailing cables.

Your company has received Central Government's approval for substantial expansion of bare conductor capacity at Kundara

and Hirkud. Items of balancing equipment are required to be imported to put this expansion through and the required foreign exchange is being secured in part by a loan from the ICICI. Licences for the erection of a second rod rolling mill have been received and orders have been placed with the suppliers. This is expected to go into production in the third quarter of 1965.



The company has been in correspondence with Japanese friends with a view to establishing a plant for the manufacture of cable making machines. This has now reached an advanced stage and the Board is actively considering the details of terms of collaboration offered by a reputed Japanese firm for establishing the manufacture of a diversified range of cable making machines. This is but a logical step from cable making in which this company has been engaged for 14 years now. At the appropriate time, your Board will be making a supplementary share issue to finance this project.

The company having set up a tradition of drawing on its current resources for sundry capital programmes, has frequently experienced ways and means discomforts. These are aggravated by the added needs of working funds, generated by the very expansions so put through. The Board has been wrestling with this problem from time to time but beyond a stage it is unwise to subject the company to stresses and strains, stemming from undercapitalisation, which has the direct result of swelling our bank obligations. I may assure you that the Board has this matter under constant review. Consistent with the large draft made on the company's profits by current levels of corporate taxation, we are straining every nerve to plough back funds into the company.

While it is not my purpose to repeat what has been stated in the Annual Report, I think you will be glad to know that the orders for bare conductors currently on our books are of a magnitude as to keep both our bare conductor units occupied for well over two years.

EXPORTS

The company has contributed its modest mite towards export promotion — and has during the first four months of the current financial year exported about Rs. 2.75 lakhs, with orders pending execution being Rs. 11.4 lakhs. We exported Rs. 1.11 lakhs worth cables in 1963-64. We are continually exploring external markets — the African Continent, East European countries, Middle and Far Eastern countries, with our Sales Manager, Mr. Peer Mohammed, keeping in personal touch with these developing markets.

In the manufacture of covered conductors, we have been using PVC. When we commence production of "Solidal," we shall be using PVC as the principal insulating and sheathing

material. Import of PVC has been banned as indigenous production of PVC has been on for some time. However, the price of PVC manufactured in India is somewhat on the high side and tends to push up the end price of our PVC cables of all descriptions, in such a manner as to impair our competitive capacity. Particularly when Indian rubber production is rather meagre in comparison with the mounting demands made on it, it becomes important to make alternative insulation material for cables available on reasonable terms to the cable industry. It is time Government paid attention to this important aspect of making processing material available to this vital engineering-cum-public utility industry.

HIGH CARBON STEEL

Your company depends on external sources for high carbon steel to operate its high tensile steel wire plant. Supply of this has been uncertain and fitful. The somewhat erratic supply position has compelled us to keep our steel plant idle on two occasions recently. After all, prompt erection of transmission lines for electricity supply depends on the bare conductor industry making cables available according to schedule. Capricious or poorly regulated licensing of high carbon steel can hold up these supplies through shortage of reinforcing wire. We, therefore, appeal to Government to ensure regular licensing of special steel rods until domestic producers commence manufacture of such steel.

ALUMINIUM METAL

Which brings me on to the larger question of aluminium metal. It is some time since the Government of India announced their policy decision that the cable industry in the country should switch over from copper to aluminium, on the ground that we have very little copper production in India and that having regard to our known bauxite reserves and the increasing output of aluminium metal in the country, it would be safer to depend on aluminium. The copper-using cable industries have accordingly been putting through a phased programme of switchover to aluminium cables. Meantime, the statistical position as to the demand for aluminium and supply of the metal from the limited number of reduction units functioning in the country, is far from reassuring. It is true some units are shortly increasing their production and some more units have been licensed. But having regard to the highly capital-intensive character of the industry, blue prints may take time to be translated into production units and it is prudent to expect that they will not be able to add to available metal for at least four years. Meantime the metal consuming engineering units are fast multiplying. The technical position of aluminium metal availability renders it necessary for Government to license liberal import of the metal for at least the next five years — if we are not to confront shortage and consequent under-utilisation of industrial units, which the country can presently ill-afford.

CORDIAL EMPLOYEE RELATIONS

Our relations with labour have been quite cordial. Workers in three out of four manufacturing units are covered by Long Term Agreements that provide for orderly collective bargaining, prompt disposal of grievances, a fair wage system and reasonable working conditions. These agreements further provide for "payment by results" in the matter of incentive bonuses evolved with the help of work study teams. The last of the Kundara Agreements was signed on June 1, 1963. The agreements have in the past secured undisturbed plant operations and a pronounced productivity consciousness among the works as is reflected in output.

The company has been endeavouring to build up a sound

framework of Supervisory and Managerial personnel through intensive training and affording of opportunities to the executives to prove their mettle. Apart from domestic facilities provided, we have availed of opportunities to send our men to Management Institutes, the Administrative Staff College, Hyderabad and the National Productivity Council Courses. Under the NPC and allied training programmes, we sent four of our executives abroad for training in Management. The company believes that investment in human material is of vital importance to the future of industry and managerial skills are a basic need of modern organisation.

I would like to conclude my observations with placing on record the Board's deep appreciation of the splendid work done by Messrs. Seshasayee Brothers (Travancore) Private Ltd., and in particular, by its Managing Director, Mr. B. V. D. Menon, and their sustained endeavour to expand and broaden the company's activities. The fine work done by the General Manager, by the Managerial and Supervisory personnel and by all ranks of workers and staff has been in good measure responsible for the year's results and the Board wishes to convey to them their grateful thanks.

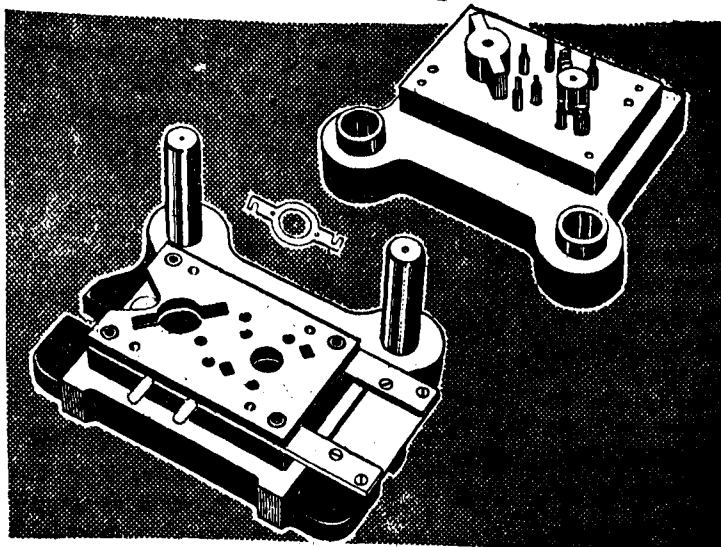
I now move for adoption the company's Report and Accounts for 1963-64. In doing so, I shall be glad to answer any question concerning these.

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

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CHAIRMAN'S SPEECH

THE METTUR CHEMICAL & INDUSTRIAL CORPORATION LTD.

(Regd. Office: METTUR DAM, R.S.)

Production of chemicals maintained at peak levels

Dr. P. S. Lokanathan Reviews Activities

Addressing the twenty-seventh Annual General Meeting of the Company held at Mettur Dam R. S. on 22nd September, 1964, Dr. P. S. Lokanathan, Chairman, said:

I have great pleasure in welcoming you to this, the twenty-seventh Annual General Meeting of your company.

At the outset I wish to refer to the great tragedy that has befallen our country in the passing away of our beloved Prime Minister, Shri Jawaharlal Nehru. The man who made India what she is today is no more and though some time has elapsed since his death, still we are not able to reconcile ourselves to this loss; it will be no exaggeration to say that the void caused by his death can never be filled. I count it as a great privilege that I had the fortune of personally knowing him from pre-independence days when I served as a member of one of the Committees appointed by him as Chairman of the Planning Committee of the Congress, — through all the years as Executive Secretary of U.N. Economic Commission in which Shri Nehru took a great and continuous interest, and as Chairman of the National Productivity Council, and as the Director-General of the National Council of Applied Economic Research. Shri Nehru's keen interest in science and his driving enthusiasm for the advancement of his countrymen made him follow the work of the National Productivity Council as well as that of the National Council with very great personal interest. Both the organizations benefited a great deal from his support and encouragement. Though he is no more, he would have wished nothing better than that everyone of us dedicating ourselves with all the energy at our command should strive to improve upon the performance of our allotted tasks so that the country will reach economic independence.

In our own immediate sphere, we suffered another great loss in the sudden passing away of Shri V. Swamy Iyengar on February 4, 1964. Shri Swamy Iyengar was a Director of this Company for more than eighteen years and his charming presence will be very badly missed by me and my colleagues on the Board.

Turning now to the affairs of our Company during 1963-64, the total sales went up to over Rs. 2.65 crores as against Rs. 2 crores in the previous year. We reached a new high of nearly 12,700 tonnes in caustic soda production, and I am glad to inform you that production of all chemicals was higher in the year under review as compared to the production in any previous year.

Control on the prices of caustic soda, liquid chlorine, powder and hydrochloric acid was removed by the Government of India in December 1963. This enabled us to revise our prices suitably in common with other alkali manufacturers in the country so that we could cover our increased production costs.

I had mentioned in my last year's speech that a scheme of technical collaboration with a leading chemical manufacturer in the USA had been finalised for the manufacture of organic chemicals and submitted to the Government of India

for their approval. However, due to certain reasons beyond our control, this collaboration arrangement could not be implemented. Therefore, Shri R. V. Ramani, ex-officio Director, once again visited the U.S. this year and we have now concluded a satisfactory arrangement with another very well-known organic chemical manufacturer in the U.S.A. for technical assistance for the manufacture of the new organic chemicals i.e. methyl chloride, methylene dichloride, chloroform, carbon tetrachloride and pentachlorophenol. I now confidently expect production of these new items to start by the end of next year or early in 1966.

Shri R. V. Ramani, during his recent visit to the U.S.A. and Europe, has also finalised the orders for the further cells and other auxiliaries required for the manufacture of rayon grade caustic soda in the No. II plant. The orders have been so placed that we get the maximum advantage out of the limited foreign exchange available to us for expansion. Construction work on the new plant is proceeding at a very fast pace and we can hope to start commissioning the caustic soda plant by the end of the financial year and bring it to full production shortly thereafter.

Thanks to our having sustained a satisfactory and increased rate of production, the net profits have shown a rise of about Rs. 10.67 lakhs over the previous year which has enabled us to maintain the usual dividend of 12½ per cent on equity shares though the paid-up capital of the Company has increased from Rs. 1,60,00,000 to Rs. 2,50,00,000. I am sure shareholders will appreciate this fact and join me in congratulating the Managing Agents on this excellent achievement.

You would also have noted with pleasure from our Directors' report for this year that the machinery for production of a further 20-tonne capacity for caustic soda in the existing factory premises was successfully commissioned in March 1964. I am glad to state that this extra capacity is in full production since August 1964.

During the fag end of the year under review, under the Finance Act 1964, Central excise duties on carbon dioxide gas, liquid chlorine and hydrochloric acid — three of the products manufactured by us — were abolished. Carbon-dioxide was being produced only for self consumption while the other items were sold as well as used for self-consumption. There has been a slight increase in the Central excise duty on soaps.

Super profits tax has been replaced by a surtax on company profits at 40 per cent on the residue of profits after tax and after deduction of 10 per cent on the capital base which includes capital, reserves and long term borrowings. Thanks to the enlarged capital base and increased limit of 10 per cent allowed as profit, our company will however not be called upon to pay surtax for the year ended 31st March, 1964.

Some basic industries will get a rebate of 10 per cent in corporation tax and 20 per cent in surtax, but our industry

is not one of them. Public companies will have to pay dividend tax at 7.5 per cent on the amount distributed as dividend on capital other than preference shares. I feel that this is an unnecessary burden on the companies and looks more like a penalty on the better managed and efficient companies. I hope the Government will be pleased to abolish this unwelcome tax at least next year.

While on the subject of development rebate, I wish to refer to the uncertainty currently prevailing regarding availability of this benefit after 1st April, 1966. I hope that Government will continue this rebate, as its withdrawal will affect adversely a highly capital-intensive industry such as ours and also there will be no incentive for the industries to plough back the profits into reserves, which is an absolute necessity for future expansion.

The Hon'ble Finance Minister, in his closing speech on the Budget, announced that by an amendment of the income tax rules the concession of additional depreciation for the working of the third shift of plant and machinery will be allowed with effect from the assessment year 1964-65. We derive some benefit by this concession.

At the risk of repeating myself, I wish to touch on the unsatisfactory power situation in our part of the country. Some years ago I had made a reference about this and since then it has almost been an annual refrain in my speech. In spite of the commissioning of the thermal units at Neyveli, the power shortage persists. I had stated that unless an atomic power plant was established shortly, we would not be able to see the end of these annual power cuts. From a recent news item, I see that the Government of Madras is indeed seized with the urgency of the situation and has obtained the approval of the Central Government for the construction of two large thermal power stations in our state as soon as possible. This is most welcome.

I would like to make reference to the recommendations of the Swaminathan Committee on the Industries Development procedures. The Committee had some important suggestions to speed up licensing procedures and I am glad to find that the Government has accepted almost all the recommendations.

The speed with which the Swaminathan Committee has submitted both the interim and final reports and the manner in which the Government has accepted the recommendations provided a gratifying instance of a new awareness and earnestness to ensure quick action and I hope the same expedition will be observed in the implementation of the decisions. The simplified procedures will, I hope, go a long way towards helping the establishment of new industrial units, expansion of the existing ones and fuller utilisation of industrial capacity. The efficacy of the techniques devised by the committee for the speedy disposal of applications for industrial licences can be known only after they have been tried for some time. The committee is fully aware of this and its suggestion that, after a year of its working, its scheme should be carefully examined by a similar committee, is a valuable one; for, such a study will provide an opportunity for prompt adjustment that may be necessary in the light of experience and the then prevailing circumstances.

While on the subject of Industrial Licensing, I have to comment in brief on the progress made by the Caustic Soda Industry as a whole. As has been revealed in the mid-term appraisal of the third Plan, the rate of growth of the industry has not been at the pace required by the targets fixed. As a matter of fact, the gap between the target and actual performance has been growing steadily since the second Plan. The reasons for this are many and not the least of which has been the paucity of foreign exchange. It is, therefore, neces-

sary, while framing targets for the fourth Plan, to take a much more realistic view of the capability to perform and set less ambitious targets, — targets which are realistic and capable of implementation according to schedule.

The Tariff Commission has recently held an enquiry in June, 1964 with regard to the continuance of protection to the Caustic Soda and Bleaching Powder industries. Their recommendations are awaited with interest.

I think the shareholders will agree that the affairs of the Company have been fairly consolidated so as to show tangible results. Although the Company has during the year under review as well as in the recent years shown excellent results, there are many important tasks ahead of us. The future will certainly throw up new problems in the spheres of finance, management, industrial relations, productivity, cost control and sales. However, with the sound inherent strength of your Company, I am confident that we shall be able to evolve rational solutions leading to greater stability and progress.

I would like to touch briefly on the recent report of the Bonus Commission and the decision of the Government thereon. As a firm believer in the necessity to sustain high production in all fields of industry, and in incentives to attain such production, I feel that as a general principle, it is much more desirable to have bonus correlated to production rather than having profit sharing bonuses. In any event, the introduction of a minimum bonus correlated to production rather than having profit sharing bonuses. In any event, the introduction of a minimum bonus changes the entire concept of bonus as such, and gives it more the character of a deferred wage. There are some recommendations in the majority report with which our Company cannot be in agreement. I trust that, at least, at the time of introducing legislation to implement their decision, Government will give full consideration to the weighty arguments contained in the minority report. If bonus legislation can ensure better industrial relations, we of course, should welcome it. As far as your Company is concerned, we have already been paying bonus slightly in excess of the maximum visualised in the Bonus Commission's report, but we are anxious that the scheme as finally approved in Parliament should be fair and equitable and help in maintaining peace and promoting goodwill in industry.

On behalf of the Board of Directors and on my own behalf, I wish to express our warm appreciation of the cordial management-labour relations and the devoted services of all ranks of staff and labour, as well as the Managing Agents of the Company.

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

YOUR ATTENTION PLEASE

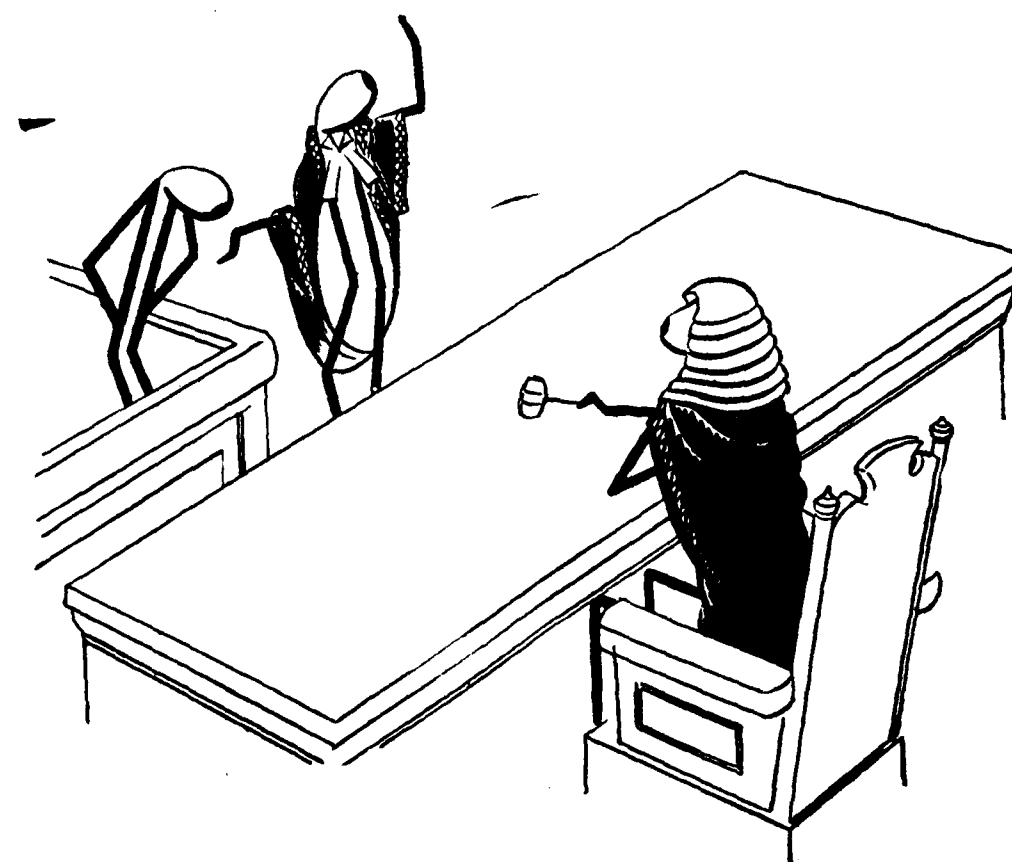
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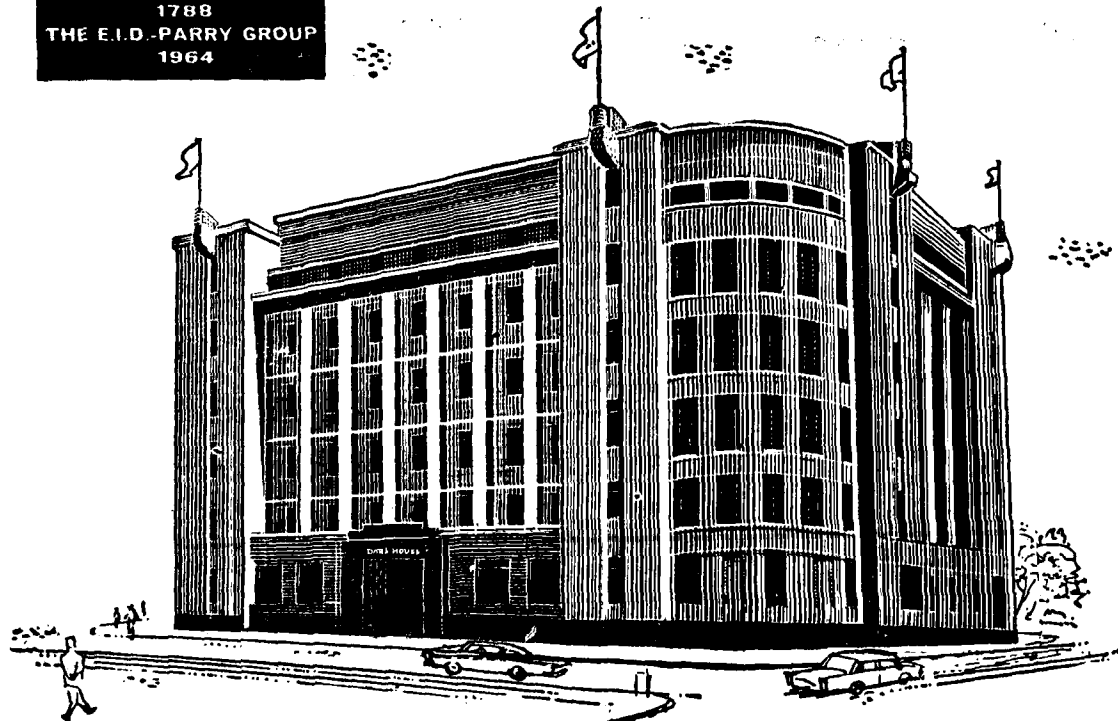


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BOOKS BRIEFLY

Papers on Planning

Pricing and Fiscal Policies: A Study in Method; Edited by P. N. Rosenstein-Rodan; Allen and Unwin, London, 1964; Pp. 216; Price 35 Sh.

Reviewed by D. Krishnaswami Rao

THIS VOLUME is the third in the series of Studies in the Economic Development of India by members of the Indian team of the Centre for International Studies, Massachusetts Institute of Technology.

The book opens with a paper by Rosenstein-Rodan on 'The Economic and Social Objectives of India's Five Year Plans,' first written for the consideration of the Indian Planning Commission, in which he examines the conflict between India's two main objectives, a higher rate of growth and greater social justice, which it is more difficult to reconcile in an underdeveloped than in a developed economy. He emphasizes equality of opportunity rather than equality of income as a basic objective, and suggests greater expenditure on education to ensure equality of opportunity as well as higher productivity in agriculture and industry.

The second paper, also written originally for the Planning Commission, is by Louis Lefebvre who discusses the regional allocation of resources in India, a question that is inevitably loaded with political overtones. He recommends that resources needed for the creation of industrial and agricultural capacity that can yield immediate high returns should be allocated "with the strictest regard for economic efficiency" while investments undertaken to bring relief to 'retarded' areas "should be based on low-cost rural labour and locally available materials," and provide for such things as local irrigation, land reclamation, reforestation, road building and construction of village schools. These could be followed by projects for small-scale industries to produce goods to serve the local market and process the agricultural produce of the neighbourhood. It is doubtful, however, whether the exigencies of politics would permit such a compromising of 'regional balance.'

The next contribution, by I.M.D. Little, on 'Tax Policy and the Third Plan' is a revised version of an essay written by him in June 1959, "to investigate whether Rs. 1,000 crores of extra taxation by 1965-66 is possible; and also show that it would not represent an undue burden on the economy." He recommends ways of exploiting to the full "nearly every opportunity of taxation and public profit which is economically and administratively sound" with the assurance that such a policy "should not be inconsistent with stable final prices on average." The state of the economy today is comment enough on such recommendations.

Readers' Roundtable

DEFICIT FINANCING

Sir, — The big increase in prices of foodgrains and other goods and services is the cumulative effect of wrong economic policies pursued so far. Deficit financing, which was resorted to the extent of Rs. 333 crores during the first Plan and Rs. 948 crores during the second Plan, and which within three years of the third Plan has exceeded the Plan ceiling of Rs. 550 crores by Rs. 124 crores is the main factor in the increase in prices. In this context, it is alarming to note that the Planning Commission circles propose a fourth Plan (1966-71) of the order of about Rs. 20,000 crores.

The Economic Division of the Commission is reported to have suggested deficit financing to the extent of Rs. 1,100 crores

A further article, also by Dr. Little, is a theoretical demonstration of a point suggested by the case of India, namely that in a developing economy, unlike the situation in a developed economy in a slump, the employment of more labour in the capital goods industries necessitates additional investment in the consumer goods industries to provide for the extra consumption resulting from the additional employment. Only the possibility of "free" imports of food, the most important element of the increase in consumption, from abroad could affect the implications of this argument, as our experience has amply shown.

The paper on transportation policy in India by Louis Lefebvre and Mrinal Datta Chaudhuri, first written for the Planning Commission, contains a useful discussion of subjects like transport capacity, haulage rates in relation to investment in railways and road transport, and road-rail competition, in their bearing on our economic planning.

Amartya Kumar Sen who follows with a study of working capital in the Indian economy makes the important point that as economic development converts a household-based economy into one based on wage labour the requirement of working capital is to that extent likely to grow more than in proportion to output, a prospect that poses interesting problems for planners. He considers as exceedingly low, from this point of view, the provision for a total working capital requirement of Rs. 800 crores in the third Five-Year Plan.

A. Harberger and N. Andreatta present 'A Note on the Economic Principles of Electricity Pricing' in which they emphasize the dominant part which thermal costs are likely to play in setting 'norms' for electricity rates in a country like India, and recommend the abandonment of the present common practice of a rate structure that differentiates between peak-time and off-peak use of power, as additional supplies at the peak-load require extension of generation capacity.

Then follows another paper by P. N. Rosenstein-Rodan which is a refutation of H. J. Bhabha's proposal, made in 1958, for a nuclear power programme for India, a matter which anyway is of little immediate moment.

The concluding paper, on India's balance of payments problem, by Sir Donald Macdougall, is a modified version of his article published in the Bulletin of the Oxford University Institute of Statistics, May 1961.

One does close the book with the wish that it had given us more of writings which one had not come across already in print or in mimeographed form.

M. R. PAI.
Bombay.

RECORDS AND STATISTICS

I.F.C.: Achievements in Sixteen Years

THE INDUSTRIAL Finance Corporation of India, since its inception, has given financial assistance of the order of Rs 96.78 crores to 334 industrial units. In 1963-64, it provided Rs. 38.27 crores for 91 different concerns. Out of last year's assistance, Rs. 27.76 crores were sanctioned for new units and Rs. 10.51 crores for the expansion, renovation and modernisation of existing units. Public limited companies received Rs. 17.16 crores while Rs. 1.11 crores were provided to co-operative societies.

Apart from giving loans in rupees, which still remains its major activity, the Corporation, in recent years, has been able to provide its clientele with foreign currency loans, underwriting facilities, direct subscription to capital issues, deferred payment guarantees as well as guarantees for foreign loans. During the year ended June 30, 1964, the Corporation received 188 applications for different types of financial assistance aggregating Rs. 58.85 crores. In all, 123 applications for a total assistance of Rs. 38.27 crores were sanctioned to 90 concerns. Only two applications for Rs. 17.50 lakhs were not sanctioned. Thirty-five applications for Rs. 13.09 crores were treated as lapsed or withdrawn. At the close of the year, 109 applications from 74 concerns were under examination.

During the year, rupee and foreign currency loans totalled Rs. 25.12 crores as against Rs. 22.61 crores in the previous year. Disbursements amounted to Rs. 16.03 crores during the year as against Rs. 14.12 crores in the last year. No application for rupee and foreign currency loans was rejected.

Foreign Currency Loans

Foreign currency loans sanctioned during the year aggregated Rs. 8.04 crores and were given to 26 applicants. They included Rs. 449.54 lakhs in US Currency, Rs. 335.32 lakhs in West German Currency, Rs. 18.73 lakhs in French Francs and Rs. 0.60 lakhs in Japanese Yen. Letters of Credit aggregating US \$3.80 million and DM 2.05 million (total Rs. 205.62 lakhs) were opened in favour of foreign machinery suppliers. Disbursements amounted to US \$3.79 million and DM 0.33 million (total Rs. 184.44 lakhs).

Forty proposals for underwriting for about Rs. 5.41 crores were approved. They included equities for Rs. 385.93 lakhs and preference shares of Rs. 155 lakhs. Forty applications for an aggregate amount of Rs. 1025 lakhs were under examination at the end of the year.

During the year, 25 issues in which the Corporation's underwriting amounted to Rs. 342.75 lakhs were placed in the market. The extent of shares that devolved on the IFC in respect of 24 issues underwritten by it amounted to Rs. 304.44 lakhs. The subscription list for the 25th issue was not closed by June 30, 1964.

During the year, the Corporation approved 10 proposals for guaranteeing deferred payments of the value of Rs. 2.72 crores. No application was rejected, 7 were withdrawn and 7 were under examination. Guarantees actually issued during the year aggregated Rs. 73.78 lakhs. These guarantees were in respect of plant and machinery imported from abroad.

It may be recalled that the Corporation was authorised to

guarantee deferred payments only in December 1957. Since then, 41 proposals for deferred payment guarantees for Rs. 31.97 crores have been approved. The value of guarantees actually issued till date amounted to Rs. 13.49 crores.

Two applications for guarantee of foreign currency loans were pending at the close of the year ended June 30, 1963 and one application for guarantee of a loan in US dollars for Rs. 4 crores from the Exim Bank, Washington was received during the year under review. Out of the three, two for an aggregate amount equivalent to Rs 502.43 lakhs were sanctioned. The third application is under examination. Guarantees to the extent of Rs. 314.81 lakhs were actually issued during the year.

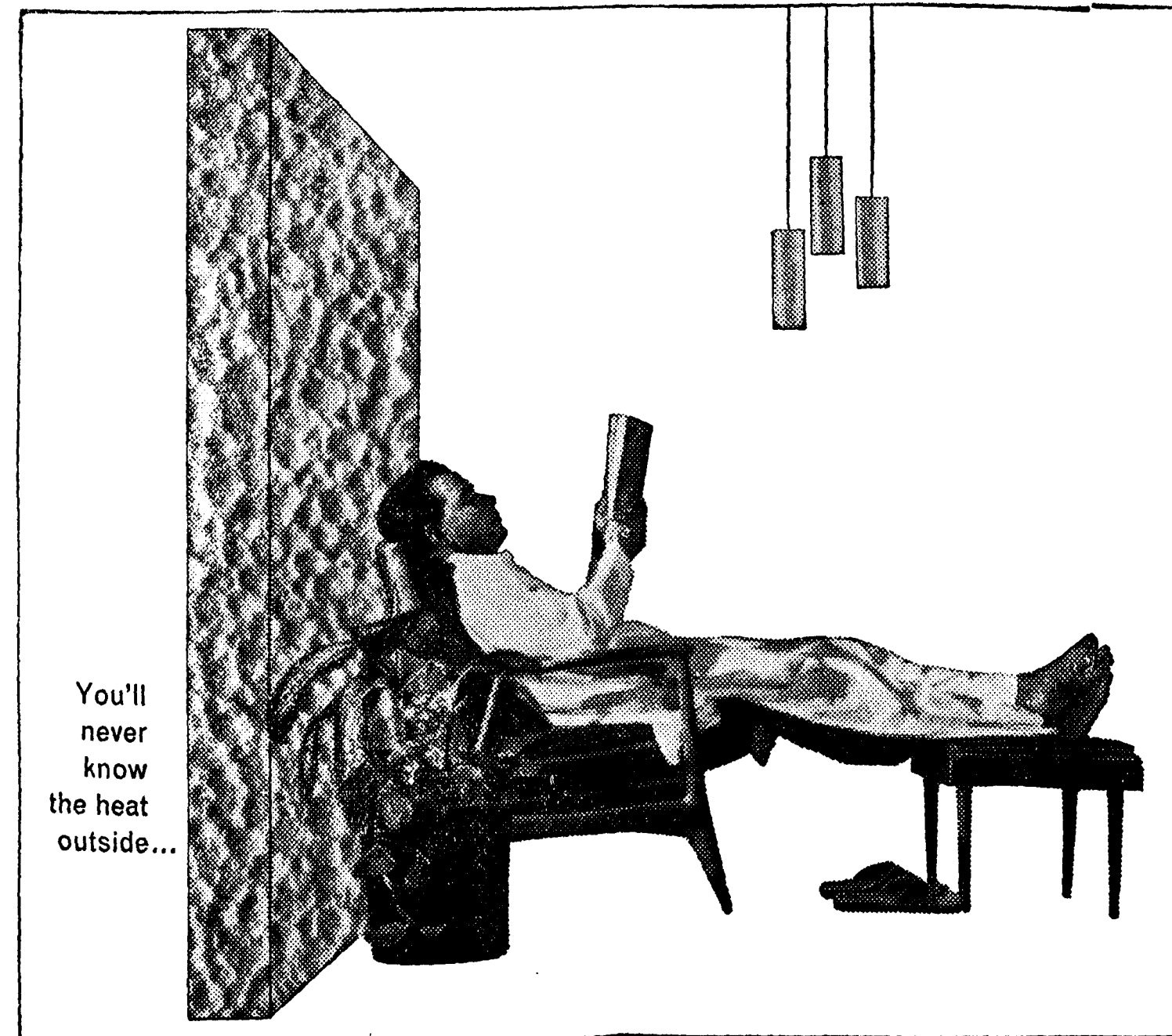
The total net financial assistance to industrial co-operatives approved till the end of the year under report amounted to Rs. 37.86 crores. This has been given to 51 co-operative sugar factories, 3 co-operative spinning mills and one co-operative unit for the extraction of vegetable oil. The net approved assistance represents about 19 per cent of the total financial assistance approved by the Corporation. It is indicative of the high priority accorded by it to this sector of the country's economy. Co-operative units in eleven States have received this assistance. Maharashtra leads with 21 units, while Madras has 6 and Andhra Pradesh and Punjab 5 each.

Resources

The resources of the Corporation have come through the public issue of bonds, borrowings from the Reserve Bank of India and from the Central Government as well as borrowings in foreign currency. These are in addition to the Corporation's own paid-up capital of reserves and surplus and repayments of loans.

During the year under review, a further sum of Rs. 11.00 crores was drawn from the Central Government, in addition to the earlier loans of Rs. 24.75 crores, out of which a sum of Rs. 0.15 crores was repaid; the balance outstanding at the end of the year being Rs. 35.60 crores. Interest paid on borrowings from the Central Government remained unchanged at 5 per cent per annum. Borrowings from the Reserve Bank were, as in the past, sparingly availed of. The rate of interest charged by the Bank continued at 4.5 per cent per annum. The Corporation has repaid to the AID US \$150,000 (Rs. 7.14 lakhs) up to June 30, 1964. It is continuing its efforts to secure further lines of credits in US dollars, Deutsche Marks and other currencies, with a view to meeting the foreign exchange requirements of its borrowers.

At the end of the year under report, a cumulative total of Rs. 21.09 crores was received by way of interest out of a cumulative total of Rs. 21.23 crores due. The amount of default of Rs. 14.10 lakhs constituted only 0.66 per cent of the total dues. A cumulative total of Rs. 20.47 crores was received up to the end of the year by way of repayment of principal out of a total of Rs. 20.74 crores. The amount in default (exclusive of extended instalments of Rs. 8.71 lakhs) was Rs. 18.24 lakhs representing 0.88 per cent of the cumulative instalments of principal due up to the end of the year. Defaults were committed by two concerns in payment of deferred payment instalments.



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APPLICATIONS ARE invited for the following posts in the Industrial Development Bank of India :

(A) POSTS AND SCALES OF PAY :

- (i) Deputy Managers: Rs. 850-60-1150.
- (ii) Officers Grade I: Rs. 430-430-55-815 EB 55-925-60-1045.
- (iii) Officers Grade II: Rs. 375-20-535-25-560 EB 25-660-30-720.

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

In addition to pay, the selected candidates in all categories mentioned above will be eligible to draw local pay, house allowance, dearness allowance and other allowances at rates prescribed by the Bank from time to time. The present rates for local pay and other allowances are :

- (i) Local pay at 10% of pay.
- (ii) House rent allowance at 15% of pay with a minimum of Rs. 60 and a maximum of Rs. 300/-.
- (iii) Dearness allowance :
 - (a) **Deputy Managers:** Rs. 125/-, provided the pay plus dearness allowance does not exceed Rs. 1250/- per mensem.
 - (b) **Officers Grade I:** 20% of pay upto pay of Rs. 500/- and thereafter at 16-2/3% with a maximum of Rs. 125/-, with marginal adjustments where necessary.
 - (c) **Officers Grade II:** 20% of pay with a maximum of Rs. 100/-.
 - (iv) an ad hoc allowance of 10% of pay with a maximum of Rs. 100/- per month payable up to 31-3-65.

(B) QUALIFICATIONS :

(i) Deputy Managers and Officers Grade I:

Applicants should have high academic qualifications — preferably a first class Master's degree or a Doctorate with proficiency in one or more of the following subjects — or should be members of the Institute of Chartered Accounts of India :

(a) Investment; (b) Banking; (c) Accountancy (d) Cost Accounts, (e) Company Taxation, (f) Company Law and Management, (g) Corporate Finance, (h) Industrial Economics, (i) Techno-economic Surveys, (j) Statistics and Economics, (k) Marketing Economics, (l) Economic Planning.

For posts of Deputy Manager preference will be given to applicants who have had practical experience and/or have done research work in the above fields and who have worked in banks or institutions financing industrial units or in industrial units in a responsible position for at least 5 years.

(ii) Officers Grade II :

Applicants should have a good academic record, preferably a first class Master's degree in Economics or Commerce or Statistics; weightage will be given to special sation in subjects like Banking, Industrial Economics. Industrial Finance, Accountancy, Company taxation, Company Law and Management.

(C) AGE LIMIT AS ON 1ST NOVEMBER, 1964 :

(i) **Deputy Managers:** Candidates should be between 30 and 40 years of age but the age limit may be relaxed in the case of candidates possessing exceptional qualifications.

(ii) **Officers Grade I:** Candidates should not ordinarily be over 35 years of age but the age limit may be relaxed in the case of candidates with exceptional qualifications.

(iii) **Officers Grade II:** Between 21 and 27 years. The maximum age limit is relaxable but not beyond 32 years in the case of :

- (a) candidates possessing special qualifications
- (b) candidates belonging to the Scheduled Castes or Scheduled Tribes.

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

3. Applicants for the above posts must remit with their applications a fee of Rs. 7.50 for each post by cheque or bank draft on a **scheduled Bank** payable at Bombay or by Postal Order. **The application fee is in no case refundable.** In the case of candidates belonging to Scheduled Castes/Tribes, the fee will be Rs. 2/- for application for each post.

4. Applications in the candidate's own handwriting in the prescribed forms obtainable from the Industrial Development Bank's Office at Bombay, accompanied by copies (originals should not be sent) of certificates regarding age and educational qualifications, statements of marks secured in the graduate and post-graduate degree examinations and copies of two testimonials should be forwarded to the General Manager, Industrial Development Bank of India, Post Bag No. 10042, Bombay-1, so as to reach him on or before the 14th November, 1964. Requests for supply of forms through post should be accompanied by a self-addressed and stamped envelope of size 9" x 4".

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

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

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

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

9. Candidates called for interview will be reimbursed single return railway/bus fares by the shortest route from their place of residence to Bombay, applicants for posts of Officers Grade II being paid II Class fares and those for higher posts, I Class fares.

10. Canvassing in any form will be regarded as disqualification.

amounting to Rs. 24.72 lakhs which had been guaranteed by the Corporation and which were met by it. In addition, guarantee commission of Rs. 1.45 lakhs on deferred payments guaranteed by the Corporation was in arrears by one concern on June 30, 1964. Over and above the normal repayments of principal in terms of the mortgage documents, the Corporation had received up to June 30, 1964 a sum of Rs. 698.87 lakhs from the borrower concerns on account of premature repayments of principal and sale of the mortgaged assets.

The rate of interest charged by the Corporation on its rupee loans remained unchanged, during the year, at 7½ per cent per annum with a rebate of ½ per cent per annum for punctual payment of instalments of principal and interest. There was no change in the rate of interest charged during the year on the foreign currency loans (sanctioned out of the dollar credit), viz., 8½ per cent per annum less a rebate of ½ per cent per annum for punctual payment of instalments of principal and

interest (net 7½ per cent per annum) plus an extra ½ per cent per annum to provide for incidental expenses. The rate of interest on the foreign currency loans sanctioned out of the credits in French Francs and Deutsche Marks has been fixed at 8.5 per cent per annum less a rebate of ½ per cent per annum for punctual payment of instalments of principal and interest, i.e. net 8 per cent per annum.

The year's working shows a gross income of Rs. 507.23 lakhs as against Rs. 394.72 lakhs in the previous year. After deductions for payment of interest on borrowings and other expenses, the gross profit for the year works out to Rs. 227.06 lakhs as against Rs. 167.62 lakhs in the previous year. As compared to the previous year the total income during the current year increased by Rs. 112.56 lakhs. The gross profit recorded an increase of about Rs. 59.44 lakhs. The net profit increased from Rs. 82.67 lakhs to Rs. 125.44 lakhs. The appropriations to reserves during the year are higher by about Rs. 42.77 lakhs.

TABLE I.

FINANCIAL ASSISTANCE SANCTIONED AND DISBURSED BY I.F.C. (JULY 1, 1948 TO JUNE 30, 1964)

(Rs. crores)

Year ended 30th June	Net financial assistance sanctioned during the year				Amount disbursed during the year			
	Loans	Guarantees for Deferred Payments on Machinery/Foreign Loans	Under-writings	Total	Loans	Guarantees issued for Deferred Payments on Machinery/Foreign Loans	Under-writings	Total
PERIOD PRIOR TO THE FIRST PLAN								
1949	3.25	—	—	3.25	1.33	—	—	1.33
1950	2.90	—	—	2.90	2.08	—	—	2.08
1951	1.98	—	—	1.98	2.38	—	—	2.38
TOTAL	8.13	—	—	8.13	5.79	—	—	5.79
THE FIRST PLAN PERIOD								
1952	3.20	—	—	3.20	1.78	—	—	1.78
1953	0.53	—	—	0.53	2.50	—	—	2.50
1954	4.10	—	—	4.10	2.82	—	—	2.82
1955	5.13	—	—	5.13	1.64	—	—	1.64
1956	14.06	—	—	14.06	2.20	—	—	2.20
TOTAL	27.02	—	—	27.02	10.94	—	—	10.94
THE SECOND PLAN PERIOD								
1957	9.15	—	—	9.15	9.78	—	—	9.78
1958	5.93	1.82	0.75	8.50	8.33	—	—	8.33
1959	2.76	0.27	0.87	3.90	7.48	—	0.66	8.14
1960	13.58	4.84	0.10	18.52	8.41	2.09	0.17	10.67
1961	19.30	7.60	1.84	28.74	6.62	7.92	0.48	15.02
TOTAL	50.72	14.53	3.56	68.81	40.62	10.01	1.31	51.94
THE FIRST THREE YEARS OF THE THIRD PLAN								
1962	19.05	0.32	0.73	20.10	10.79	0.44	0.24	11.47
1963	21.15	8.88	4.99*	35.02	14.11	4.33	3.99*	22.43
1964	25.11	7.74	4.85	37.70	16.03	3.89	1.96	21.88
TOTAL	65.31	16.94	10.57	92.82	40.93	8.66	6.19	55.78
GRAND TOTAL ..	151.18	31.47	14.13	196.78	98.28	18.67	7.50	124.45

*Includes direct subscription of Rs. 1.82 crores.

TABLE II.

INDUSTRY-WISE DISTRIBUTION OF FINANCIAL ASSISTANCE SANCTIONED BY I.F.C. AS ON JUNE 30, 1964

Type of Industry	No. of units	Amount			Total	% of the whole
		Loans	Guarantees for deferred payments on machinery & for foreign loans	Under-writings		
Sugar	69	4227.75	—	35.00	4262.75	22.3
Textiles	47	1891.73	368.81	64.50	2325.04	11.8
Artificial Fibres	6	381.98	—	31.00	412.98	2.1
Wood & Cork (except Manufacture of Furniture)	4	111.00	—	—	111.00	0.6
Paper and Paper Products	16	1044.21	452.89	100.00	1597.10	8.1
Rubber Products	5	339.00	39.62	34.00	412.62	2.1
Basic Industrial Chemicals including Fertilisers	15	1200.31	554.07	98.75	1853.13	9.4
Miscellaneous Chemical Products	11	384.45	—	32.50	416.95	2.1
Vegetable and Animal Oil & Fats	3	38.00	—	—	38.00	0.2
Glass & Glass Products	12	358.47	—	10.00	368.47	1.8
Pottery, China & Earthenware	10	332.10	—	15.00	347.10	1.7
Cement	12	874.00	—	60.89	934.89	4.7
Iron and Steel	4	203.00	—	30.00	233.00	1.1
Non-Ferrous Metals	5	602.00	1431.33	130.00	2163.33	11.0
Metal Products (except Machinery & Transport Equipment)	33	1124.67	126.81	186.50	1437.98	7.3
Machinery (except Electrical)	12	432.39	—	42.00	474.39	2.4
Electrical Machinery	27	579.36	—	102.50	681.86	3.4
Rail-Road Equipment	3	70.00	—	—	70.00	0.3
Motor Vehicles & Ancillaries	10	352.93	26.95	80.00	459.88	2.3
Bicycles	3	126.00	—	—	126.00	0.6
Miscellaneous Manufacturing Industries	9	65.40	—	—	65.40	0.3
Electric Light and Power	2	43.00	—	—	43.00	0.2
Electricity, Gas & Steam	6	109.28	—	—	109.28	0.6
Coal	3	82.00	—	—	82.00	0.4
Stone Quarrying-Minerals	1	—	—	10.00	10.00	0.1
Petroleum & Natural Gas	1	—	—	350.00*	350.00	1.7
Hotel Industry	5	144.74	147.00	—	291.74	1.4
TOTAL	334	15117.77	3147.48	1412.64	19677.89	100.0

*Includes direct subscription of Rs. 182.00 lakhs.

TABLE III.

STATE-WISE DISTRIBUTION OF FINANCIAL ASSISTANCE SANCTIONED BY I.F.C. AS ON JUNE 30, 1964
(Rs. Lakhs)

State/Territory	No. of units	Amount			Total	% of the whole
		Loans	Guarantees for deferred payments on machinery & for foreign loans	Under-writings		
Andhra Pradesh	25	949.96	433.42	127.89	1511.27	7.7
Assam	7	292.87	—	350.00*	642.87	3.3
Bihar	19	919.20	236.00	31.00	1186.20	6.0
Gujarat	25	1114.89	57.26	88.25	1260.40	6.5
Kerala	10	791.00	102.43	15.00	908.43	4.6
Madhya Pradesh	5	234.27	26.05	22.00	282.32	1.4
Madras	36	1857.25	755.00	270.00	2882.25	14.7
Maharashtra	68	2971.80	150.37	278.00	3400.17	17.3
Mysore	25	1125.64	214.26	23.00	1362.90	6.7
Orissa	10	530.15	149.13	70.00	749.28	3.8
Punjab	22	927.93	54.73	26.50	1009.16	5.1
Rajasthan	7	459.37	450.00	13.00	922.37	4.7
Uttar Pradesh	28	1172.66	161.97	45.50	1380.13	7.0
West Bengal	42	1642.16	288.84	47.50	1978.50	10.1
Delhi	3	82.62	62.40	5.00	150.02	0.8
Andamans & Nicobar Islands	1	11.00	—	—	11.00	0.1
Pondicherry	1	35.00	5.62	—	40.62	0.2
TOTAL	334	15117.77	3147.48	1412.64*	19677.89	100.0

* Includes direct subscription of Rs. 182.00 lakhs.

TABLE IV.

CLASSIFICATION OF NET FINANCIAL ASSISTANCE SANCTIONED BY I.F.C. AS ON JUNE 30, 1964
(According to amounts sanctioned for each industrial concern)

(Rs. Lakhs)

	Co-operatives		Public Limited Companies				Total	
	No. of concerns	Loans	No. of concerns	Loans	Guarantees for deferred payments on machinery and for foreign loans	Under-writings	Total	
(i) Amounts not exceeding Rs. 10 lakhs	—	—	58	186.67	—	173.14	359.81	58
(ii) Amounts between Rs. 10 lakhs and Rs. 20 lakhs	1	22.50	40	471.99	—	141.00	612.99	41
(iii) Amounts between Rs. 20 lakhs and Rs. 30 lakhs	2	54.70	31	783.40	3.12	17.50	804.02	33
(iv) Amounts between Rs. 30 lakhs and Rs. 40 lakhs	3	110.00	33	1015.45	22.79	168.00	1206.24	36
(v) Amounts between Rs. 40 lakhs and Rs. 50 lakhs	6	282.45*	16	657.81	27.99	57.00	742.80	22
(vi) Amounts between Rs. 50 lakhs and Rs. 60 lakhs	9	507.25	13	619.63	80.77	15.00	715.40	22
(vii) Amounts between Rs. 60 lakhs and Rs. 70 lakhs	8	523.00	7	411.97	32.32	5.00	449.29	15
(viii) Amounts between Rs. 70 lakhs and Rs. 80 lakhs	4	297.50	5	336.33	—	42.00	378.33	9
(ix) Amounts between Rs. 80 lakhs and Rs. 90 lakhs	20	1795.00	7	587.68	—	10.00	597.68	27
(x) Amounts between Rs. 90 lakhs and Rs. 1 crore	2	194.00	8	763.41	8.85	13.50	785.76	10
(xi) Amounts exceeding Rs. 1 crore	—	—	41	5506.98	2961.98	770.50†	9239.17	41
TOTAL	55	3786.40	259	11341.32	3137.53	1412.64	15891.49	314

*Includes deferred payment guarantee on machinery for Rs. 9.95 lakhs. †Includes direct subscription of Rs. 350.00 lakhs.

TABLE V.

INDUSTRY-WISE DISTRIBUTION OF FINANCIAL ASSISTANCE SANCTIONED BY I.F.C. DURING 1963-64

(Rs. Lakhs)

Industry	Loans	Guarantees for deferred payments on machinery & for foreign loans	Under-writings	Total	% of the whole	Number of Units
Sugar	110.00	—	20.00	130.00	3.4	3
Textiles	449.95	131.90	56.00	637.85	16.7	20
Artificial Fibres	18.98	—	—	18.98	0.5	2
Wood & Cork	8.00	—	—	8.00	0.2	1
Paper	42.55	34.89	45.00	122.44	3.2	4
Rubber	70.00	—	14.00	84.00	2.1	3
Basic Industrial Chemicals	90.00	400.00	88.75	578.75	15.1	5
Miscellaneous Chemicals	116.87	—	5.00	121.87	3.2	2
Glass	135.05	—	10.00	145.05	3.8	7
Pottery	40.00	—	—	40.00	1.0	1
Cement	255.00	—	45.00	300.00	7.8	2
Iron & Steel	30.00	—	30.00	60.00	1.7	3
Non-ferrous Metals	270.00	103.45	10.00	383.45	10.0	4
Metal Products	506.91	104.44	104.00	715.35	18.7	15
Machinery	149.39	—	30.00	179.39	4.7	6
Electrical Machinery and Equipment	115.22	—	37.00	152.22	4.0	8
Motor Vehicles & Ancillaries	87.00	—	—	87.00	2.3	2
Bicycles	4.50	—	—	4.50	0.1	1
Petroleum Products — Oil Refineries	—	—	46.18	46.18	1.2	1
Miscellaneous Industries	12.35	—	—	12.35	0.3	1
TOTAL	2511.77	774.68	540.93	3827.38	100.0	91

TABLE VI

STATE-WISE DISTRIBUTION OF FINANCIAL ASSISTANCE SANCTIONED BY I.F.C. DURING 1963-64

(Rs. Lakhs)

States/Territory	Loans	Guarantees for deferred payments on machinery & for foreign loans	Under-writings	Total	% of the whole	Number of Units
Andhra Pradesh	48.48	406.67	100.0	553.15	14.5	8
Bihar	180.00	—	11.00	191.00	5.0	3
Gujarat	279.49	34.89	66.25	380.63	9.9	10
Kerala	149.00	102.43	61.18	312.61	8.2	3
Madhya Pradesh	122.27	—	17.00	139.27	3.6	4
Madras	386.69	—	90.00	476.69	12.5	8
Maharashtra	441.35	65.56	99.50	606.41	15.8	18
Mysore	228.38	7.17	15.00	250.55	6.5	7
Orissa	—	—	20.00	20.00	0.5	2
Punjab	198.91	38.88	13.00	250.79	6.6	5
Rajasthan	36.00	—	—	36.00	0.9	2
Uttar Pradesh	122.05	120.02	33.00	275.07	7.2	9
West Bengal	311.15	1.02	15.00	327.17	8.6	10
Delhi	—	0.04	—	0.04	—	1
Andamans & Nicobar Islands	8.00	—	—	8.00	0.2	1
TOTAL	2511.77	774.68	540.93	3827.38	100.0	91

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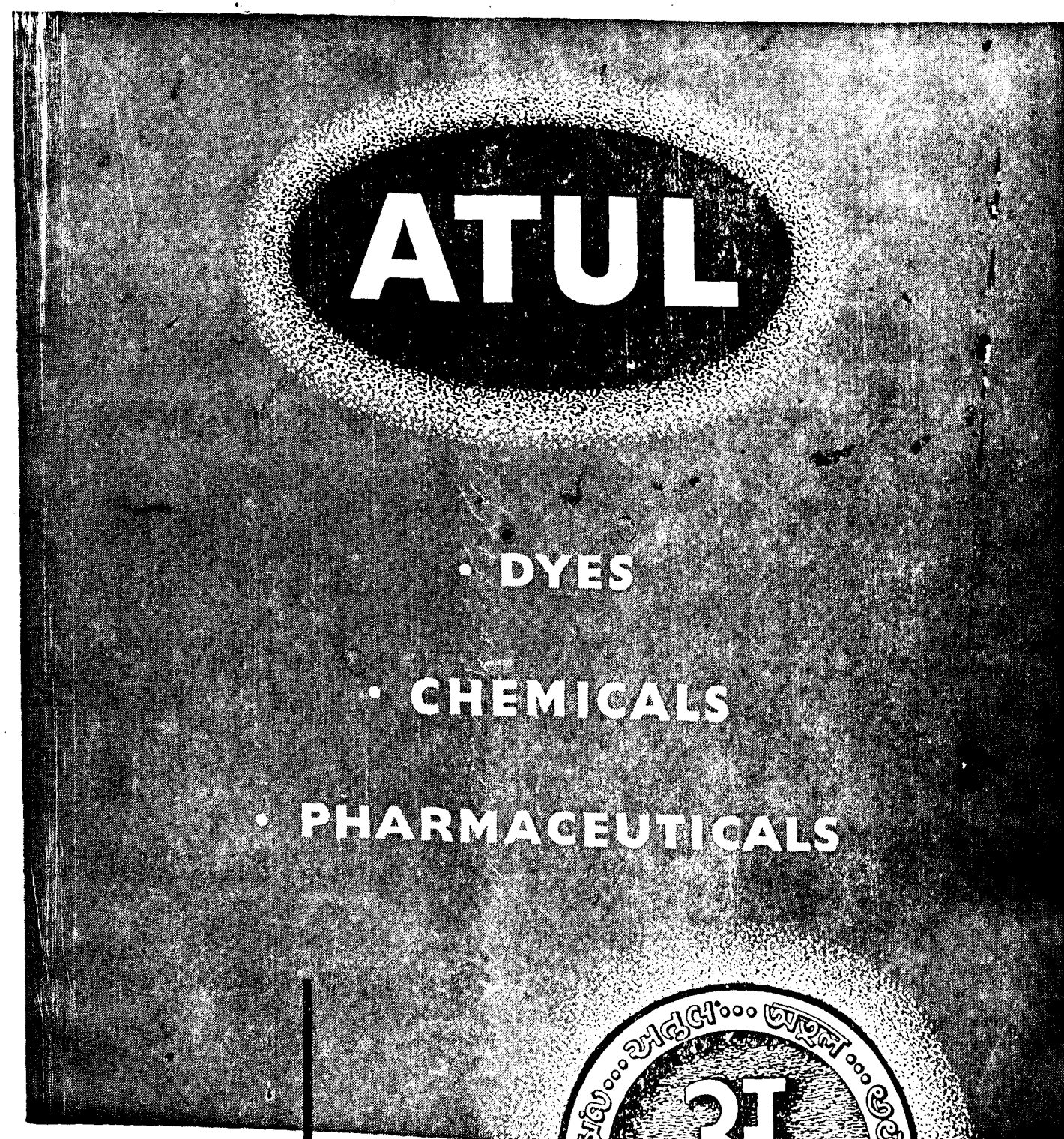
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that negotiations were possible only on terms dictated by Peking. On the credit side lies the consolation that the conference, while pronouncing itself in favour of "present borders and sovereignty", made an oblique reference to China's border war with India in 1962. It stated that "a situation brought about by threat or use of force should not be recognised and in particular established frontiers of States should be inviolable".

The communique issued at the end of the conference made the admission that sources of tension existed in many parts of the world; it laid down the considered views of the participants regarding the method of eliminating these fountains of friction. To eradicate colonialism, neo-colonialism and imperialism, the conference urged the colonised people to "resort to arms to secure full exercise of their right of self-determination and independence if the colonial powers persisted in opposing their natural aspirations." This, indeed, is a major departure from the early stand taken by the non-aligned nations at Belgrade. It is an obvious incitement to the peoples of South Africa, Angola, Mozambique etc. to take to arms for their liberation and the nations assisting in this regard would be, in the eyes of the non-aligned countries, fully justified. On Congo, the discontinuance of the recruitment of the mercenaries has been urged in order to facilitate an early solution. The racist minority rule in Southern Rhodesia has been condemned and all the non-aligned States have been asked not to recognise the independence of Southern Rhodesia if proclaimed under the rule of the minority. South Africa

Art Silk Industry Needs Modernisation

THE ESTIMATES Committee Report relating to the art silk industry, submitted to Parliament in June 1964, has been rendered obsolete in most of its recommendations except the one dealing with the modernisation of the industry. The concern exhibited by the Committee regarding the laxity of Government control on the distribution of indigenous yarn (and the consequent high prices) has already been taken note of by the Government. The last Budget introduced new elements with the result that while the evil of the sale of quota by the consumers was eliminated to a certain extent, no concrete action had been taken to provide the wherewithal for modernising the industry. The levy of additional excise duty in the last budget kept the prices of yarn at a relatively high level, leading to a curb on demand. It is a pity that for purposes of taxation the art silk industry has been classified as a luxury industry regardless of the fact that it serves today the requirement of a large number of families in the less-privileged sections of society.

The anticipated rise in population and increase in incomes during the next decade are likely to give a considerable push to the demand for all textiles. It has been estimated by the Association of Man-Made Fibre Industry that in case cotton textiles alone were

and Portugal have been condemned in unmistakable terms for their persistent refusal to co-operate with the United Nations in the implementation of pertinent resolutions of the General Assembly. Similar views have been expressed in favour of the freedom movements in Swaziland, Basutoland, Bechuanaland, French Somaliland, etc. On Palestine, the participants gave full support to the Arab point of view. Britain was condemned for holding an arms and military base in Aden. All these exhortations are not at variance with the stand taken by this country in the past, though the commitments in the latest communique have been made more sharp and pointed. The suggestion regarding the withdrawal of foreign troops from Viet-Nam is, perhaps, charged with hazards to which the non-aligned nations did not give careful consideration. The adoption of their recommendation will, without doubt, result in the occupation of South Viet-Nam by the Hanoi Communist Government with the assistance of Peking and will result in a dislocation of balance of power in this area.

All in all, it might be stated that the conference was not a great success from India's point of view though some favourable points did emerge. In any gathering of so many State chiefs with divergent interests and inclinations, it may not be possible for any one country to be able to orient thinking on preconceived lines. Some of the recommendations will, no doubt, remain on paper as they have in the past, but a feeling exists that the net result of all the pronouncements made at the conference is not altogether in our favour.

to meet the needs of the country in the next ten years an additional 2000 million yards of cotton fabrics would have to be produced. This means that the country will have to devote more acreage to cotton cultivation or, alternatively, spend valuable foreign exchange in importing cotton. Being a reliable and relatively cheap substitute as well as a blend for cotton, the rayon fibres can meet the nation's growing textile requirements without usurping additional acreage for cotton which could be diverted for food production.

Burdened with additional excise duty levied in the last budget, the industry is left with hardly any incentive to expand further to meet the country's internal as well as export requirements. The total excise duty at present ranges from 52.4 per cent to 72.6 per cent of the basic ex-factory prices. For instance, the ex-factory price of 150 deniers yarn is Rs. 8.26 per kg. whereas the total excise duty that it attracts is Rs. 6. The impact of a high incidence of excise duty becomes more evident when a comparison of the domestic prices of rayon yarn in India is made with those prevailing in other countries. For instance, the selling price of 100 deniers yarn in India is Rs. 15.50 per kg. as compared to Rs. 5.66 per kg. in Japan, Rs. 9.42 per kg. in the UK and Rs. 12.39 per kg. in the USA. The purchasing

power of the Indian consumer being much lower than that of his counterpart in these countries, the demand for art silk has been restrained.

As regards modernisation, again, the Estimates Committee has not made any far-reaching recommendations. The report has recommended that a mill-wise plan for rehabilitation and modernisation of art silk industry should be prepared by the Textile Commissioner and that the industry should be assisted by indicating the sources from which suitable machinery could be procured. The Committee has not bothered to examine the specific requirements of the industry and accordingly, to recommend for the allocation of a definite volume of foreign exchange for the purpose. A large part of the machinery now being used in the weaving industry was originally intended for cotton but was later on converted to process rayon. Due to the paucity of foreign exchange, new machinery was not imported in the past, and now, the urgency of rehabilitation and modernisation is more than ever before. However, unlike cotton, only a small allocation of foreign exchange will suffice for modernising the art silk weaving industry. According to the estimates of the Association of Man-Made Fibre Industry, less than Rs. 50 crores will be needed for the import of machinery required for the industry so as to meet the country's present needs. Needless to add that the foreign exchange spent on modernisation will be more than repaid by way of increased exports as the installation of up-to-date machinery will lead to reduction in the cost of production as well as improvement in quality. Again, the improvement in quality will open up a new range of art silk fabrics for export markets.

Without taking into consideration the export aspect of the art silk industry, the Estimates Committee recommended that even at the current stage of development of the industry it was as important to improve the quality of production as to maintain quantitative output and that, therefore, efforts should be made to improve the quality of art silk fibres. From the technical point of view the position is that in the manufacture of rayon yarn only about 90 per cent of the production can be in the first grade. The Indian rayon units, instead of spinning at the recommended speed of approximately 90 metres per minute for certain deniers, spin at 110 to 120 metres per minute with the result that their production of first grade yarn is only 75 to 80 per cent of the total. In the existing circumstances, it is not considered worthwhile to insist upon higher proportion of first grade yarn for the reason that it will reduce overall production by 20 to 25 per cent, leading thereby to a further shortage of the material in the country. Besides, an increase in the proportion of the first grade yarn will not result in an increase in the total production of this yarn. In the ultimate analysis, therefore, the efforts to increase the production of first grade yarn will lead to overall increase in the cost of production as well as to lesser availability of indigenously produced yarn.

This will obviously affect our exports adversely as reduced value of fabrics will be available for exports and that too at relatively higher prices.

The development of rayon industry needs to be welcomed not merely from the point of view of domestic requirements but also for earning additional foreign exchange through exports. While, on the one hand, the country's dependence on the import of rayon yarn is now considerably less, the export of art silk fabrics has gone up tremendously. In the case of fabrics alone, India's exports in 1963 amounted to 90 million metres valued at Rs. 10.4 crores, showing an increase of 22 times over the decade at an average rate of expansion of 200 per cent per annum. The fibre industry too accounted for a saving in foreign exchange of nearly Rs. 15 crores in 1963. India today exports rayon and synthetic fabrics to as many as 80 countries, and in spite of increasing foreign competition, the value of exports has continued to increase. Encouragement to the domestic rayon fibre and fabric industries must, therefore, come from the Government both by way of reduction in taxes, particularly, in excise duty on yarn, and by liberal provision of foreign exchange for the import of machinery required to modernise the weaving industry.

Eastern Economist 20 Years Ago OCTOBER 13, 1944

The second broadcast in the BBC series on Indian agriculture was, like the curate's egg, good in parts. Sir John Russell was certainly right in emphasising the importance of mixed farming. There can be no question that India should produce more fruits, more vegetables and above all more milk. The discussion brought out many of the defects of the unbalanced agricultural production that obtains today. The immediate benefits from cereal cultivation or cash crop farming are apparent, but there is the danger of the peasants ending up in monoculture, which is bad for the soil and bad for the cultivator. Bad for the soil because you get an accumulation of diseases and pests, and in some cases even soil erosion. Bad for the cultivator, because if the concentration is on grains, diet becomes poor and unbalanced and if the concentration is on commercial crops, it even becomes inadequate and precarious as the cultivator tends to get away from his source of food and has to depend on what he can buy or import. To a country such as India, especially, with its high density of agricultural population, the general adoption of mixed farm is the essential condition of prosperous agriculture. This should not, however, mean that we can afford to produce less of foodgrains, or even very much less of commercial crops. To take foodgrains first, the war has demonstrated that this country does not produce enough for its people even at the present inadequate level of consumption. In an ideal world, it may be to India's advantage to take up mainly the production of protective foods, importing foodgrains cheaply from Australia or Argentina, where extensive cereal cultivation can be practised more economically.

"CUPPACHA?"

Besides adopting the Indian word for tea, the U.K. in the month of March 1964 alone, also took Rs. 1.04 crores worth of tea. The rest of the world took Rs. 4.89 crores worth. A year's export of tea will earn enough foreign exchange to finance a project twice as large as the nuclear power plant at Tarapur. That's how important tea exports are—how important exports are to India.

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Cairo Conference

THE NON-ALIGNED conference at Cairo was "a rewarding experience" for our Prime Minister, Mr. Lal Bahadur, as it provided him with an opportunity to meet the chiefs of no less than 47 countries in his first-ever overseas visit. His satisfaction with the conference is justified on the score of his having made personal contacts with so many of the non-aligned leaders, if not for any other reason. The Press reports which reached New Delhi from Cairo during the last week indicated that the Prime Minister's frankness, sincerity and humility had won him many a friend. All this is extremely encouraging though some vital questions are being currently asked in the country relating to positive gains, if any, which emerged for India at this conference. Has any concrete contribution been made by the Colombo Powers to resolve India's border dispute with China? Will the non-aligned nations pick up enough courage to ask China to abandon the projected nuclear test? Again, what far-reaching changes are expected in the international scene as a result of the deliberations at this conference? Have we given away more than we have gained? These are all relevant questions which cry out for clear and unambiguous answers.

The Prime Minister's speech at the non-aligned conference was, no doubt, a skilful one because it raised all the issues which directly or indirectly affected India, though it covered many broad issues of "peace, freedom and progress" in the world as a whole. His reference to the right of self-determination for dependent territories under colonial rule was in very clear terms. Tackling indirectly the Kashmir problem in the same sweep he said that "there can be no self-determination in different areas and regions within a sovereign and independent country for this would lead only to fragmentation and disruption and no country's integrity would be safe". Again, he dilated upon the question of racialism which he condemned in strong words. He also referred to discriminatory action against residents of certain racial origins implying the treatment being meted out to Indians in some of the African States. He urged that the problem of persons living in other lands — persons who were originally from another country — should be tackled after mutual discussion and consultation. To the credit of the Prime Minister is the suggestion that a delegation be sent to China to dissuade the Peking Government from detonating some kind of a nuclear device. Unfortunately this proposal yielded next to nothing, though it did attract wide attention. The Prime Minister gained in stature by declaring at the conference that India could, if it so desired, develop nuclear weapons within a year or 18 months as the country possessed both raw materials and technical skill. He hastened to add that India "did not intend to go down this trail". This policy of moderation and restraint was, without doubt, appreciated by all the heads of the States.

When the Colombo Powers were preparing to approach China for adopting a reasonable attitude on the border dispute with India, the well-timed statement by Peking smashed their hopes altogether for a possible early settlement. The declaration by the Chinese Government made it clear that "such consultations not only could not be of any help to the promotion of direct Sino-Indian negotiations, but will place more obstacles in their way, making it more difficult for the Six Colombo Conference nations to conduct meetings in the future". The door was slammed in the face of Colombo mediators; the obvious implication was

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(A) POSTS AND SCALES OF PAY :

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- (ii) Officers Grade I : Rs. 430-430-55-815 EB 55-925-60-1045.
- (iii) Officers Grade II : Rs. 375-20-535-25-560 EB 25-660-30-720.

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

In addition to pay, the selected candidates in all categories mentioned above will be eligible to draw local pay, house allowance, dearness allowance and other allowances at rates prescribed by the Bank from time to time. The present rates for local pay and other allowances are :

- (i) Local pay at 10% of pay.
- (ii) House rent allowance at 15% of pay with a minimum of Rs. 60 and a maximum of Rs. 300/-.
- (iii) Dearness allowance :
 - (a) **Deputy Managers :** Rs. 125/-, provided the pay plus dearness allowance does not exceed Rs. 1250/- per mensem.
 - (b) **Officers Grade I :** 20% of pay upto pay of Rs. 500/- and thereafter at 16-2/3% with a maximum of Rs. 125/-, with marginal adjustments where necessary.
 - (c) **Officers Grade II :** 20 % of pay with a maximum of Rs. 100/-.
- (iv) an ad hoc allowance of 10% of pay with a maximum of Rs. 100/- per month payable up to 31-3-65.

(B) QUALIFICATIONS :

(i) Deputy Managers and Officers Grade I :

Applicants should have high academic qualifications—preferably a first class Master's degree or a Doctorate with proficiency in one or more of the following subjects—or should be members of the Institute of Chartered Accountants of India :

(a) Investment; (b) Banking; (c) Accountancy, (d) Cost Accounts, (e) Company Taxation, (f) Company Law and Management, (g) Corporate Finance, (h) Industrial Economics, (i) Techno-economic Surveys, (j) Statistics and Economics, (k) Marketing Economics, (l) Economic Planning.

For posts of Deputy Manager preference will be given to applicants who have had practical experience and/or have done research work in the above fields and who have worked in banks or institutions financing industrial units or in industrial units in a responsible position for at least 5 years.

(ii) Officers Grade II :

Applicants should have a good academic record, preferably a first class Master's degree in Economics or Commerce or Statistics; weightage will be given to specialisation in subjects like Banking, Industrial Economics, Industrial Finance, Accountancy, Company taxation, Company Law and Management.

(C) AGE LIMIT AS ON 1ST NOVEMBER, 1964 :

(i) **Deputy Managers :** Candidates should be between 30 and 40 years of age but the age limit may be relaxed in the case of candidates possessing exceptional qualifications.

(ii) **Officers Grade I :** Candidates should not ordinarily be over 35 years of age but the age limit may be relaxed in the case of candidates with exceptional qualifications.

(iii) **Officers Grade II :** Between 21 and 27 years. The maximum age limit is relaxable but not beyond 32 years in the case of :

- (a) candidates possessing special qualifications.
- (b) candidates belonging to the Scheduled Castes or Scheduled Tribes.

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

3. Applicants for the above posts must remit with their applications a fee of Rs. 7.50 for each post by cheque or bank draft on a **scheduled Bank** payable at Bombay or by Postal Order. **The application fee is in no case refundable.** In the case of candidates belonging to Scheduled Castes/Tribes, the fee will be Rs. 2/- for application for each post.

4. Applications in the candidate's own handwriting in the prescribed forms obtainable from the Industrial Development Bank's Office at Bombay, accompanied by copies (originals should not be sent) of certificates regarding age and educational qualifications, statements of marks secured in the graduate and post-graduate degree examinations and copies of two testimonials should be forwarded to the General Manager, Industrial Development Bank of India, Post Bag No. 10042, Bombay-1, so as to reach him on or before the 14th November, 1964. Requests for supply of forms through post should be accompanied by a self-addressed and stamped envelope of size 9" x 4".

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

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

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

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

9. Candidates called for interview will be reimbursed single return railway/bus fares by the shortest route from their place of residence to Bombay, applicants for posts of Officers Grade II being paid II Class fares and those for higher posts, I Class fares.

10. Canvassing in any form will be regarded as disqualification.

Highlights of the Week

SPACE RACE

THE USSR has once again asserted its lead in the space race by launching a three-man spaceship from somewhere in Soviet Central Asia on Monday, October 12. The pilot of the ship, Colonel Vladimir Komarov, is an engineer while his two companions are civilians. Lieut. Boris Yegorov is a doctor while Mr. Konstantin Feokistov is a scientist. The cosmonauts have been in touch with Moscow ever since the spaceship went into orbit; they answered questions of a commentator on television on the day of the flight.

About a year ago, the USSR had established a new record by launching two spacecraft simultaneously. The USA had thrown up Ranger VII which hit the moon and it was being speculated that the USSR would repeat the same feat. The Russians have, however, replied in a more dramatic manner by this three-man flight.

The present spectacular achievement has shown that the USSR scientists possess technical knowledge to build a large spaceship which can accommodate three cosmonauts and all the equipment needed by each one of them. An important feature of the new venture is that, for the first time, it will make possible the observation of biological changes produced in human beings while floating through space. During the third and the fourth orbits on the first day, the doctor — Lieut. Boris Yegorov — carried out some blood tests and made certain other physiological studies. He also checked blood pressure and lung reactions of his companions. An analysis of medical reactions in "prolonged flight" will be the key discovery of this space-flight.

The spaceship has been named Voskhod which means "Sunrise". Each one of its flights round the earth takes place in 90.1 minutes. The Russian scientists have made it known that it is making the highest flight ever attempted by any spaceship. At the farthest point, it is about 409 kilometres or 250 miles from the earth—nearly 100 kilometres farther than the earlier record by the first cosmonaut, Yuri Gagarin, in 1961.

The new three-man flight into space is the sixth Soviet-manned space venture. All earlier manned flights into space have been conducted before August while the latest one has taken place in October. It means that the Russian scientists are slowly attempting to experiment in months which, in relation to weather conditions, are not deemed congenial.

As we go to the Press, the news has been flashed that the spaceship returned to earth after 24 hours of flight discounting the earlier conjectures that the spaceship would be in orbit for 7 to 10 days.

FINANCE FOR DEVELOPMENT

MR. PIERRE-PAUL Schweitzer, Managing Director of the International Monetary Fund, has made some candid observations regarding the Indian economy. Expressing his admiration for India's positive achievements in the field of planned development, he desired that "this should not lead to any slackening but rather to redoubled development effort and continued monetary vigilance — particularly in the light of the current pressures on the general economic situation". The situation considerably confounded by the additional defence expenditure, he added, had been rendered even worse by India's failure on the agricultural front. He suggested that timely budgetary and credit policy measures could play an important role in the present need to avoid a further spiralling of prices and costs which could have serious consequences for India's development plans. He was convinced that the Indian leaders were fully seized of the situation. These ob-

servations of Mr. Schweitzer were made while delivering a lecture on "Some Financial Aspects of Economic Development" at the Indian Institute of Public Administration in New Delhi on October 5.

Perhaps of greater interest were his theoretical generalizations. Through the symptoms pointed out by him it is not difficult to diagnose the ailments of the Indian economy. It has been widely recognized that India, at present, is in the midst of a serious inflationary spiral, the repercussions of which are gradually becoming familiar. Mr. Schweitzer probably thought it appropriate to highlight the disastrous consequences of the rapid, or even mild, inflation at a time when there is every likelihood of this country embarking on a Rs. 20,000 crore-plus fourth Plan, which cannot conceivably be financed except by resorting to draconian inflationary measures. Rapid inflation, according to Mr. Schweitzer, breeds distrust in domestic money and, therefore, discourages savings, which are liable to be diverted to such unproductive uses as real estate speculation, excessively large inventories, or gold hoarding, or they may through various devices flow abroad. The government's attempt to check prices of basic producer and consumer goods discourages their output leading to serious shortages. Inflation also discourages foreign investment, eats into the exportable surpluses, and upsets balance of payments position. Finally, the social consequences of inflation can often lead to political instability.

Mr. Schweitzer also suggested corrective measures to put the country's economy back into the gear. He advocated the fostering of savings habit among the people, which could best be done with the assistance of a variety of savings media and financial institutions. The incentive of interest rate can also encourage savings, especially when there is danger of the value of the money being eroded by inflation. The promotion of exports is important because of the increasing requirements not only of imports but also of debt service charges. There was, however, a controversial suggestion which Mr. Schweitzer made. He said that as compared with a large number of other countries, the proportion of national income that is taken by taxation in India is still relatively low. In the existing circumstances of this country it might be stated that for the Indian people, the breaking point has already been reached and any further attempt to put additional tax burdens will result in a chaotic situation. What is needed, however, is an efficient tax-collecting machinery. In this respect the Government might well seek help from the Fund's Fiscal Affairs Department.

Talking of the functions of the IMF, Mr. Schweitzer made it clear that the Fund was not in business to provide capital for development. It extended short-term foreign exchange credit to assist countries in overcoming temporary balance of payments difficulties. The Fund is an increasingly important source of international liquidity for the developing countries which, under the pressure of their development needs, have been forced to reduce their own gold or foreign exchange reserves to low levels. Compared with their own resources of about \$12 billion, the developing countries have quotas in the Fund totalling about \$4.3 billion — about 27 per cent of Fund quotas.

PIMPRI : A CREDITABLE RECORD

THE 1963-64 Report of Hindustan Antibiotics Ltd., Pimpri, released to the press a few days ago, reveals the same encouraging story of success which enabled this company to win the Presidential Award for outstanding performance among the public sector undertakings in the previous three years.

in a row. With the net turnover increasing from Rs. 400.64 lakhs in 1962-63 to Rs. 447.39 lakhs in 1963-64 and the capital employed going up from Rs. 635.28 lakhs to Rs. 683.25 lakhs, the percentage of net turnover to capital employed improved from 63.1 to 65.5. The gross profit, after providing for a higher depreciation of Rs. 52.75 lakhs against Rs. 35.66 lakhs for 1962-63, at Rs. 142.35 lakhs, however, failed to show a proportionate increase from Rs. 139.64 lakhs. But this was due to the fact that the company had to incur an expenditure of about Rs. 30 lakhs in subsidising its sales of Streptomycin. The net profit at Rs. 72.35 lakhs, against Rs. 69.60 lakhs in the previous year, showed a better return on the paid-up capital of Rs. 247.26 lakhs, the percentage increasing from 28.2 to 29.3. The improved financial results have enabled the company to declare a dividend of 10 per cent for the year 1963-64, as against 6.25 per cent for the previous two years.

Two very encouraging features of Hindustan Antibiotics' working during its 10 years of operation have been the judicious use it has made of its surpluses and the progressive reduction it has effected in production costs. Every rupee invested in this company by the State has grown to be equal to Rs. 3.60. The net worth of the company at the end of March, 1964, amounted to Rs. 682.83 lakhs — Rs. 247.26 lakhs paid-up capital and Rs. 435.57 lakhs reserves and surplus. The company's costs of producing Penicillin G (first crystals) and Penicillin G (sterile bulk) in 1963-64 were 68 and 77 per cent, respectively, of the costs in 1958-59. The vialling cost too went down to 74 per cent during these five years. That production costs have been brought down despite increase in the prices of raw materials and operating expenses is a tribute to the company's management. After reducing Penicillin sale prices twice already, Hindustan Antibiotics is now contemplating a further price reduction.

The real criterion of the success of a drugs manufacturing concern, however, is the contribution it makes to the

discovery of new medicines. In this respect, too, the record of Hindustan Antibiotics has been creditable. Its anti-fungus drug Hamycin has already been well received even in the most advanced countries; the US Public Health Department has requested Hindustan Antibiotics to get FDA clearance for testing Hamycin against deep mycoses in patients in the USA. In view of the encouraging indications that the world demand for Hamycin may be more extensive than what was thought of in the initial stages, the company has approached the Union Government for enlargement of its Hamycin production programme from 50 kgs. to 250 kgs. per annum. The company has also experimented with another new antibiotic — Dermostatin — a supplement to Hamycin. The new antibiotic is expected to be released for sale shortly. Among several other new antibiotics under active study at the company's research laboratories, Auriofungin (for plant disease control) and Streptorubrin (antitumour properties) hold good promise. Still another important antibiotic of special use to ophthalmologists — Neomycin — has also been tackled with success by the company's research department. A project is now under preparation for the production of Neomycin at Pimpri.

Hindustan Antibiotics also has plans to export Penicillin for earning for the country valuable foreign exchange. A special reserve has been created for the purpose of offsetting the loss on these exports as is the case in most of the Western countries. Already a sum of Rs. 17 lakhs has been put in this reserve.

The company expects to raise its Penicillin manufacturing capacity from 60 mmu to 84 mmu per annum and Streptomycin manufacturing capacity from 40-45 tonnes to 80-90 tonnes per annum by the end of the current calendar year. Its other two projects — the Vitamin C production pilot plant and the antibiotic pilot plant — are also progressing well. So also its investigations on the production of APR-1 and Octacillin.

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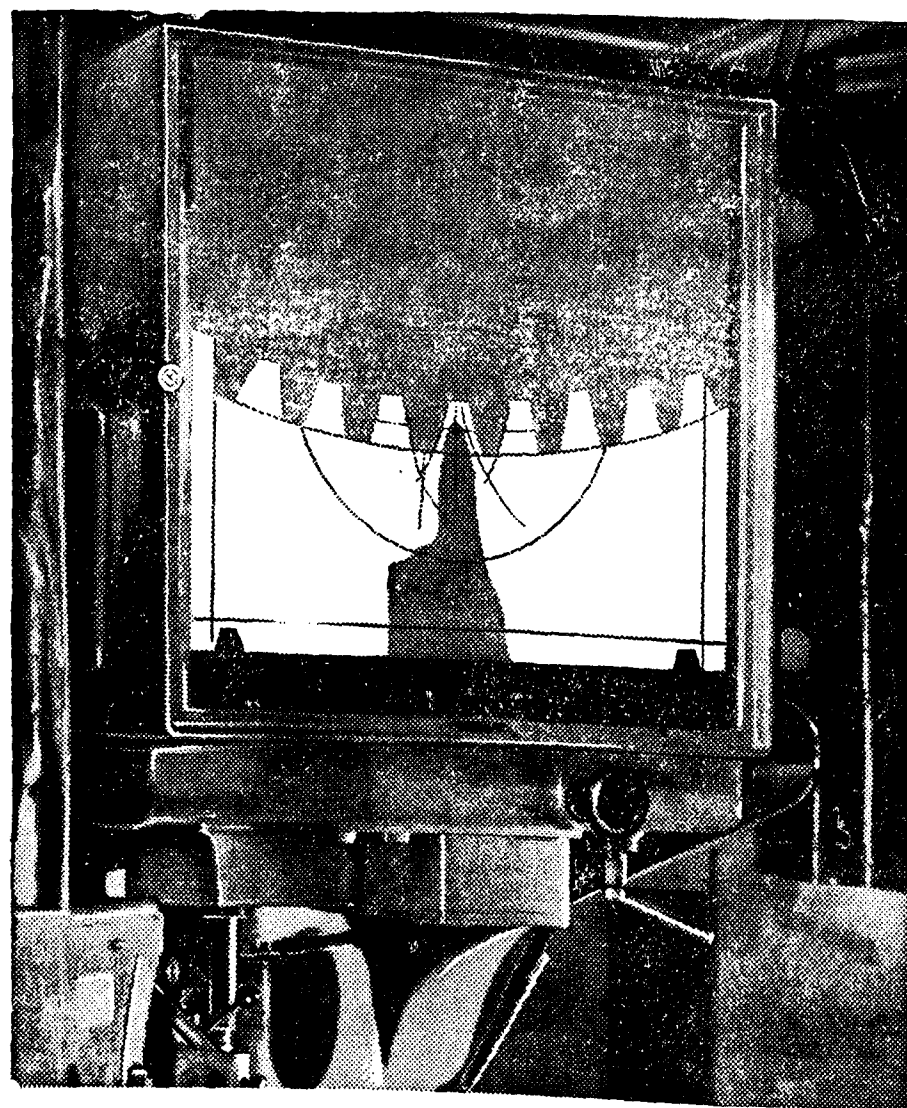
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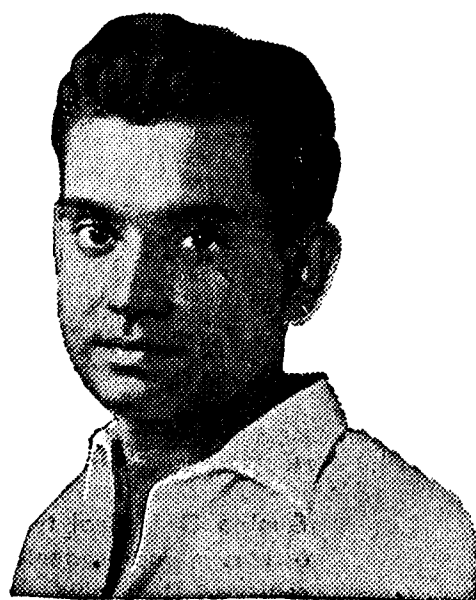
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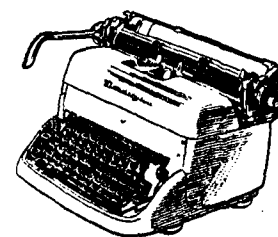
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Population Control: Ways and Means

K. G. KRISHNAMURTHY

TODAY MOST people in this country agree that the control of population growth is essential for economic progress. But opinions differ on how to achieve this objective. There are three formulae familiar to demographers and sociologists: Raising of age at marriage, Contraception and Sterilization. Differences of opinion as to their relative desirability or effectiveness exist and have considerably enfeebled the national family planning effort.

Age at marriage is undoubtedly one of the important factors which influences the fertility rate. But the extent to which this variable does affect the birth rate in Indian conditions admits of discussion. Theoretically speaking, the physiological reproductive span of a female is 30 years or more — but not less — depending on the dietary habits, sanitation facilities and working conditions. But the study by Baljit Singh shows that in India it has been observed in some parts of the country that the physiological reproductive span of females is only 21 years. This can be attributed to a number of factors such as poor nutritional standards, lack of medical facilities and irregular work habits etc. This argument can also be substantiated by the fact that the average number of children born to Indian women are from six to seven whereas in the case of a European woman (where contraception is not practised) the average is from eight to ten.

Major Factor

The study by Chandrasekaran provides evidence that 'adolescent sterility' is one of the major factors for the lower fertility rates of Indian women. His data show that more women fail to conceive after a particular number of children (adolescent sterility). This study also found that the average interval between births among Indian women is about 33 months. In view of the low levels of usage of contraceptive techniques in India, this average period of 33 months between terminations is unusually large. This is so because there is a large gap between termination and the onset of menstrual cycle, induced by poor diet, lack of proper medical care and several other factors. The World Health Organization in their final report on family planning studies in 1954 have reported that about half of the village women near Delhi do not resume their menstrual cycle up to 12 months after the termination of pregnancy.

It might be deduced from the foregoing that if the physiological reproductive span were reduced, it would have the desired effect on the birth rate. In other words, a reduction in reproductive span of Indian women, say from 21 years to 16 years, will bring about a corresponding reduction in the number of births. Pursuing this line of logic some eminent economists have come out with the suggestion that the adoption of the practice of late marriage in India will go a long way in solving the population problem. It is possible, however, that this faith is exaggerated.

In India the 'effective marriage' i.e., the actual consummation, mainly in the rural areas, does not take place right after the marriage. It takes place only after a religious and social ceremony separate from and subsequent to the marriage proper is performed. This takes place only after the girls reach puberty although marriages in rural areas take place much earlier.

According to S. N. Agarwala the mean age at marriage increased from 12.6 to 15.5 years during the period 1921-1931. He argues that this factor might have lowered the birth rate by three per cent.

The study by Dasgupta, Som and Mazumdar, on the other hand, demonstrates that:

- (i) The age at marriage for rural couples in the last four decades remained almost the same whereas for the urban couples it has slightly increased;
- (ii) Rural and urban differences in fertility level were small; and
- (iii) Fertility levels in both rural and urban areas are on the increase.

Studies conducted in Central India showed that the mean number of children born was 5.3 for those who married before reaching 13 years of age; 4.1 for those who married when 13-17 years of age and 3.5 for those who married when they were 18 years or age or older. The results of the Study at Singur in W. Bengal support the argument that the age at marriage does not seem to influence the birth rate. The results of this study are presented in the following table:

AVERAGE AGE AT TERMINATION FOR MARRIED WOMEN AGED 25-34 YEARS AND 35 YEARS AND OVER, BY ORDER OF TERMINATION

	Ballygunje		Baniatola		Singur	
Order of Termination	Women aged 25-34 years*	Women aged 35 yrs & over	Women aged 25-34 years	Women aged 35 yrs. & over	Women aged 25-34 years	Women aged 35 yrs. & over
First	19.5	17.8	18.0	17.2	16.6	16.6
Second	21.6	20.3	20.2	20.1	19.6	19.5
Third	23.0	22.8	22.2	22.7	21.6	22.2
Fourth	24.3	25.0	23.8	25.2	23.7	25.0
Fifth	25.6	27.0	25.2	27.3	25.3	27.6
Sixth	—	28.9	—	29.1	—	29.5
Seventh	—	30.6	—	30.7	—	30.9
Eighth	—	31.9	—	32.3	—	32.6
Ninth	—	33.1	—	33.5	—	34.0

*"In view of the restricted age-range, it has not been considered advisable to give averages for terminations higher than the fifth order."

Note: A total number of 5,023 married women (Singur 1,868, Baniatola 1,541 and Ballygunje 1,614) of Ballygunje, Baniatola of Park Circus of Calcutta City and Singur, a rural area located within 20 miles distance from Calcutta City, during the period of 1947-1949 were selected for this study.

The above data shows that these three communities differed only in the ages at first conception, but by the end of the second termination, their averages at terminations levelled off. This demonstrates that for those who were married younger, the consummation did not take place for a period of time. Even if the consummation did take place the interval between the first termination and the second is longer for this group than the group that married when they were older.

A study by Sinha suggests that women married at the age of 16 years or less had fewer children than women married after the age of 16. Studies in Mysore showed that women who married when they were 14 years or less had larger

families than women who married later. However the differences that were found in the Mysore study were very small.

The majority of the above studies support the argument that small differences in ages at marriage will have no effect on birth rates. Ages at marriage will have a substantial effect on the birth rates in India only when the marriages are postponed beyond 20 years of age. Even if the postponement is achieved by means of social change there is no guarantee that there would be a corresponding decrease in the birth rates. This is because, by the postponement of marriageable age we will be reducing the physiological reproductive span from an unrealistic 21 to an unrealistic 14 years. Even within this span which may go up as high as 9 years, according to the accepted biological standards with the increasing levels of living it is possible for a woman to have 7 to 8 children with lower spacings between terminations, which equal the present Indian average birth rate. Moreover with the increasing standards of living and health facilities the present reproductive span of Indian women is expected to increase so that the expected standards of living would tend to increase births both by reducing the spacing and by increasing the reproductive span. Any advantage of higher marriage age is therefore likely to be upset by these adverse factors.

The Studies conducted so far in India on attitudes (about 29 studies were conducted) towards family planning reveal that urban population desires to have three to four children, whereas rural families expressed the desire to have four to five children. Therefore only the changes in the attitudes of the people and a deep motivation to have limited families alone will have any appreciable effect in the near future in the reduction of birth rates.

Fertility Period

The author is familiar with the argument that fertility among Indian women tapers off after 35 years of age. Therefore the most effective reproductive span of Indian women is only up to the age of 35. If we accept this, the reproductive span is limited to 20 years. The present average age of Indian marriages is 15 years. If this is postponed to the age of 20, then the reproductive span will be reduced from 20 to 15 years. According to biological scientists a woman within this given span of fertility period can have more than 11 children. The actual observed average interval between births among Indian women is three years. If we take this observation into our consideration a woman in fact can only have five children. Therefore by postponement of marriages by five years there will be a 29 per cent reduction in birth rate. But the essence of the argument advanced above is that the present average birth rate in India is six children. Let us assume that all the people in India marry only when they are 20 years of age. Let us also assume the past trend of average three years observed gap between pregnancies remains constant. Even then unless the people are strongly motivated to have limited families they can have five children on the average. Therefore if our aim is to substantially reduce the birth rates so as to prevent the nullifying effects on the economic development and the distribution of wealth, we will have to look to other means to lower the birth rate, than a mere wishful thinking of raising the marriageable age will solve the problems. At the same time in a country where the 80 per cent of its population is rural, illiterate and where betrothals usually take place right after birth, imagining a social change could be brought overnight is not an impossibility but a distant reality.

Some studies have been conducted to find out the relative popularity as well as the effectiveness of contraceptives.

The results of these studies will provide us some insight into the basic nature of the problem. Therefore, a brief discussion of the findings of these studies will enable us to visualize the picture more objectively.

Condoms: The study by Poti and others (a) did not find that condoms were more effective than 'rhythm' and coitus interruptus. Poti and others (b) found that the effectivity of condom method is lower in the lower socio-economic groups than the upper classes. Even those few among the lower socio-economic groups who used condoms, used them very irregularly. Agarwala's study (c) shows that condom was mainly used by the residents in Delhi area for the prevention of conception prior to their attendance to the family planning clinics. As to the use-satisfaction of this technique only 17 per cent reported that they were satisfied with this technique. The Singur study (d) reported that condom was somewhat more popular only in Beniatola (part of Calcutta City) but not in Singur, a rural area located nearby Calcutta city.

Diaphragm: Diaphragm is very popular among the urban residents of U.S.A., as well in other European countries. Only Agarwala's study attempted to assess the relative popularity of this method. But so far no attempt has been made to popularize this technique. Very few people know about this method.

Rhythm: From the studies conducted by Mr. C. Chandrasekaran and Mr. D. V. R. Murthy and others we can make the following observations on this technique: In view of wider fluctuation in the menstrual cycles of women it is very difficult for an average person to identify the 'safe' and 'unsafe' periods; this method is popular mainly among the educated and the upper income groups; knowledge of this method is not widespread; and only urban population have better knowledge about 'Rhythm' than the rural population.

Foam Tablets: Almost all studies report that knowledge about these tablets even in urban areas is very low. Even people who used them for a while gave up their use after a few months.

Coitus Interruptus: Poti and others (e) found that in Calcutta City coitus interruptus was more acceptable and was practised by the respondents than 'rhythm' and 'condoms'. Wyon (f) also found that in 16 villages near Ludhiana coitus interruptus was popular. The Singur study (g) shows that only two per cent practised coitus interruptus and three per cent foam and coitus interruptus and one per cent only rhythm, foam and coitus interruptus.

Conclusions: Knowledge about the contraceptives is meagre both in urban and rural areas; only a small fraction of those who are familiar with one or two methods ever used them; only people from upper income groups and those with higher education know more about and are using the contraceptives to regulate the fertility levels; and even of those small fraction of the population from the lower socio-economic groups who used some methods, were for many reasons not highly successful to lower birth rates considerably.

From the above it is clear that the appliance methods, if at all known to people, are known only to the urban population. Indian population is predominantly rural. It is in the rural areas where we have to limit the growth of population. To attain wide popularity for the appliance techniques we need to achieve two other goals; they are Education and Higher Standards of Living. There is enough evidence to prove that education beyond high school but not less will have any effect on fertility. In the next 30 years

it is highly improbable to expect more than 10 per cent of the total population to get education beyond high school. We are trying very hard since 15 years to increase agricultural production. We have invested hundreds of crores of rupees to improve our agriculture. In spite of all our concentrated efforts most of our farmers, in many parts of the country, are cultivating the lands in the same old methods as were used thousands of years back. Therefore to expect the rural population that they would quickly learn in the next 15 to 20 years about contraceptive techniques is quite unwise.

Now let us examine how far sterilization would be of some value to lower the birth rate in India. Thousands of sterilizations have been performed in the States of Maharashtra and Madras. Some attempts were made in these States to assess the after-effects of sterilization. In the follow-up studies, so far no attempt has been made to find out whether sterilization produced any serious psychological or social effects. However, there are also no known reports where a number of sterilized persons were psychologically maladjusted or mentally deranged or disruption of the family life took place. If there were such troubles in sufficient numbers they certainly would have been brought to the notice of medical authorities. In the follow-up studies on a number of sterilized persons by Madras Government an overwhelming majority of the respondents reported that they would recommend this method to others for family limitation. If there were serious cases of maladjustment there would have been wide circulation by now as to the injurious effects of sterilization, since in India now as to the rumours spread much faster than by any other channel of communication. In both Madras and Maharashtra the alleged after-effects such as dull pain, backache, indigestion and others were found to have no relation to the surgery as such. These sterilized persons were not the only ones that suffer from such ailments, about 50 per cent of the American population suffer from backache, about 85 per cent of the Indians have some sort of digestive trouble or the other. Therefore there is no known association between the sterilization and the reported maladies.

For any new programme, whether it be the introduction of new agricultural practices, change of food habits or the introduction of sterilization as a means of population control one should always expect hindrances from several quarters. Under the present circumstances, increasing age at marriage or proper propagation of contraceptives alone would not solve

our problem. Considerable emphasis should, therefore, be given to sterilization in any national programme of intensified population control.

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WINDOW ON THE WORLD

Britain's Gap

PAUL BAREAU

LONDON:

IS BRITAIN slithering once again into one of its all too familiar balance of payments crises? This was the question uppermost in many minds as the country approached the General Election. Because of the General Election the comments on the balance of payments situation have been somewhat muffled. This is understandable enough as far as the Conservative Party is concerned. They are not overstressing what is unquestionably the main blot on the escutcheon of their economic policy. But even Labour Party spokesmen have kept quieter than might have been expected on this issue, no doubt because a gentlemen's agreement was reached between party leaders to keep the pound sterling out of the line of battle.

The queries concerning the possibility of a crisis have been prompted by the publication of the balance of payments statistics for the first half of 1964. They make a decidedly poor showing. The account of current transactions shows a deficit of £125 million for the first six months of 1964 as against a surplus of £162 million in the corresponding period of 1963. This indicates a massive adverse swing. It has been due partly to visible or merchandise trade but the invisible balance has also moved against the UK.

Reasons for Deterioration

All kinds of special reasons have been advanced to account for this deterioration. One of them, perhaps the most satisfactory, is that at long last the terms of international trade have been moving against the older industrialised countries and in favour of the primary producers who are, by and large, the poorer countries. Another is that in a period of rapid expansion of the British economy there was an inevitable tendency for imports of industrial materials to outdistance for a time the speed at which exports of finished products have been increasing. Yet another reason for the imbalance is the possibility of import restrictions being imposed under a Labour administration and the consequent anticipatory hoarding of imported goods of all kinds.

Whatever the special reasons the facts of the prevailing imbalance cannot be denied. They give a very poor promise for Britain's capacity to export capital or give economic aid to other countries. And yet there were substantial exports of long-term capital in the first half of this year. The net outflow on capital account was no less than £216 million. The figure was swollen in part by the fact that political uncertainties stemmed the investment of foreign capital in Britain. An even more potent influence was the incidence during this period of a £60 million investment by the Shell Oil group in the Italian Montecatini enterprise. This will no doubt prove a profitable investment but from the point of view of the immediate balance of payments position its timing was unfortunate.

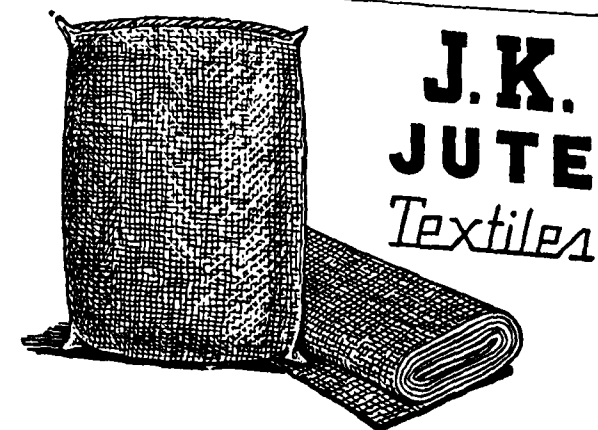
Adding the net capital outflow of £216 million to the current deficit of £125 million, we arrive at a massive overall deficit of £341 million. This was the worst deficit for thirteen years. It was exceeded in 1951, the year in which the Conservative Party came in to clear up the economic mess that had been left by the previous Labour Government. There would be an element of irony and even of poetic justice if on

this occasion the tables were to be reversed and a Labour Government were left to deal with the aftermath of a Conservative administration's final fling.

In the face of these adverse figures, sterling has stood up with surprising strength and resilience. It has had to receive a certain amount of support from the Exchange Equalisation Account, but nothing commensurate with the deficit. One reason for this is that sterling is affected by the balance of payments of the whole sterling area. This has proved far more favourable than the balance of payments of the UK. Many members of the sterling area have been running surpluses and, abiding by the rules of the game, have banked these surpluses in London. The extent of the resulting support has been considerable. The sterling balances maintained in London by sterling area countries have risen by no less than £390 million between the 1st January, 1963 and June 30, 1964. The main creditors on whom Britain has been relying are Australia, Malaysia and the Middle East oil sheikdoms.

The most surprising aspect of the reaction to these balance of payments figures and to the political uncertainties in the midst of which they were published, is the complete absence of any appreciable speculative movement against sterling. If one takes one's bearings from rates quoted in the forward markets, one is led to the inevitable conclusion that sterling is not being hammered as it undoubtedly would have been in comparable circumstances a few years ago. The reason is the increased measure of collaboration between the central banks of the principal countries of the world. This is one of the phenomena of the evolution of international monetary relations over the past four years.

This collaboration has in the main been induced by two events. The first was the run on the US dollar in the autumn of 1960 and the concurrent run into gold which for a fleeting moment raised the free market price of gold to more than



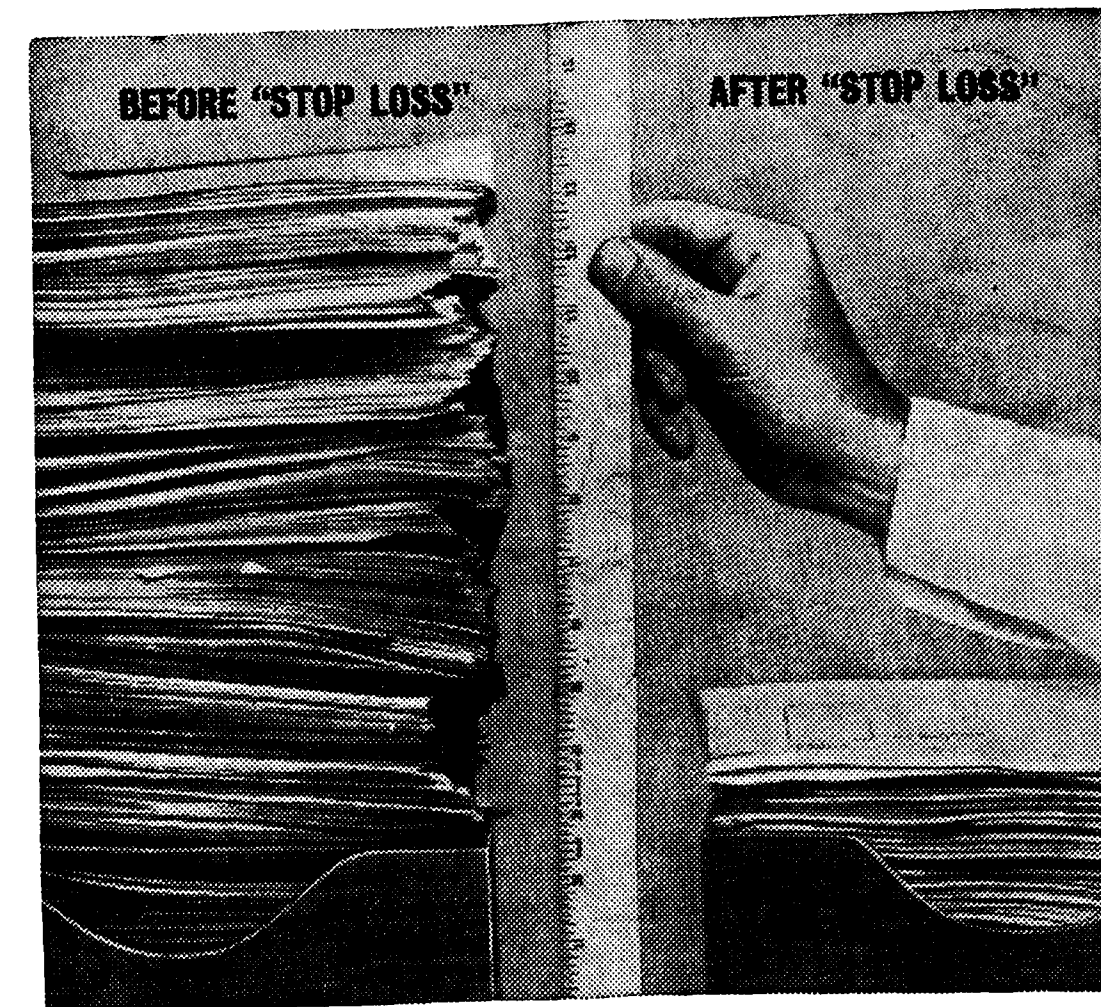
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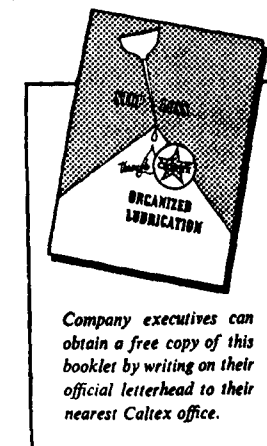


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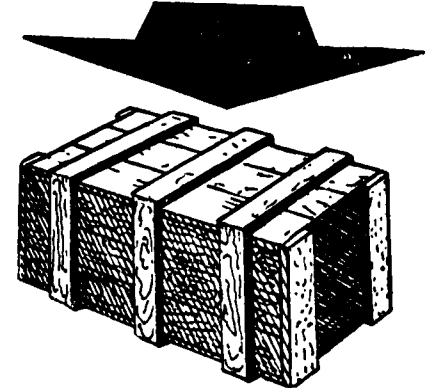
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\$40 per ounce. This brought a threat of impending disaster to the structure of world exchange rates and led in due course to the collective arrangement between treasuries and central banks which now controls the free market price of gold and thus safeguards the parity of the dollar and of all other currencies linked to gold and the dollar.

Th's need for collaboration was further underlined by the shock to confidence and general unsettlement in the foreign exchange market which followed the unilateral revaluation of the German mark in the spring of 1961. This had been done without collaboration with other central banks and for a time undermined confidence and the stability of the exchange markets.

Government Policy Helps U.S. Economic Growth

GUY SIMS FITCH

WASHINGTON :

IN ASSESSING the confident projections about the future of the American economy, both short-term and long-term, one cannot ignore the role of public policy. In this modern world of complex economic relationships, very little occurs in a national economy that is not in some way influenced by government programme. In the United States, public policy is flexible, designed to meet whatever changing conditions may arise. It is directed towards the constant improvement of social and economic conditions, largely by stimulating private initiative and participation in socio-economic affairs which is consonant with the public interest and can best achieve economic growth within the general framework of a free society. There was a time when this government role was not clearly understood or appreciated. But in recent years, with a growing variety and sophistication of economic tools and a growing awareness of the constructive contribution government policy can make to economic improvement, public policy has assumed an increased and recognized importance.

The impact of this development is illustrated aptly by the National Industrial Conference Board (NICB), a private research organization, in its recently published and highly optimistic study of the present and prospective state of the American economy. As the study notes, until the post-World War II period, particularly during emergency and post-emergency situations, the American economy was subject to some boom and bust cycles of rather severe proportions. The depression of the 1870's, for instance was an aftermath of the inflationary boom that followed the Civil War of 1861-65. The great depression of the 1930's was largely an aftermath of the post-World War I boom. But here it is 19 years since the end of World War II, and no such economic collapse has occurred or is likely to occur. Quite to the contrary, the United States is in the midst of a strong and essentially non-inflationary advance to which most experts at this stage see no end in sight. Why is this so, and why is a depression or even a severe recession deemed unlikely in the years ahead?

Aside from the fundamental strength of the American socio-economic system itself, which shares with other free systems an undergirding of concern for personal welfare and jus-

These two events carried important lessons. They convinced the responsible people that no country profits by other countries' monetary instability. The days of crude competitive devaluation of currencies have disappeared. There is today a real sense and reality of interdependence and mutual assistance between the monetary authorities of the world. This is part of the current strength of sterling. Basically that strength must come from within; but in dealing with its balance of payments difficulties, Britain can rest assured that it will get every possible assistance from without. That potential assistance can now be measured in terms of billions — not millions — of dollars. It will be available to a Labour, as to a Conservative Government. In the face of this, speculation against sterling is not worth the candle.

tice, much of the credit must go to what the NICB report calls the "wise" fiscal and monetary policies of the Federal Government. According to the NICB analysis, the spectre of post-war inflation, which was the immediate post-war concern, was laid to rest by the basically conservative policies of the 1950's. Whether these policies may or may not have been pursued too vigorously for too long is not a matter at issue here. More importantly, as far as the present and the future are concerned, the threat of post-war deflation has been dissipated by the expansionary policies of the 1960's. These policies add up to what the NICB study characterizes as a "revolution" in US economic thinking.

With the recent tax cut — even in the face of sizable budget deficits — as an outstanding example, these policies have been used not merely to fight recession, but rather to spur economic growth. The premise, as the Study sees the situation, is that the danger of post-war boom has been safely traversed. The principal enemy is no longer inflation, but an under-utilization of resources, both manpower and material. Stimulative policies, the report says, will remain the appropriate course as long as the US economy is operating on an essentially non-inflationary basis below a full-employment level — in other words, below its full potential.

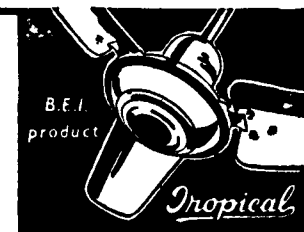
Much the same view of public policy has come from the US Treasury Secretary, Mr. Douglas Dillon. Citing the economic advances of recent years, Mr. Dillon emphasized in an address to the NICB last week that these things did not "just happen". They have been due in large measure, he stressed, to the conscious and successful efforts of government to provide a propitious climate in which economic activity and private initiative could flourish. Budget deficits, Mr. Dillon observed, are not the wilful products of wasteful spending. There are times when they serve as a useful tool to spur a lagging economy. But often they are the unwelcome and bitter fruits of an economy that has failed to live up to its potential. When understood in this light, expansionary US policies — such as carefully engineered tax cuts — hold out the promise of so stimulating activity as to carry the nation closer to its economic potential and towards the goal of a balanced budget in a balanced and thriving economy.



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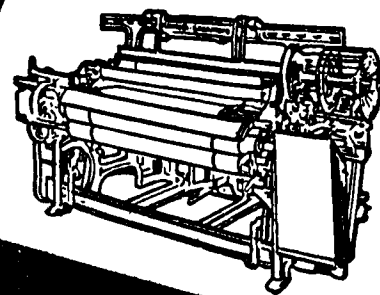
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IMPRESSIONS OF AN EAST EUROPEAN TOUR—I

Lessons of Leipzig

S. P. CHOPRA

[In the month of September, our Senior Assistant Editor, S. P. Chopra, toured the German Democratic Republic, Czechoslovakia and the U.S.S.R. In a series of articles, he will present his impressions of this tour. This is the first article of the series — Ed.]

ABOUT 150 Kms. south of Berlin lies Leipzig — the second largest city of the German Democratic Republic (East Germany) — which has acquired world-wide renown as a foremost market place for the exchange of goods. In spring as well as in autumn an industrial fair is held here which attracts exhibitors from all over the world. This autumn, the fair — a consumer industries' fair only — was held in the shadow of the coming 800th anniversary of the Leipzig Fair in spring, 1965. It was apparent that massive preparations were being made in order to celebrate this anniversary on a gigantic scale. While the 800th anniversary Fair will concentrate its attention on both engineering and consumer goods industries, the autumn Fair dealt with such consumer goods industries as: Books and Publications, Chemical Products, Pharmaceuticals, Cosmetics, Christmas-tree Decorations, Artificial Flowers, Carnival Novelties, Fancy Goods, Food and Tobacco, Seeds, Footwear, Furniture, Glassware, Handicrafts, Hand-Woven Textiles, Household Utensils, Cutlery, Jewellery and Goods of Precious Metal, Lamps, Lampshades and Accessories, Leather, Drawing Office Requisites, Musical Instruments and Accessories, Office Appliances, Packaging Materials, Paper and Printed Products, Photographic, Cine and Optical Goods, Photochemistry, Porcelain, Earthenware and Pottery, Radio and Television Sets, Sound Recorders, Construction Kits, Sports Goods, Teaching Aids, Textiles and Clothing, Toys, Watches and Clocks, Office Machines, Electrical Measuring Instruments, Cooking Equipment for Hotels and Canteens, Stoves and Ovens for Domestic Use, Gear for Sports, Sewing Machines and Vehicle Accessories.

It is not possible for any visitor to the Fair to be able to cover each and every MESSEHOF — German equivalent for a fair building exhibiting a particular product — and a visiting journalist has no option but to make a selection and cover a few of them within the short time available to him.

Good Show

India being the biggest overseas trading partner of the GDR, took a leading part in this autumn Fair as there were no less than 51 exhibitors displaying a variety of goods. The Indian collective pavilion in the technical fair grounds exhibited both raw materials and manufactured goods of no less than 34 exhibitors. In the special MESSEHOFs also the Indian exhibitors put up a good show. The total covered area of the Indian stalls, including the collective pavilion, was 594 square metres — the largest for any Asian country.

It is not very widely known in India that the Leipzig Fair has an international character in the sense that the participants get an opportunity of conducting business not only with the various trading wings of the GDR Government, but also with many other countries. The total business completed at the Fair by the Indian participants with the departments of the GDR Government was worth Rs. 35 lakhs and there was hardly a participant who had not had a share in this trade. In other words, participation in the Leipzig Fair ensures business and that is why a very large number of Indian exhibitors have participated in it for more than eight years. Some of the Indian participants succeeded in negotiating busi-

ness with other countries, such as Yugoslavia, UAR, etc. though it was not possible to ascertain the total volume of such business.

The standard of display of the exhibits has steadily risen in recent years in all international fairs and exhibitions. In some of the pavilions, the Indian exhibits could perhaps be presented in a better way, but the considerations of overall expenditure stood in the way of a better display. From some other countries, there were certain exhibits which were perhaps the best to be seen in any of the international fairs. In the cosmetics section, for example, the small pavilion organised by the Parfums Christian Dior from Paris was a class apart. It stood out so conspicuously amongst the competitors that one involuntarily stopped before it to study not only the exhibits but also the layout, colour scheme and the lighting arrangement. For any one who is to take part in the future fairs — and the newly set-up Council of Fairs and Exhibitions may kindly note — the pavilion of this particular concern from Paris is a model to be studied. There is no doubt that its pavilion will be there in the Spring Fair and our delegates should make it a point to study it.

Businesslike Affair

It may be stated, however, that the Leipzig Fair is a sample fair. This implies that no retail sales are allowed in the Fair grounds, while in all the stalls the exhibitors anxiously await for prospective buyers for negotiating deals. It is a highly businesslike fair where the restrictions for entry are many so that those businessmen who visit Leipzig for fresh contracts are not hampered in their movements. It is not a common man's fair where he may just go round admiring the exhibits. Assembled in the various MESSEHOFs were technicians and salesmen with authority to conclude, on the spot, sales of any value. It is this businesslike character of the Fair that distinguishes it from many of the other fairs.

Textiles attracted wide attention at the Fair as suppliers from all over the world had participated in order to solicit business. Even Switzerland was represented at RING-MESSEHAUS (Textiles and Clothing) and many of the enterprises had brought not only the garments but also their own models in order to hold fashion parades to pressurize salesmanship. In MESSEHAUS UNION (furniture) there was a wide variety offered not only by the GDR but also by West European countries, including Scandinavian countries. New designs and new methods of polishing and decorating wood were presented. In footwear, the best pavilion was that of Centrotev from Czechoslovakia, though the Yugoslav firm of Koteks Tobus had also done extremely well. Ladies' shoes, in particular, were presented in an exquisite manner by the West German firm of Greiling Mannheim. The section dealing with electronics showed the technical revolution that is taking place all over Europe and the extremely high demands which are being made upon the industry for making data processing and business machines.

In addition to the display of all these items of daily use and consumer durables in the various MESSEHOFs, Leipzig had an army of interpreters in various languages. That is an

outstanding feature of Leipzig that it is able to gather for the purpose of the Fair so many interpreters that the journalists, the tourists and the business men who visit the Fair have no difficulty in completing their assigned tasks. It may perhaps be impossible to run a fair of this character without the assistance of a large army of interpreters, who are mostly young girls who have taken a degree and are specializing in one or more languages. Incidentally, it shows the rapid strides that education has taken in the German Democratic Republic. Education is free in the whole of the Republic and the State disburses stipends to scholars so that they have no problems of maintenance.

The German Democratic Republic, like the other socialist economies of Eastern Europe, has been looking out in recent years for increased trade with non-socialist countries. In 1962, 21.8 per cent of the foreign trade of the GDR was with the non-socialist countries. There are possibilities of increasing this trade still further and the salesmen of the various Departments roam all over the world for prospective customers. Many a delegation visits India every year in order to study the requirements of this country. The smart recovery of the economy during the last 10 years has contributed not a little to the growing foreign trade of the GDR. Some figures may be pressed into service in order to illustrate this aspect. Since 1949, its national production has multiplied more than three times. Currently, the level of output is equivalent to the total output of combined Germany in 1936. Again, the foreign trade of the GDR in 1963 in terms of rupees was valued at 2,250 crores — more than the total foreign trade of India which was placed at Rs. 1,800 crores only.

Indo-GDR Trade

The German Democratic Republic is in search of new trading partners everywhere in the world; it has trading relations with more than 100 countries including India, West Germany, Great Britain, France, Japan etc. The GDR is pursuing a vigorous policy of bilateral trade with all countries and it will be a mistake to ignore the present stature of this country which has gradually risen so as to occupy the fifth position in Europe; it is one of the most industrialised nations in Eastern Europe. Another interesting element which has emerged in recent years is that the trade of all these European countries, including the USSR and the GDR, has been on the decline with China, while India's trade with the GDR is larger than its trade with China; five years ago the volume of the GDR trade with China was five to six times of its present trade with India. It implies that the GDR is in a position to divert some of the industrial plants to India which a few years ago it had been selling to China. The technical know-how in the GDR is of a high level and in Indo-GDR trade no foreign exchange is involved as trade is balanced. That in itself is a great advantage.

Anyone visiting the German Democratic Republic cannot help being curious about the wall between East and West Berlin. Indian nationals have always enjoyed complete freedom of movement in both parts of the city. Among the Germans who hardly know any other language, the two words — Indian and Nehru — have a great fascination. An Indian doctor whose visa had expired and who wanted to cross over to West Berlin to have a glimpse of that part of the town, was politely asked to get his visa extended. The treatment meted out to him was certainly praiseworthy and one of the policemen at the gate was generous enough even to buy a ticket for him from his own pocket because the doctor had to deposit all his East German Marks before crossing over. The picture presented by West Berlin was that of a miniature New York. The city was bright and the stores were full. The super

markets offered anything from a tooth brush to a top coat. One could note the difference in the finish of consumer goods presented in the stores in West Berlin and those which were to be seen in the super markets in East Berlin.

West Berlin, at present, is overcrowded and its most important problem is housing. An Indian student whom I met in the streets told me that he had been able to obtain a single room with great difficulty at a monthly rent of 200 West German Marks, while the room had not even been completed and was still being furnished. On the other hand, rents in East Berlin were much lower. A flat of three rooms with all the modern amenities was available at 50 East German Marks per month. Incidentally, it may be stated that East Germany has made stupendous progress in re-building the houses which had been destroyed during the war. Housing position is comparatively better now, and new buildings continue to spring up every day. In 1963, there were 330 flats for 1,000 inhabitants which clearly shows that the GDR has, to a large extent, solved its housing problem.

Food is Cheap

The super markets in East Berlin, Leipzig and other cities were also full. Compared to West Germany, the necessities, particularly food, in East Germany were cheaper; but the luxuries were costlier. The price level in general had stabilised after the erection of the wall and comparative slowing down of traffic between the two parts of the city. The Deputy Foreign Minister explained to the Asian and African journalists that "socialism is not so easy to build even when the wall is there, but without the wall it will be impossible because the pressure exerted by West Berlin in order to sabotage the East German currency and to take away food and other consumer goods through the manipulation of the exchange rate between the two currencies was great". At present the food situation in East Germany is much easier than it was a few years ago. At least, it was so at the time I visited that country. The trade figures show that the Republic has been supplementing its supplies of food by importing from other countries. Imports of butter, cheese, canned fruit, vegetables etc. have increased appreciably.

An interesting feature of the present pricing system in the GDR is that all goods have the same price anywhere and everywhere in the country; prices for food and other necessary goods are, as stated above, relatively low. Even in the Press Centre at Leipzig where all the journalists had their meals, the prices were reasonable.

One peculiar feature which hits the eye of any outsider in the German Democratic Republic is the disciplined nature of the people. Even in Leipzig during the Fair when thousands of men and women came from all over the country and abroad, there were no traffic jams and there was no undue congestion either on the railway station or in the trams and buses. Again, the police was very strict with the drivers who were found to be at the wheel after having taken liquor. In many an evening party some of the East German journalists refused to take liquor if they had to drive themselves home. This strictness resulted in considerable safety on the road with the result that an accident was a rarity.

Wherever one went in the GDR two outstanding features of the socialist government were repeated over and over again. Free education and free medicine are two of the benefits which people appreciate very much. In all the hospitals patients get the most expert treatment at no cost. To the same class belongs housing since rents are very low. It may be mentioned here that all the houses which are being built are under the auspices of the State; the rents charged are barely sufficient

(Contd. on page 750)

LISTENING POSTS

More Russian Aid for Bokaro?

By Our Special Correspondent

NEW DELHI :

AN AGREEMENT has been reached between the Union Government and the Goubert delegation on the preparation of a new project report by Soviet experts for the Bokaro steel plant. The new project report will not only cover the initial capacity of 1.5 million tonnes steel ingots for which financial and technical assistance has already been promised by the Soviet Union, but also the ultimate 4 million tonnes capacity envisaged for the plant. The 4 million tonnes capacity will be achieved in two stages without interruption. Under the first stage, there will be established a capacity to produce 1.5/2 million tonnes ingots and 700,000/800,000 tonnes pig iron for sale. The project report will be ready by June-July next year. Orders for equipment will be placed soon thereafter.

The fact that the two stages of building the Bokaro plant are to be implemented on a continuing basis, should imply that the Soviet Union is willing to enlarge its aid for the project as a whole.

According to the agreement reached, the designing and engineering of the plant will be the responsibility of the Soviet Union. It is, however, expected that the Indian engineering and manufacturing capacity will be used to the fullest extent possible for the construction of the plant. The management of construction and operation will be entirely in the Indian hands.

The time schedule for the construction of the plant is still to be settled between the Governments of India and the USSR. An inter-Government agreement on the project is expected to be finalised in November this year.

Meanwhile, following the offer made by the Anglo-US Consortium of Steel Manufacturers to collaborate with the Government of India for the setting up of the fifth steel plant in the public sector, a technical team representing the Consortium is expected here shortly for undertaking a survey of the various sites suggested for the establishment of this unit.

★★

The Union Government is considering a proposal to introduce statutory food rationing in the major cities of India, including Bombay and Calcutta. Informal rationing may also be introduced in Kerala. This follows the acceptance by the Government of the Jha Committee's recommendation that all such population pockets as exert an upward pressure on food prices should be cordoned off.

The Government is also examining another suggestion of the Jha Committee which envisages running of low-price shops from which foodgrains could be supplied to the vulnerable sections of the population at subsidised rates. How far the Government would be able to go in this direction, however, depends on the availability of finances.

Meanwhile, the Union Ministry of Food and Agriculture has announced new producer prices for the six major foodgrains — rice, wheat, gram, jowar, bajra and maize. The minimum prices fixed for paddy at assembling points in the various States are: (in rupees per quintal) Andhra Pradesh 38; Bihar 35; Gujarat 39; Kerala 40; Madhya Pradesh 34; Madras 38.50; Maharashtra 41; Mysore 36.50; Orissa 34; Punjab 35; Rajasthan 35; Uttar Pradesh 35; West Bengal 37.50; and Assam 34. These are higher than the post-harvest prices of 1963-64 by about Rs. 2.26 per quintal. Compared to the average of the last three post-harvest seasons, the new producer

prices are higher by over Rs. 4 per quintal.

The producer prices fixed for the other five foodgrains are: (in rupees per quintal) wheat — 45.50 for red variety, 40.50 for common white variety and 53.50 for superior varieties; (2) gram — 40 to 40.50; (3) jowar — 38 to 38.50 for the yellow variety (suitable discounts or premia have been fixed for the red and white varieties); (4) bajra — 40 to 40.50; and (5) maize — 36 to 36.50.

Wholesale Prices

In view of the nearness of the next rice harvest, the maximum wholesale and retail prices of rice at various consuming centres have also been announced. The wholesale prices fixed for some of the important cities are: (in rupees per quintal) Hyderabad 69.03, Patna 66.13, Ahmedabad 69.56, Trivandrum 71.76, Bhopal 62.95, Madras 67.72, Bombay 71.06, Bangalore 67.75, Rourkela 63.20, Chandigarh 65, Ajmere 65, Varanasi 65 and Calcutta 67.80. The retail prices at these places will be: (in paise per kg.) Hyderabad 71, Patna 68, Ahmedabad 72, Trivandrum 75, Bhopal 65, Madras 71, Bombay 73, Bangalore 71, Rourkela 67, Chandigarh 68, Ajmere 68, Varanasi 68, and Calcutta 70.

In most cases, the wholesale and retail rice prices fixed are slightly lower than the rates prevailing today. The wholesale and retail prices for the other foodgrains will be worked out in consultation with the State Governments before the next harvest. On the basis of producer, wholesaler and retailer prices announced for rice, the wholesalers' margin of profit will be 1.5 to 2 per cent and that of retailers 4 to 7 per cent. In case, prices show a tendency to rise above the maximum statutory levels, the Government will not hesitate to requisition foodgrains at the fixed prices.

In view of the wide disparity between the sale price of imported wheat and the producer prices fixed for indigenous wheat, the Union Government proposes to revise upward slightly the sale price of the former. This, incidentally, will reduce the burden on the public exchequer as the imported wheat is being sold at present at subsidised rates resulting in a loss of nearly Rs. 60 crores per annum to the Central Government.

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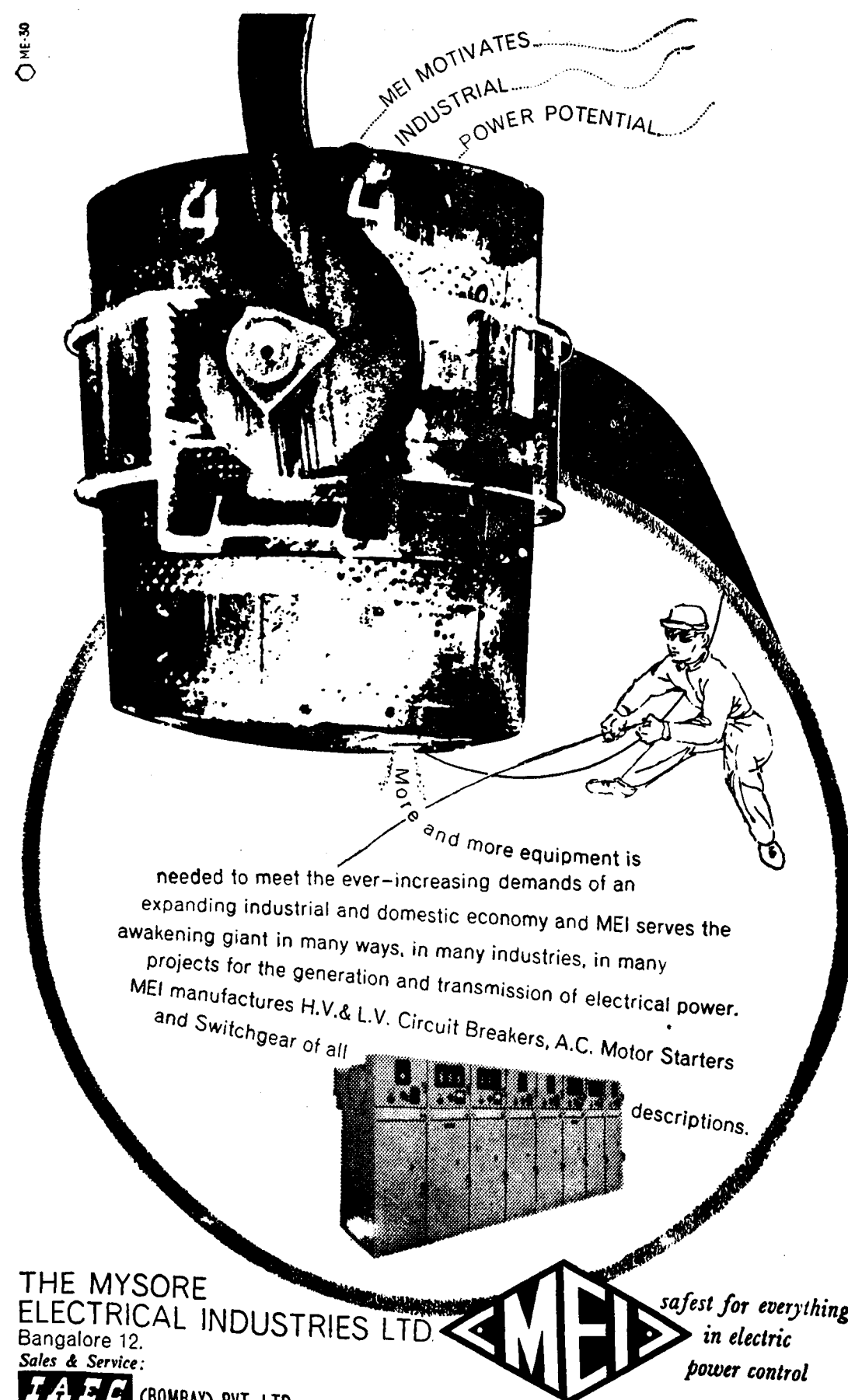
According to the latest thinking in the Planning Commission, the overall fourth Plan outlay may be fixed at Rs. 21,500 crores. This will require additional taxation to the tune of Rs. 2,500 crores and net external assistance (excluding the loans which may be available for servicing the credits already contracted) of approximately the same order as received during the current Plan. With a view to staggering the burden of taxation, start may be made for raising resources for the fourth Plan through additional taxation in the last year of the third Plan itself.

Opinion in the official circles is understood to be veering round fixation of the overall annual rate of growth during the fourth Plan period at 6.5 per cent instead of 6.7 per cent proposed earlier. If by the middle of the Plan, the resources picture brightens up, the overall outlay may be stepped up by Rs. 1,000 crores.

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Of the six modern rice mills to be set up on an experimental basis, one each in the States of Andhra Pradesh, Bihar, Madhya Pradesh, Madras, Mysore and West Bengal, three will

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be in the public sector and the other three in the co-operative sector. If the experiment proves a success, the Union Government will expeditiously go in for setting up 1,000 such mills early in the fourth Plan period. All these mills, of course, will be in the public and co-operative sectors so that the Government can have adequate control over the rice industry both in regard to supplies and distribution.

The total cost of installing 1,000 modern rice mills of 2/4 tonnes per hour capacity, capable of processing about 20 million tonnes of paddy per annum, is expected to be Rs. 100 crores. The increase in outturn of rice from these mills is anticipated to be of the order of 1.6 million tonnes, worth about Rs. 112 crores.

The equipment for the six units to be set up initially is being imported from abroad. It will start arriving in the country in December. The deliveries will be completed by January.

With a view to assisting the establishment of modern rice mills in the co-operative sector, the National Co-operative Development Corporation has decided to provide 100 per cent financial assistance. The assistance will be provided out of the accumulated funds of the Corporation and will be routed through the State Governments. The programme will be outside the State Plan ceilings. Priority is envisaged to be given to proposals of assistance from the eastern States which are comparatively backward in the field of co-operation.

★★

The latest assessment made by the Union Ministry of Mines places the likely demand for coal in 1965-66 around 75 million tonnes, as against 98 million tonnes envisaged at the time of drawing up the third Plan and 90 million tonnes estimated in the mid-Plan appraisal. The industry has been advised to adjust its production programme accordingly.

This marked decline in the demand estimate is attributed to four main reasons:

(i) Reduction in the coal requirements of the steel in-

dustry — not only the establishment of the Bokaro plant has had to be postponed to the fourth Plan, the expansion programmes of the Durgapur and Rourkela Steel Works to 1.6 million tonnes and 1.8 million tonnes ingots capacity, respectively, are also expected to materialise towards the very close of the third Plan, with the result that full utilisation of these expanded capacities can only be had in the early years of the fourth Plan. Besides, due to improved blast furnace techniques, the coal-pig iron ratio has fallen substantially;

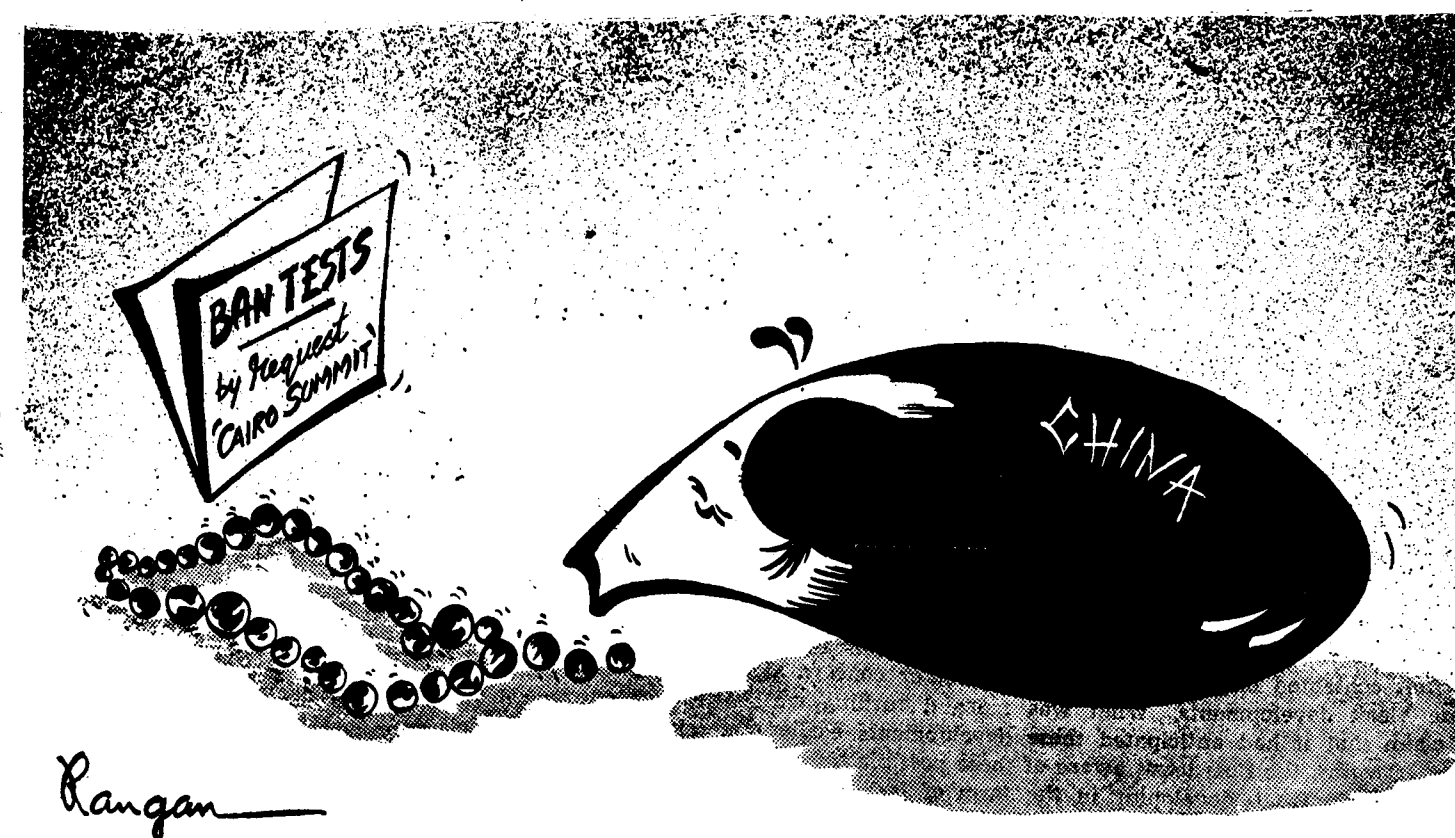
(ii) Reduction in the requirements of railways on account of extension of electrification and dieselisation and gradual withdrawal of over-aged steam locomotives;

(iii) General slackening of demand by other industries, including brick-burning industry; and

(iv) Switching over to furnace oil by some cement factories.

Currently coal production ranges around 65 million tonnes. The additional 10 million tonnes production during the next one and a half years will come from the existing projects and the schemes, both in the public and the private sectors, which have either been already implemented or are at an advanced stage of implementation. The Ministry does not anticipate any difficulty to arise in the way of producing adequate quantities of coal to meet the 1965-66 requirements fully. It is confident that even if demand picks up and goes beyond 75 million tonnes, production can be correspondingly stepped up.

There, however, is expected a big spurt in the demand of coal during the fourth Plan period. According to the tentative estimates of the Ministry, demand by 1970-71 should go up to 136.46 million tonnes — 46.04 million tonnes coking coal, 6.68 million tonnes blendable coal and the remainder 83.74 million tonnes non-coking coal. This estimate, according to the current thinking in the Ministry, may, however, be scaled down to 120-125 million tonnes when the final picture of the industrial development envisaged during the fourth Plan period is



Casting pearls before

known. Even then, stepping up of production from 75 million tonnes to about 125 million tonnes is going to be a big job.

In a target of 136 million tonnes coal output in 1970-71, the contribution of the private sector is expected around 76.49 million tonnes — 25.98 million tonnes coking coal, 3.44 million tonnes blendable coal and 47.07 million tonnes non-coking coal. The share of the public sector will be 59.51 million tonnes — 20.63 million tonnes coking coal, 3.24 million tonnes blendable coal and 35.64 million tonnes non-coking coal. Currently, the production of the private and the public sectors individually is around 53 million tonnes and 12 million tonnes, respectively. The public sector, thus, will be called upon to increase its production during the five years of the fourth Plan by nearly 400 per cent, while the private sector will be required to step up its output by about only 45 per cent. There is obviously a case for allocation of a larger role to the private sector in the development of the coal industry during the fourth Plan period.

★★
With a view to clearing the low-grade coal stocks at the pitheads, the National Coal Development Corporation has decided to launch a vigorous sales campaign. The NCDC feels that this type of coal can be put to a variety of uses at low cost, but there is need to make consumers familiar with its advantages. The Corporation is also making efforts to enter into a long-term agreement for the supply of low-grade coal to such major consumers as the thermal power stations. It also proposes to conduct research to determine how the inferior coal can be processed economically to meet the growing fuel requirements of a rapidly growing population.

★★
The Union Government has raised the additional excise and customs duties on major petroleum products. As in the past, this increase will be borne wholly by the oil companies and will not result in any increase in the wholesale or retail prices of the affected petroleum products. The increase in rates has been effected only to facilitate appropriation of a further sum of nearly Rs. 5 crores which has accumulated with the oil companies in favour of the Government since

April, 1962. The existing rates of the additional duties were fixed in April, 1962, in the light of the pricing structure recommended by the Oil Pricing Committee and have been in force from October 1, 1961.

Additional duties on major petroleum products are levied under the Minerals Oils (Additional Duties of Excise and Customs) Act, 1958. They are intended to appropriate amounts accruing in the account of the oil companies in favour of the Government and are, therefore, borne wholly by the oil companies.

★★
The introduction of production and price controls on the popular varieties of cotton cloth has been postponed to October 20, 1964. Originally, these controls were to be introduced with effect from October 15, 1964. The present voluntary price scheme of the cotton mill industry will now be discontinued from the mid-night of October 19-20, 1964, instead of the mid-night of October 14-15, 1964. The five-day postponement of imposing partial control on cloth has been caused by two factors: (i) the fixation of realisation multipliers, and (ii) the intervention of Dussehra holidays.

★★
In pursuance of the recommendation made by the Central Family Planning Board in August last, the Union Government has decided to set up a nine-member Committee under the chairmanship of Mr. Shantilal Shah, Health Minister, Maharashtra, to go into the question of legalisation of abortion as a measure to restrict population growth. The other members of the Committee will be a representative each of the Indian Medical Association, the Association of Medical Women in India, the Federation of Gynaecologists and Obstetricians, the Family Planning Association of India, the All-India Women's Conference, the Central Social Welfare Board and the Indian Council of Child Welfare and the Director, Family Planning, Directorate-General of Health Services. The last mentioned member will act as the Secretary of the Committee.

The Committee is expected to submit its report by the end of March next year. It will study the question of legalisation of abortion in all its aspects, with particular reference to the medical, social, legal and moral issues.

Exports Face Stagnation

From Our Correspondent

BOMBAY:

THE UPWARD trend witnessed in the country's exports in the first half of the current year has come to a disturbing halt in the latter half of the year. The exports in July 1964 rose only by Rs. 3 crores and in August 1964 they remained almost stationary at Rs. 67 crores as compared to exports in the corresponding months of July and August last year. It was in this context that the fifteenth meeting of the Board of Trade, held in Bombay last week, under the chairmanship of Mr. Manubhai Shah, Union Minister of Commerce, has assumed greater significance. It was hoped generally that the Board would come out with something more than it has done to provide some kind of impetus to the prevailing stagnancy in exports. It was, therefore, surprising to note that the Board has felt contented only by expressing its greater concern at these bleak developments. What was more disturbing was its claim that it had anticipated these developments earlier. In other words, the Board was aware of these possible hurdles on the export front developing in the form of lack of adequate export surpluses in critical commodities such as vege-

table oils and sugar and general inflationary pressures in the country's economy. The meeting, however, failed to spell out the measures the Board had taken in view of such an anticipation. On the other hand, the meeting simply emphasised the urgency by saying that "the general problem of prices needs to be more vigorously tackled by the Government", and called on all trade organizations, export promotion councils, commodity boards as well as individual trading houses to put forward their best efforts during the coming months in order to step up exports. When this was done, the Board felt, it would be possible to achieve an increase of at least Rs. 5 crores every month over the corresponding level of the previous year. It would indeed be hard to visualise such an increase when the current trends continue to pester the country.

With regard to long-term export problems, the Board observed that though appropriate institutional arrangement for promoting exports had been greatly strengthened during the past two years there was need for a purposive and determined implementation of these policies in different sector

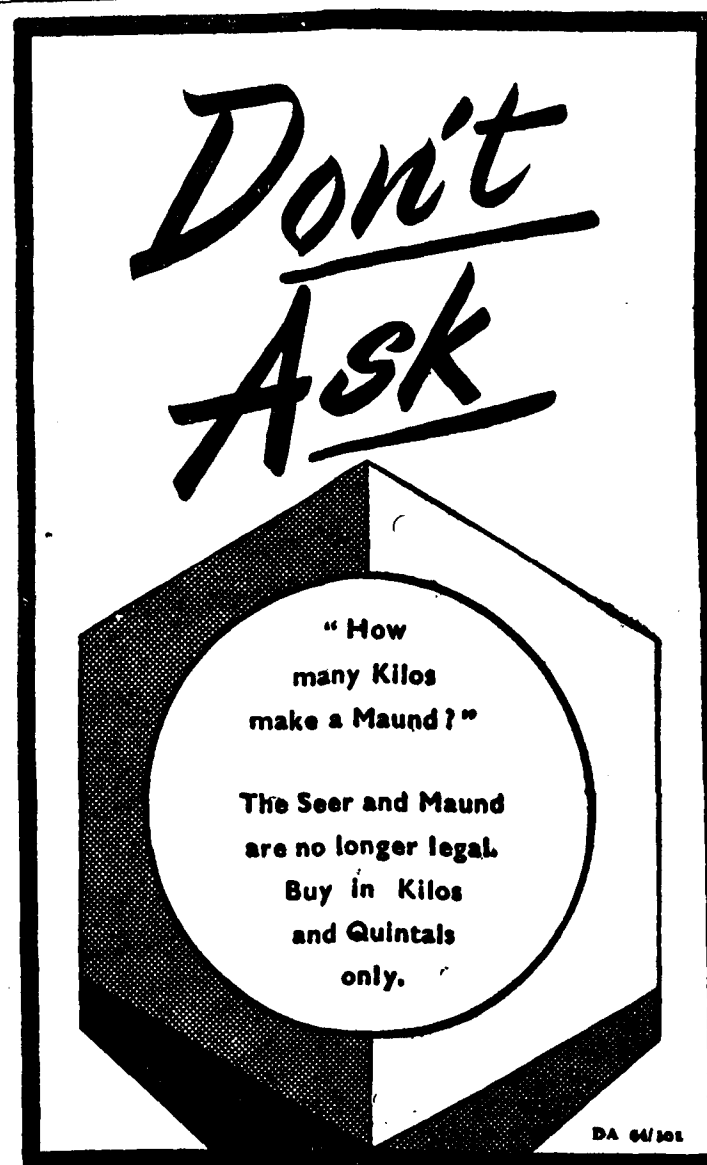
of the economy so as to stimulate exports to the desired extent. The Board also realised the necessity to streamline further the procedures under these policies. However, the most important decision of the Board was to allow the export promotion assistance schemes to operate unchanged over the next seven years till the end of the fourth Plan. This was particularly welcome because it would not only ensure continuity and stability in our export promotion schemes and policies but would also enable the industries to plan their export programme on a long-term basis.

★★
It is heartening to note that the Indian Cotton Mills Federation has undertaken to participate effectively in the efforts for increasing the per acre yield of cotton in the country. India with 115 lbs. per acre production of cotton accounted for the lowest per acre yield when compared with the per acre yields of Pakistan (228 lbs), the USSR (435 lbs), the USA (457 lbs), Sudan (463 lbs), and UAR (586 lbs). With the largest acreage under plough for cotton — 19.7 million acres — India has still to depend on imported cotton. Cotton production in the country, for instance, was 5.3 million bales in 1962-63 season while in 1961-62 it was only 4.6 million age annual production of cotton amounted to only 3.7 million bales. Although there has been a progressive increase in cotton production the demand has also increased considerably, so much so that the country had to depend on imports on increased scale every year. Thus, the average annual imports of cotton during the first Plan period were 7.6 lakh bales

while in the first year (1961-62) and the second year (1962-63) of the third Plan imports amounted to 8.7 lakh bales and 8.5 lakh bales respectively. The value of such imports was estimated to be between Rs. 50 crores and Rs. 60 crores a year.

Phenomenal Increase

As was expected, with sustained increase in the standards of living of the people and a fast growing population, coupled with the imperative need to export more and more of cotton textiles, the demand for cotton increased considerably. It was this that has been instrumental for the phenomenal increase in the number of textile mills in the country which has increased from over 450 mills in 1951-52 to 540 mills in 1962-63. During the same period, the number of spindles also rose from 11.25 millions to 14.12 millions. Hence, the increase in the average annual consumption of cotton was from 4.53 million bales in the first Plan period to 5.12 million bales in the second Plan period. The first two years of the third Plan witnessed further increase in consumption to 5.69 million bales and 5.67 million bales respectively. It was this and the lack of possibilities for further increase in acreage for the production of cotton that had made it necessary to seek ways and means of increasing the productivity in this sector. That by adopting modern agricultural practices the level of productivity can be increased was amply proved by the demonstration conducted by the Regional Research Centres at



Sirsa in the Punjab and at Coimbatore in Madras. The 13-point package programme as drawn up by the ICMF was, therefore, a step in the right direction. To implement its package programme the Federation has selected five centres, with 1,000 acres under each centre, to form a demon-

stration unit. They will be situated in Punjab, Rajasthan, Gujarat, Maharashtra and Madras. The inauguration of the first centre, namely the Cotton Extension Centre near Coimbatore in Madras on October 13, should, therefore, be welcome to all.

Wanted: Design and Consultancy Services

From Our Correspondent

CALCUTTA:

AMONG THE resources that industrialisation demands, managerial and technical expertise is not the least important. In fact, without this resource being available in sufficient measure, a country is rarely able to make much headway in the industrial field. This explains why India has to "import" managerial and technical personnel at heavy cost and why so much of foreign exchange has to be spent on import in "know-how". There is not much that India can do to be self-sufficient in this field in the foreseeable future, for import substitution really does not work in this sphere as in some others, but a good deal can be done to make a more rational and economical use of some of the existing resources. Industrial designing, consultancy services and research are some of the fields in which such practices are not only very possible but highly desirable. The new Union Minister for Heavy Engineering, Mr. T. N. Singh, is credited with some ideas for initiating moves to establish organisations which can be of benefit to Indian industry as a whole and one of them is to establish a string of design and consultancy services in the country. When he recently met the members of the Committee of the Engineering Association of India, Calcutta, Mr. Singh discussed with them the scope and usefulness of such services and requested the Association to submit a note on their feasibility under Indian conditions. This the Association has already done.

Growing Specialisation

The Engineering Association's study first deals with the background to this country's rapid industrial growth with the inauguration of planning, in order to explain how most entrepreneurs are no longer in a position to play the old role of planner, designer and producer all combined into one. With growing specialisation and the complexities of mechanism, the old system has become unworkable. Specialised services of design and consultancy engineering now help him by providing ready information on technical matters, if his firm is not big enough to have special departments of its own for this purpose. Since India's industrial growth, both in the public and private sectors, is taking place mostly in collaboration with foreign firms, these services have been usually provided by the foreign collaborator, but at a price, often heavy and quite often exacting, always paid in foreign exchange. Even in some cases where foreign manufacturers have supplied the main plant on a turn-key basis, offering technical co-ordination and tender consulting service with that, extra foreign exchange expenditure has had to be incurred on account of auxiliaries, other plant facilities and utilities. These latter are as essential as the efficient setting up of the main process plant, because if the necessary auxiliary facilities and utilities are neglected, optimum utilisation of the main capacity is necessarily hampered, and production ultimately suffers as costs increase due to under-utilisation of the main plant, and the facilities and utilities built with it. The study makes the valid point that with the services of design experts and consulting engineers available to the entrepreneur within the country itself, much of the planning and plant lay-out problem can be solved in time.

The study then lists the number of distinct advantages which can be had from Indian technical consultants and design

specialists. They would, it is pointed out, naturally have the larger interest of the country at heart; while designing a plant or preparing its specifications, they would necessarily examine the potentiality of indigenous manufacturers so that the much-needed foreign exchange can be conserved and Indian enterprises encouraged. Secondly, while designing a plant or project, Indian consultants would train up a cadre of design engineers, thus augmenting the country's pool of technical expertise. The know-how would be transmitted to the younger people and thus kept within the country. The know-how could also be exported to sister countries after it has been tried and tested in the country. This would help the export of Indian plant and machinery also. Thirdly, Indian consultants would know the country's needs and conditions — physical, political and social — better, and would be naturally more conversant with the country's labour problems. As their own interests would coincide with the larger interest of the country, their aim would not always be mercenary. And finally, greater reliance on Indian technical talent would ensure that processes suited to Indian conditions are always adopted, equipment is standardised to facilitate work of new machinery manufacturers, and construction programmes are scheduled on a continuing basis to make the maximum use of scarce equipment, personnel and foreign exchange.

New Concept

Consulting engineering is a new concept as far as India is concerned. But in certain fields it has made a notable headway. In power production, for instance, where consulting engineering made its debut in this country, India is now completely self-sufficient in technical know-how and power engineering. In metallurgy also, India has made fair progress. If the Government will give the same encouragement to such enterprises in other fields as it has done in power and metallurgy, there is every reason to expect that technical consultancy engineering will develop to the great benefit of Indian industry. Quite a few of the large Indian manufacturers already have their own research and design sections, but their activities, in the first place, are concerned with solving their own technical difficulties, and secondly, their resources being limited, the scope of the study is circumscribed to a few particular items and processes; thirdly, the achievements which they make are not made public but naturally used for their own purposes. There is great scope, therefore, for setting up a strong and well-staffed design and consultancy organisation in the country modelled on the well-known Lungi Institute of West Germany at the industry level, at the group level (that is, with a few manufacturers participating), at the Government-cum-industry level (that is where both the Government and industry collaborate in joint ventures) and at the level of only the Government. The need, it is explained, for having separate organisations or institutions for these services arises from the fact that they shall have to be permanent bodies, with their activities widening continuously.

The Association also suggests how engineering industries might be selected for the purpose of organising the service. It divides them into three groups (1) those which have attained a measure of stability like sewing machines, bicycles, and electric fans, etc.; (2) those which were started with foreign

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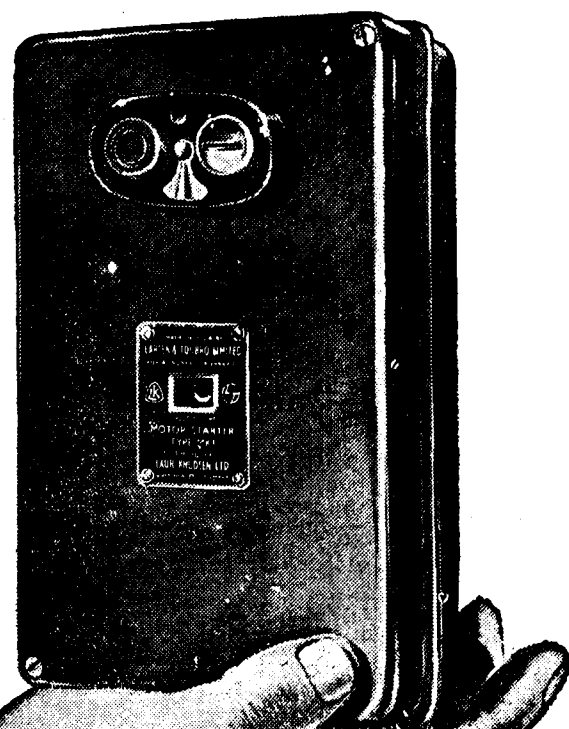
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collaboration but are now in a semi-settled stage and being worked to imported designs and for which skill is by and large available in the country. Industrial furnaces, industrial machinery, switch-gears, electric motors, diesel engines, etc., fall in the second group; (3) Industries which are relatively new and solely depend on foreign collaboration for guidance in the matter of designs, techniques and processes. This group includes automobiles, steel plants, fertilizer factories, ball bearings, industrial machinery and machine tools, etc. In the case of the first group, what is needed are designs for improvements based on experience and technical advancements made within the country and outside; in the case of the second group, a common design institute and technical consultancy service is needed as a big proportion of the units manufacturing the industrial items concerned have no collaboration with foreign firms, which the remaining have. As for the third group, which solely depends on foreign designs, techniques and processes, a consultancy organisation is overdue. For instance, India has now three new steel plants — in Bhilai, Durgapur and Rourkela — each of which is working to the design of the individual collaborating countries. A fourth one is coming up at Bokaro, also with Russian help. The study suggests that since Indian technicians have by now gained adequate experience of the working of machines and processes of the steel plants, given the opportunity, they would not lag behind "in their endeavour to bring in a new plant on a pattern which would combine the best of all available sources."

Encouragement to Designing

Finally, the problem is of spreading the consciousness among entrepreneurs that they must readily take to all modern developments in the field of industrial designing and manufacturing techniques. This can be done by active encouragement from the Government and by wholehearted co-operation from the chambers of commerce and various organised associations of industry. The Government, in particular, has a key role to play, for without it providing the necessary help and facilities for the institute which may be set up, a design and consultancy organisation can never grow. No difficulty need be feared about the Government accepting its responsibility for the organisation and maintenance of the services, but it is not so certain that individual entrepreneurs

will enthusiastically support such an organisation. It is for the Government to demonstrate to them the practical advantages of adopting the most-up-to-date techniques, designs and processes, and also make it worth their while when they do so on a co-operative basis.

★★
Small industries, in particular, stand to benefit a great deal from a common consulting engineering and design service. This is one of the conclusions of a survey recently made of the numerous engineering units of Howrah by Jadavpur University under the auspices of the Reserve Bank. There is an acute concentration of small engineering firms in this area, and still more and more new firms keeping springing up. The secret of course is the interdependence and complementarity which are noticed among these firms, for orders are usually farmed out among neighbours. Yet the disturbing thing is that a very large number of small units with relatively new machines have been working below capacity. One reason may be the raw material shortage, but according to the Econometric Research Unit of Jadavpur University which conducted the survey, lack of adequate loan facilities from the banks is a major hindrance to the successful working of these concerns. The survey therefore suggests that adequate financial and technical assistance should be made available to these units, which have adequate growth prospects and given the necessary help, could become viable and contribute effectively to the industrial potential of the region. The survey has covered intensively the operations of 200 units, each employing 20 or more persons, and there was a quick survey of 396 out of 943 smaller units, employing less than 20 persons. Perhaps for the first time in the field of small-scale industries in India, an intensive idle time, work time and machine study has been carried out. New ground has been broken in the enumeration of the capital goods with the units according to their type, specification and age. This will make a calculation of their replacement cost possible. Interesting data on capital intensity and labour productivity have also been collected. The survey is indeed a comprehensive enquiry into the financial, technical institutional and other aspects of small engineering units in Howrah and on the inter-connections between them. It provides a wealth of information which will be very useful in the assessment of the nature and magnitude of the problems of small-scale industries in general, and engineering units in particular.

HMT's Secret of Success

From Our Correspondent

MADRAS:

THE HINDUSTAN Machine Tools Limited has been expanding in a big way in recent years. Two States in the South have already benefited from its activities. In Bangalore, apart from two machine tool units, a watch factory has been functioning for some time past. The third machine tool unit has been operating in Punjab while the fourth new unit, again financed fully from the internal sources of the HMT and constructed by Indian personnel without foreign collaboration, was recently commissioned into production at Kalamassery near Ernakulam in Kerala State. This factory will concentrate on the manufacture of different kinds of lathes. It is expected that work on construction of the Hyderabad factory would be completed soon. During the fourth Plan the objective of this Government undertaking would seem to be to double its turnover to Rs. 50 crores. Those in management of this concern have a great sense of pride and confidence in their achievement and it is pointed out that the manufacture of machine tools can be undertaken economically and efficiently on a large scale. Though the machine

tools are manufactured in the public sector there is healthy co-ordination of the activities with the private sector as a large volume of casting and electrical equipment is supplied by outside sources.

★★
An agreement between Dr. Dharma Teja and the Andhra Pradesh Government regarding the erection of a thermal plant having a capacity of 200 mW at Ramagundem is expected to be signed shortly. The Planning Commission is reported to have given clearance to this scheme and signified its acceptance of the terms of Dr. Dharma Teja for implementing this project. The Government of India had earlier reported to have been favourably inclined and wanted the Planning Commission to take a policy decision as some important questions were involved. It was suggested by some that even though the deal was proposed by an outside party on a package basis the foreign exchange involved would not be different to any appreciable extent and the obligation to service the loan would ultimately vest with the Government. It was, however, finally admitted that the project had some at-

tractive features about it. Apart from the undertaking given by Dr. Teja that the project would be completed within 36 months from the date of the signing of the agreement and that there will be no problem of supervision, it is admitted that during the three years it would not be necessary to find either foreign exchange or rupees as repayment would begin only after one year from the date of handing over of the project. While the total cost may be around Rs. 17 crores, it is emphasised that the capital cost of Rs. 900 per kW is rather low for a thermal project and the terms of repayment were also considered satisfactory. The rupee part of the expenditure is to be repaid over a period of five years and the foreign exchange part over twelve years. The interest on the whole amount will probably not exceed 5 per cent. It is learnt that the equipment required for this project will be supplied by the Japanese manufacturers and that arrangements have already been made for early deliveries.

With the prospect of this project now materialising, the question has naturally been asked whether a similar deal would be concluded with Dr. Teja by the Madras Government. This shipping magnate has already had some preliminary talks with the Madras Government though it is not clear whether Dr. Teja would be able to offer the same terms to the Madras Government as in the case of the Ramagundem project. The Madras State Electricity Board has a scheme for constructing a 300 mW thermal station near Madras and it would be worthwhile to examine whether this project can be taken up by Dr. Teja. Alternatively, a big station can be erected at Tuticorin. The Madras State Electricity Board may not, however, feel enthusiastic over a project which would not require the services of its expert personnel because there will not be many projects in the fourth Plan and it would not be possible to utilise the experience of the expert team of M.S.E.B. if some of the new projects were implemented on a package basis.

★★

The food situation is getting complicated and there is as yet no precise assessment of the availability of rice in the four States of the Southern Zone. The latest reports about heavy damage to the standing crop in Andhra Pradesh have had a complicating effect. Earlier, Mr. C. Subramaniam was inclined to be of the view, after a tour of the affected areas, that the damage might not be serious and that, in any case, there would not be any crisis. It has, however, been pointed out by Dr. K. L. Rao and the Andhra Pradesh Food Minister that the crop over an area of four lakh acres has been totally destroyed and the yield might be affected in other regions. This would mean a decline in the yield of the crop by four to five lakh tons. The exportable surplus would naturally be affected, if the worst fears proved true. Luckily, however, the prospects for a good crop in Madras State are considered encouraging and total availability may not be affected to any great extent. The Union Food Minister, however, has expressed a great concern over the recent development and the traders have been blamed for the shortage in the open market. There are large queues before the co-operative societies and fair-price shops in Madras State while the deficit in Kerala is assuming serious proportions. It has even been suggested by Mr. C. Subramaniam that there would have to be some sort of informal rationing so that a minimum quantity of cereals can be issued to the population at a fair price. Additional quantities can be had from the open market at higher prices though every effort would be made to control the trade. To what extent the growers and traders are responsible for the bad turn in the food situation recently it is difficult to say. But the Union Food Minister would seem to be keen on making his experiment in an area where the

trade can be said to have behaved better than in other parts of the country. It is stated that the State trading corporation for foodgrains might make a beginning first in the rice zone apart from the export trade being conducted on a government-to-government basis. Whether these moves would not complicate matters further has to be borne in mind. Only if there are two good crops in succession the food situation will resolve itself. Meantime, the best course would be to release large quantities of wheat so that the pressure on wheat could be reduced to some extent. There should not be much difficulty in adopting this procedure because only recently arrangements have been made for importing wheat under the P.L. 480 agreement from the USA.

★★

Nearly all the established units in the private sector are having expansion plans and it has become necessary to raise additional capital on a large scale. Even though Mettur Chemical and Industrial Corporation has raised a substantial amount by issuing equity and preference capital in the past three years and ambitious expansion plans are being completed, the Chairman of the company recently referred to the need for a careful examination of the ways and means position following an increase in turnover and the additional requirements of capital for completing the schemes as they have been substantially modified in some respects. While this Corporation may think in terms of raising additional capital by the issue of debentures at a later stage, Aluminium Industries Limited has plans for issuing new equity shares at a small premium. In the case of this company also the chairman has stated that the continuous growth in activities had called for huge capital expenditure and that in the next two years there would be a problem in regard to working capital as well as fixed capital.

The erection of three factories under the same management and the diversification of the lines of manufacture at the principal centre, Kundara in Kerala, have necessitated the issue of new equity capital as debentures were issued only some time back. The additional equity capital may be for Rs. 75 lakhs with the premium on new shares not more than Rs. 2.50 per share. It is felt that it may not be necessary to effect a proportionate cut in the dividend on account of an increase in capital as earnings are increased appreciably during the current year and in 1965-66 they are expected to make excellent showing.

(Contd. from page 744)

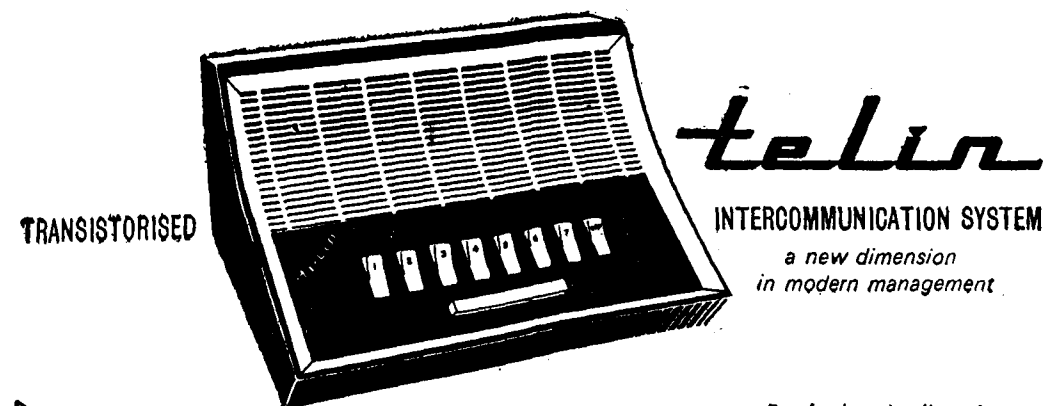
for the maintenance of buildings. A new scheme has been introduced in East Berlin and other towns of the GDR under which people can own their flats by paying 40 per cent of the price outright and remaining 60 per cent in 15 instalments. Such houses are being built by the co-operatives and people are made full owners of those flats. The trend towards possession of flats, cars, refrigerators, heating apparatus, etc., shows that socialism itself is undergoing some changes. It was the general impression of most of the journalists attending the Leipzig Fair that the socialist countries cannot fail to be affected by some of the good points of free enterprise, whereas, on the other hand, free enterprise also will have to imbibe what is good in socialism so that the people in the lower strata of society benefit. The two systems, it was hoped, would meet somewhere whereby the sharp edges of socialism would be removed so as to bring it very near the present-day free enterprise and the similar process would be applied to free enterprise so that it could socialize itself. The day may be far off, but it will be a happy day for all mankind.

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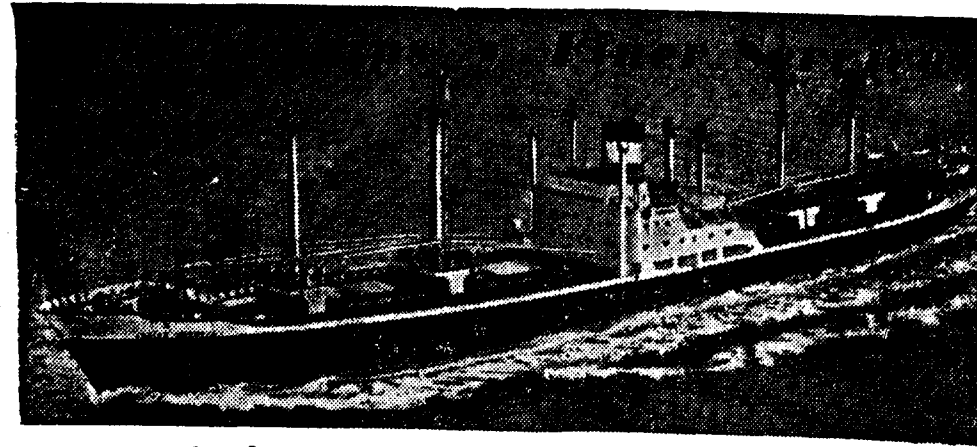
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Trade Winds

DISTRIBUTION & PRICING OF FERTILIZERS

A SEVEN-MEMBER committee has been appointed by the Union Ministry of Food and Agriculture to examine the long-term and short-term problems connected with the distribution of chemical fertilizers. The committee will also examine the question of pricing of fertilizers, the role of co-operatives in marketing and the role of extension services in promoting the use of fertilizers. Besides its Chairman, Mr. B. Sivaraman, Chief Secretary, Government of Orissa, the other members of the committee are: Mr. M. K. K. Nayar, Managing Director, Fertilizers and Chemicals Travancore Ltd., Alwaye; Mr. D. Viswanatha Reddy, Director of Agriculture, Andhra Pradesh; Mr. L. W. Bongirwar, Registrar of Co-operative Societies, Maharashtra; Dr. J. P. Bhattacharjee, Director, Programme Evaluation Organisation, Planning Commission; Prof. Bharat C. Dalal, Indian Institute of Management, Ahmedabad; and Mr. M. Subramanian, Deputy Secretary, Ministry of Food and Agriculture, as member-secretary. The terms of reference of the committee are: (i) to consider short-term and long-term problems connected with distribution of fertilizers both in the States and at the Centre, and to recommend measures which would lead to the establishment of an effective system of distribution of fertilizers with a view to bringing about a rapid increase in their use for increased agricultural production; (ii) to study the pricing policy at different levels, and to suggest modifications, if any, that would lead to a substantial increase in the consumption of fertilizers; (iii) to study the role of distribution agencies employed in the States, namely, departmental, co-operative, and private trade, their distribution margins, and to suggest modifications, if any; (iv) to study the role of extension services in the promotion and popularisation of the use of fertilizers and suggest measures for increased sales promotion and (v) to study the role, if any, of the producing units, both in the public and private sectors, in marketing and promotional activities. The committee will submit its report within a period of four months.

FOODGRAINS CORPORATION

The Government of India has decided to introduce legislation in the next session of Parliament for the setting up of an entirely State-owned Foodgrains Corporation of India. It is proposed to run this statutory Corporation, which is likely to have an authorised capital of Rs. 100 crores, as an autonomous commercial undertaking. The object of the Government is to secure a commanding position in the foodgrains trade so as to ensure a minimum price to the producer and regular supplies of foodgrains to the consumer at fixed prices. The Corporation, which will come into being on January 1, 1965, will build up sufficient buffer stocks to regulate the prices. It will start its operations in the Southern zone with rice and paddy. The field of operations may, in course of time, be extended to other foodgrains. As and when necessary the Corporation will set up its subsidiaries in different States. The board of directors of the Corporation is likely to consist of 12 persons, with at least four non-officials. With a view to advising and assisting the Corporation in the discharge of its functions, the Government will take powers to set up advisory boards.

Besides making outright purchases at a pre-determined price, the Corporation may requisition stocks from any person with a view to discouraging private traders from offering higher prices to the farmers in the hope of selling the foodgrains at an exorbitant price and thus frustrating the very

purpose of the Corporation. The private trade may also be required to notify to a competent authority as well as to the Corporation about its movements of foodgrains by rail so that the Corporation, in order to build up stocks, may be able to advise the Government on restrictions of movement which may be needed in critical areas. Contrary to earlier indications, the Corporation is unlikely to have a monopoly on foodgrains movement by rail though it will have the power to ban movement from critical areas.

TRADE BOYCOTT

The official sources in New Delhi have described as completely baseless and unfounded the reports which recently appeared in some foreign newspapers that India is having trade relations with South Africa. The fact of the matter, however, is that the products of Indian origin might have gone to South Africa from third countries or as personal effects carried by travellers. It is, on the other hand, a well-known fact that India was the first country to break off trade relations with South Africa as far back as 1946 by way of a protest against the racial policy of that country. India also withdrew her High Commissioner and closed down Indian Mission in that country in 1954. Further, in pursuance of the UN General Assembly Resolution of November 7, 1962, India imposed a total ban on trade with South Africa.

Pakistan has also lined up with India and several other Asian, African and Western countries in the Trade Boycott of South Africa. After a Cabinet meeting on October 8, 1964, presided over by President Ayub Khan, it was announced that Pakistan had banned all export trade with the Government of South Africa with effect from October 7, 1964. It was stated that as a result of this decision, Pakistan will incur a loss of Rs. 10 crores per annum in foreign exchange. The Government of Pakistan also announced that it was already complying with the provisions of the UN Resolution of 1962. This decision of the Pakistan Government is, however, interpreted in political circles as an endeavour by Pakistan to mobilize the support of Asian countries, particularly newly independent African nations, on her dispute with India on Kashmir.

HANDICRAFTS EXPORT COMMITTEE

Measures to ensure steady production of handicraft goods of quality as well as to secure increased exports were discussed at the meeting of the Export Advisory Committee for Handicrafts held in New Delhi on October 8, 1964. At the suggestion of Mr. Manubhai Shah, the Union Minister for Commerce, it was agreed that an expert committee should immediately be set up to consider various issues relating to production and export of handicrafts. The Committee would make suggestions for evolving a suitable link between principal producers of handicrafts and their main exporters and recommend measures to assist them. Besides, it would also make recommendations relating to finance, raw materials and other connected subjects.

The meeting reviewed the encouraging trends in export of handicrafts during the last few years. It was pointed out that handicraft exports, which had been of the order of Rs. 19.35 crores in 1961-62, had risen to Rs. 30.68 crores in 1963-64 and that handicrafts now formed one of the 7 major foreign exchange earning commodities of the country. The meeting also discussed the annual export targets to be achieved by the end of the third Plan as well as during the fourth Plan.

It approved the annual export target of Rs. 41 crores to be achieved by 1970-71.

HOUSING FUNDS

In consultat on with the Planning Commission, the Union Ministry of Works and Housing has drawn up a four-point programme for meeting housing shortage in the country. The most important point in the programme is the decision to create revolving funds for bulk acquisition and development of land in and around the growing towns where land prices are rising rapidly. Large scale acquisition of land is considered the only way to check urban prices. The intention is to allot the land acquired under this programme to co-operative housing societies. With a view to ensuring co-ordination among various implementing agencies and checking diversion of funds from housing to other projects, the Ministry has decided that suitable machinery, such as Housing Boards, should be set up in the States to implement the housing schemes. Another point in the Ministry's programme emphasises the need to make efforts to reduce the building costs, expand the building materials industry and increase the supply of various categories of skilled personnel. The Ministry will also ask the State Governments to conduct sample housing surveys in big cities to assess the extent and characteristics of the housing shortages so that suitable programmes might be drawn up by the State Governments.

Since the housing projects are implemented by the State Governments, the Ministry's four-point programme will be discussed at the next Housing Ministers' Conference which is likely to be held some time in November, this year. The Planning Commission has also recognized the need for making a sizable provision for housing in the fourth Plan. It has been tentatively recommended that a provision of Rs. 700 crores be made for social housing schemes, of which Rs. 150 crores may be provided by the LIC, Rs. 100 crores from the Employees' Provident Fund and the balance of Rs. 450 crores from the Plan funds.

FORWARD TRADING IN GROUNDNUT & OIL

With effect from September 15, 1964, the Government of India extended the provisions of Section 15 of the Forward Contracts (Regulation) Act, 1952 to groundnut and groundnut oil throughout the country. With the new crop deliveries, the hedge trading in these commodities are expected to be resumed shortly. In the circumstances prevailing at present, the Central Government is of the view that it is necessary to regulate and control trading in non-transferable specific delivery contracts also in groundnut and groundnut oil in the State of Gujarat with a view to preventing unhealthy speculation in these commodities. The Government has accordingly issued notification under Section 18(3), applying the provisions of Section 15 to these commodities in the State of Gujarat. As a result, non-transferable specific delivery contracts in groundnut and groundnut oil in the State of Gujarat can now be entered into only between or through or with members of an association which has been granted recognition under Section 6 of the Act for forward trading in groundnut and groundnut oil. In order to avoid hardship to genuine parties, it has been decided to exempt the outstanding non-transferable specific delivery contracts in these commodities from the requirement of closing out and to permit them to run their course.

CO-OPERATIVE SUGAR FACTORIES

The share of the co-operative sector in sugar production increased from 21 per cent in 1962-63 to 23.4 per cent in 1963-64. Up to the end of August, 1964, sugar co-operatives pro-

duced 5.98 lakh tons, as against the country's total production of 25.12 lakh tons. Fourteen co-operative sugar factories manufactured 1.09 lakh tons of raw sugar, accounting for about 44 per cent of the total production of 2.43 lakh tons in the country during the season 1963-64. Of the 57 co-operative sugar factories licensed so far, 48 were in production in the 1963-64 season. The remaining 9 factories are in various stages of development. Six of these 9 units are likely to go into production in the 1964-65 season. The licensed capacity of the 57 co-operative sugar factories is 8.25 lakh tons, representing nearly a quarter of the industry's total licensed capacity of 33.6 lakh tons. Additional capacity of 5.52 lakh tons is now being licensed. Of this, 3.40 lakh tons will be in the co-operative sector. Licences have already been given for the establishment of four power alcohol units by co-operative sugar factories.

HOTEL INDUSTRY

About 1,500 beds are expected to be added to the existing strength of 11,000 beds available in hotels in the country. Several new hotels conforming to international standards are coming up in many cities. Some are nearing completion and will begin to operate this year. On some others work has started and is expected to be completed before the end of 1965. All the hotels will be air-conditioned, either wholly or partly, and in most of them special amenities like swimming pools, tennis courts and terrace gardens will be provided. It is estimated by the Department of Tourism, Government of India, that taking into account the anticipated increase in tourists and local demands, India will need about 9,000 additional hotel beds by the end of 1968.

Expected to be completed early next year, an ultra-modern luxury hotel with 350 rooms having 640 beds, will begin to operate in New Delhi. The International Hotels Corporation of USA is collaborating in the project. Among the hotels that have recently started functioning is one at Ernakulam with 25 double-bed rooms. Another hotel in Ernakulam is nearing completion. It is an eight-story structure with 108 beds and will be fully airconditioned. By the end of this year, Calcutta will have a new hotel with 100 rooms fully airconditioned. By the middle of 1965, another hotel will be ready with 204 rooms.

TRANSIT TRADE

The Secretary General of the U.N.O., Mr. U. Thant, announced on September 24, 1964, the appointment of a committee of twenty-four members to draft a new international convention relating to the transit trade of land-locked countries. The purpose of the new instrument would be to facilitate free transit by rail, road or waterway of transport from land-locked countries to ports of coastal States. Members of the Committee, selected from among the land-locked, transit and other interested States on the basis of equitable geographical distribution, are: Afghanistan, Argentina, Austria, Bolivia, Chile, Czechoslovakia, India, Ivory Coast, Japan, Liberia, Mali, Nepal, Netherlands, Niger, Nigeria, Pakistan, Paraguay, Senegal, Switzerland, the U.S.S.R., the U.K., the U.S.A., Upper Volta, and Yugoslavia. The Committee is scheduled to begin its work at the U.N. Headquarters on October 26, 1964 and is expected to meet for two or three weeks. The United Nations Conference on Trade and Development, which requested the Secretary-General to appoint the Committee, recommended that the latter take, as a basic text, a 20-article draft convention on transit trade submitted by Asian and African land-locked countries. The Conference also recommended that by the middle of 1965, the U.N.O. should convene a conference of plenipotentiaries to consider the draft and to adopt the convention.

Company Affairs

ALIND'S PROGRESS

WHILE ADDRESSING the annual general meeting of the Aluminium Industries Ltd., Mr. S. Narayanaswamy, Chairman, reviewed the progress of the company during 1963-64. He informed the shareholders that for Alind it has been a period of fulfilment and consolidation, no less of expansion and preparation for greater expansion. The 'Solidal' plant for the manufacture of low voltage underground cables has been erected and is likely to go into production shortly. He added that the Indian consumer has still to be acquainted with the properties and high keeping qualities of this comparatively less familiar type of underground cable, but Solidal will raise the prestige of the company. Mr. Narayanaswamy indicated that welding cables produced by the company have been well received and the production is likely to be augmented considerably. Similarly the output of microgauge aluminium wire required for stranding in the manufacture of cables has opened up a new field of possibilities in the manufacture of welding and trailing cables.

Mr. Narayanaswamy pointed out that the expansion of bare conductor capacity at Kandara and Hiraakud has been approved by the Central Government and items of balancing equipment are to be imported to put this expansion through. The necessary foreign exchange is being secured in part by a loan from the ICICI. The company is also in contact with Japanese manufacturers to establish a plant for the manufacture of cable making machines. This project has also reached an advanced stage and the terms of collaboration are being studied. This will further improve the functioning of this company. The Chairman added that at an appropriate time the company will move to raise additional capital by a supplementary share issue to finance this project.

The Chairman referred to the problem of raw materials, particularly PVC and aluminium material. For the production of Solidal, PVC is used as the principal insulating and sheathing material, the import of which is banned and the price of the indigenous quality has been on the higher side. This tends to push up the price of the final PVC cables so as to impair its competitive capacity. This is a substantial handicap and the Government should pay attention to this aspect of the problem. Similarly the official policy of shifting the cable industry from copper to aluminium on the ground that copper production is not sufficient in India is also posing a problem to this company. Mr. Narayanaswamy indicated that in actual practice the output of aluminium has not been sufficient to meet the demand although some units have been planning to raise their production capacity. Being a highly capital-intensive industry, additional capacity will take nearly four years to materialise. The emphasis is on shift from copper to aluminium should, therefore, be more cautious.

SUTLEJ COTTON

The Sutlej Cotton Mills Ltd. recorded a considerable increase in sales from Rs. 263.64 lakhs last year to Rs. 322.08 lakhs during the year ended March 31, 1964. The overall results in terms of profit, however, revealed a slight decline. After providing for depreciation, the net profit declined from Rs. 17.13 lakhs to Rs. 15.08 lakhs. After transferring Rs. 17 lakhs, being provision for taxation no longer required, a sum of Rs. 7 lakhs is set apart for taxation and Rs. 12 lakhs for development rebate reserves. The dividend on ordinary shares is maintained at Rs. 8.57 per share less tax. Although

the Rajasthan Textile Mill started production during the year, full production could not be achieved due to non-availability of skilled labour. However, the directors state that the position has now improved and the working of the mill in the current year is expected to improve. Steps are also being taken to add further spindles which will bring the total capacity to 20,352 spindles.

RATNAKAR SHIPPING

Ratnakar Shipping Co. Ltd. recorded satisfactory results for the year ended March 31, 1964. The profit and loss account shows a surplus of Rs. 22.62 lakhs, out of which a sum of Rs. 13.97 lakhs has been provided for depreciation, Rs. 7 lakhs for development rebate reserve and Rs. 1.50 lakhs towards general reserve. During the year under review, the company acquired two second-hand vessels and they have been renamed m.v. "RATNA CHANDRALEKHA" and m.v. "RATNA MANJUSHREE" respectively. The vessels were partly on time charter and were partly operated by the company on the coastal and the overseas trades. The working of the company during the year registered an improvement over the previous years.

The directors have indicated that the company has placed an order with a Japanese shipyard for building a tanker of about 53,000 DWT which will be delivered during the first half of 1966. All necessary sanctions for construction of the tanker have been obtained from the Government of India. This tanker is being built against a firm charter party with Messrs. Shell International Marine Ltd., London, for a period of 12 years. With the successful conclusion of the tanker deal, the company now proposes to pursue actively other schemes for expansion of their fleet. The fleet of the company as on March 31, 1964, was insured for £1.84 million in respect of hull and machinery, freight and disbursements against both marine and war risks.

INDORE WIRE CO.

Indore Wire Co. Ltd. entered the market on October 16 with an offer of 7,500 equity shares of Rs. 100 each for public subscription. The subscription list will close on October 21 or earlier but not before October 19. The company, which has an authorised capital of Rs. 25 lakhs comprising equity shares worth Rs. 20 lakhs and preference shares worth Rs. 5 lakhs, will issue in all equity shares worth Rs. 15 lakhs, out of which the promoters and their friends have taken up shares of the value of Rs. 7.50 lakhs. The balance is offered for public subscription.

The company proposes to set up at Indore a factory for the manufacture of special steel wires such as high tensile steel wires, mild steel wires and wire products. The production of high tensile steel wires will be 3,000 tons and that of mild steel wires 900 tons a year. The capital outlay of the project is estimated at Rs. 50 lakhs which will be raised partly from the equity capital and a loan of Rs. 15 lakhs from the Madhya Pradesh Financial Corporation. The balance will be raised from banks.

BAYER (INDIA) ISSUE

Bayer (India) Ltd. proposes to enter the capital market by the end of next month with a public issue of Rs. 56.27 lakhs to raise a part of the capital required to implement its expansion programme involving a capital outlay of Rs. 3.50 crores. It has received the consent of the Controller of Capital

Issues for increasing its authorised capital from Rs. 10 lakhs to Rs. 3 crores and the paid-up capital from Rs. 4 lakhs to Rs. 2.65 crores by issue of new equity shares. The foreign collaborators, Farbenfabriken Bayer A.G., have been allowed by the Government to subscribe up to 56 per cent of the total equity capital. Of the remaining 44 per cent, 58,570 shares of Rs. 100 each are to be subscribed by the promoters and their friends and the balance of 56,270 shares are to be offered for public subscription. The entire public issue has been underwritten.

The total capital outlay on the project of Rs. 3.50 crores is proposed to be met by way of issued capital to the extent of Rs. 2.65 crores and the rest by borrowings from financial institutions. The company at present manufactures insecticides, fungicides, pharmaceuticals and proposes to manufacture items like ethyl parathion, methyl parathion, rubber chemicals and basic pharmaceutical chemicals and for these the company proposes to put up a new plant for which it has acquired land at Thana.

BOMBAY SUBURBAN DEBENTURES

Bombay Suburban Electric Supply Company Ltd. proposes to raise a further debenture capital of Rs. 75 lakhs to finance its five-year development plan. This is on top of convertible debenture issue of Rs. 87.50 lakhs issued recently. Moreover, the company is accepting call and short-term deposits from the public as temporary capital finance. The company has extended its distribution system and during 1963-64 has incurred a capital expenditure of over Rs. 100 lakhs. During the current year too, a larger expenditure is expected to be incurred, the bulk of which will be on power and distribution transformers, high and low tension switchgear and cables. During 1963-64, the company found expansion of its operations with larger revenue realisation. The gross profit increased from Rs. 62.12 lakhs to Rs. 69.88 lakhs.

TRACTORS AND BULLDOZERS

Tractors and Bulldozers Ltd. proposes to enter the market shortly for additional capital of Rs. 50 lakhs. This additional amount is required for financing the new project undertaken by the company. It has manufactured more than 700 tractors during the period between February, 1963 and September, 1964, and has been allowed to increase its licensed capacity from 2,000 units per year—1,000 50 H.P. and 1,000 30 H.P.—on single shift basis to 4,000 units per year on multiple shift basis. It has also been licensed to import 2,000 complete tractors. A licence for 882 CKD units has already been issued and these tractors will be assembled for delivery before March, 1965. The Czech collaborators are sending an additional team of engineers to supervise the operations.

DALMIA CEMENT

Dalmia Cement (Bharat) Ltd. has sold its two cement factories in Pakistan to the Pakistan Progressive Cement Industries Ltd. for Rs. 233.67 lakhs. Along with the two factories, the buyer has also taken over cash, bank balances and investments in securities.

In June 1962, Dalmia Cement had entered into an agreement with the Pakistan Progressive Industries Ltd. for the sale of its two factories situated at Karachi and Dandot. According to the agreement, Dalmia Cement is entitled to a 6 per cent interest on the sale price with effect from October 1, 1962, the date with reference to which the sale price of

assets has been computed. The deal has been approved by the Governments of India and Pakistan.

Out of the sale price, a sum of Rs. 25.47 lakhs is to be retained in Pakistan to meet the company's liabilities in that country. The payment of the balance of Rs. 208.20 lakhs will be made by exporting cement from Pakistan over the next three years. The buyer will supply 75,000 tons minimum and 1,00,000 tons maximum of cement a year. The imported cement will be distributed in India by the State Trading Corporation. A major portion of the imports is expected to be supplied to Government consumers.

GREAT EASTERN SHIPPING

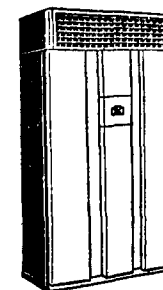
During the year ended June 30, 1964, the Great Eastern Shipping Company Ltd. recorded a slight set back with gross profit of Rs. 1.24 crores against Rs. 1.26 crores last year. The tonnage under operation increased from 156,810 DWT to 159,633 DWT. The quantity of cargo lifted moved up from 1,133,000 tonnes to 1,178,000 tonnes. It is observed that the company could not derive the expected benefit from the improvement in the international freight market as the actual movement of foodgrains to Russia and China fell short of expectations. The operations were affected adversely also by the cessation of ships at ports. Moreover, although the company's fleet increased with the addition of 5 new vessels, they operated only during the second half of the year and hence the benefit is reflected only partly in the results for the year under review. The directors feel that with the full benefit of the present large fleet and more favourable port conditions, the company will be able to show better results. It has ordered for supply of two bulk carriers from a Japanese shipyard which are expected to be delivered in 1966. The full benefit of these carriers will be reflected, therefore, in the results for the year 1966-67. The company has already submitted to the Government a proposal for the addition of five more vessels at a cost of Rs. 3 crores and if the acquisition is approved in time, its benefit will be reflected partly in the results in 1964-65 and fully in 1965-66.

TATA-MERLIN AND GERIN

A new company, Tata-Merlin and Gerin Limited, has been formed to manufacture various types of switchgear and allied power distribution equipment, including the high tension air-break circuit breakers, isolators, interrupters, current and potential transformers, and control panels. The production is likely to start at the end of 1965. The company has been formed jointly with French manufacturers of electrical equipment, Etablissements Merlin and Gerin of Grenoble, France and Tata Sons Private Limited, with an authorised capital of Rs. 12.50 crores. In the first stage, its issued capital will be Rs. 70 lakhs of which about 45 per cent will be issued to the public. The balance will be taken up by the three promoters, Merlin Gerin capitalising a part of the fees and royalties payable to them.

Though switchgear and controlgear are already under progressive manufacture in India, the output of these items is far below the present demand and the country has been importing switchgear and allied equipment worth about Rs. 11 crores a year. The fourth Plan envisages an increase in the installed electricity generating capacity in the country by approximately 6 million KW to approximately 16 million KW by 1970-71. It is estimated that thereafter the installed capacity will double approximately every five years.

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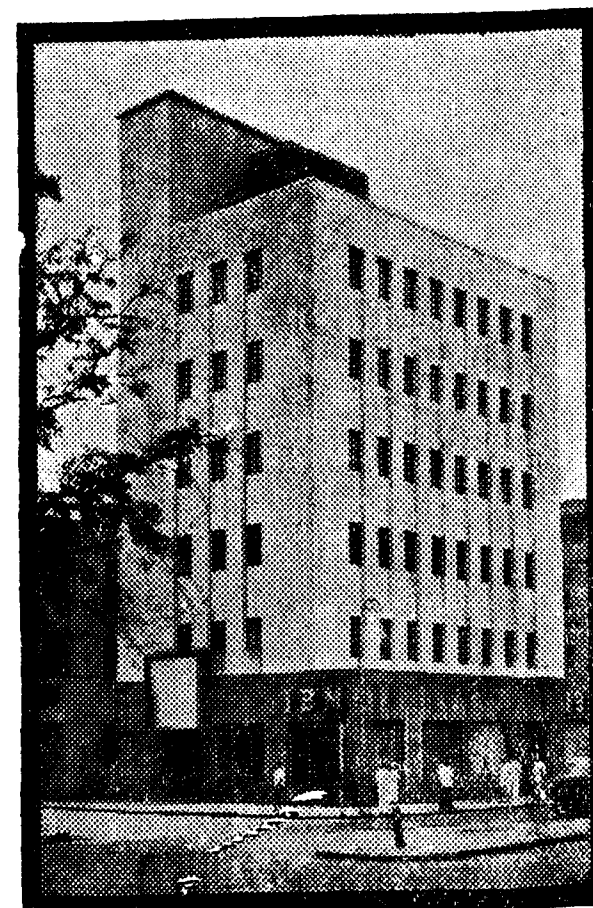
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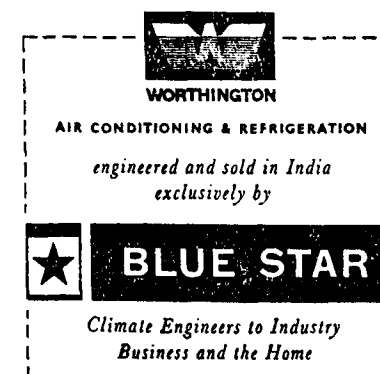
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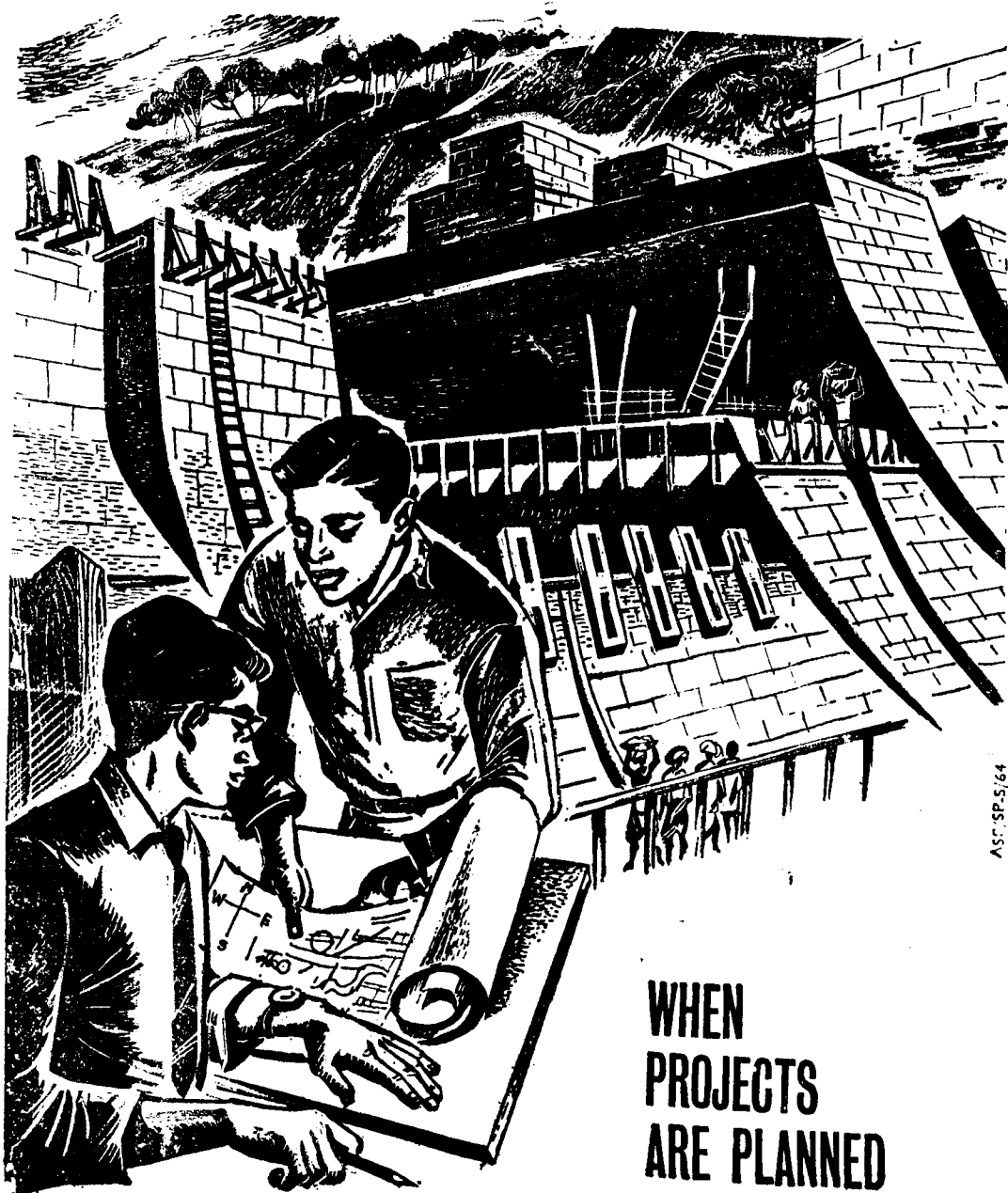
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BOOKS BRIEFLY

Economics of Underdevelopment

People and Living: Vol. V in the United Nations' Reports "Science and Technology for Development"; U.N.; \$7.

Economics of Underdevelopment: Edited by A. N. Agarwala and S. P. Singh; Oxi. Uni. Press; 15sh.

Economic Transition in Africa: Edited by M. J. Herskovits and M. Harwitz; Routledge and Kegan Paul; 50sh.

Aid to Africa: By I.M.D. Little; Pergamon Press; 7sh. 6d.

Reviewed by **JOSSLEYN HENNESSY**

TWENTY YEARS ago no study of the economics of a developing country existed. Today, there is a vast literature on the subject, which has passed through two phases.

In the first, indigenous politicians and their foreign economic advisers tried to apply western economic theory and practice "neat" to the developing countries. The emphasis was on social advancement, partly because the masses in the developing countries so obviously lacked social amenities, partly because in the early post-war years western economic advisers brought out with them their pre-occupation with the problems of the just re-distribution, rather than the multiplication of wealth. They, and the politicians whom they advised, were impressed by the contrast between conspicuous concentration of wealth in the hands of a minority and the poverty of the masses. The politicians were particularly tempted to concentrate on social objectives — schools, hospitals, labour legislation, and "soaking the rich" — because these satisfied national desires to escape from the stigma of "backwardness" and because they had an obvious electoral appeal. It took time for the foreign advisers to realise, and still more for the politicians, many of whom have not yet realised, that such policies endanger social stability, because they feed the illusion that political promises are the equivalent of mass production in being and that the fruits of economic growth can be enjoyed before growth has occurred. Economically, soaking the rich erodes such saving and investing as there is without raising mass living standards. As a result of these policies, mounting industrial unrest and social upheavals overtook many emerging nations.

Reinforced with Sociology

The second phase of studies in development problems emerged as economic advisers, baffled by strong social resistances, began to reinforce economic theory with sociology. This combination has, in the past five years or so, begun with increasing success to reveal the mechanics of social change that open the door to economic growth. This is what, in essentials, these four books, each admirable in its sphere, are about.

All four recognise, implicitly or explicitly, that economic development itself creates new inequalities. Wage differentials for skill often need to be high; successful investment gives higher yields than mediocre investment, and this affects some investors and savers more than others, while incomes in industries with rising productivities rise faster than incomes in backward or declining industries. The pragmatic remedy for differing rates of rise in incomes is to pursue still more intensified policies of growth, for the greater the wealth the more is available for lower incomes. Government policy should avoid (a) excessive party dogmatism and excessive insistence on the immediacy of social objectives and (b) ineffectual dispersal of resources in response to diverse pressures, some of which may, indeed, be activated by the highest motives. For example, it is now held to be a reasonable criticism of India's Community Development projects that they have not come fully up to

expectations because their sponsors thought more of promoting social welfare than of spurring villagers to make themselves richer, of spreading amenities than encouraging productive activities. This puts the cart before the horse, because the costs of welfare can only be met out of the profits of production, and particularly — if like India, a country needs to import food to live — the profits of production for export, for without exports there will be neither food nor welfare. Nor have Export Councils, with their special allowances and other "incentives", proved as effective in boosting exports as the prospects of being allowed to earn "excessive" profits.

To offer such advice in the UK evokes protests against "obsolete reactionary" ideas, but to offer it, as the outcome of socio-economic researches, to developing countries apparently makes it acceptable. Sauce for the developing goose is evidently not sauce for the developed gander. Yet the United Nations' "People and Living" says that substantial though the contribution of the West to the solution of the problems of the underdeveloped should be, it is "impossible to over-estimate the importance of the unique opportunities in the developing nations to advance the knowledge of man in changing situations". Economic historians confirm current observation of developing countries by showing that where, in the past, an ideology did not favour economic growth, it did not take place. The old classical Greek scientists knew about steam engines but no industrial revolution followed because the Greeks valued statesmen, soldiers, and farmers, and despised "profiteers".

TAXATION

Taxation of Companies and Their Officers: By R. N. Lakhotia; Published by Asha Publishing House, Calcutta; Pp. 831; Price Rs. 30.

Reviewed by **A. P. AGARWAL**

THE BOOK under review is an exhaustive commentary on the provisions of the Income-tax Act, 1961, incorporating the various amendments brought about by the Finance Act, 1964. The Income-tax rules 1962 have also been brought up-to-date. It illustrates with specific examples such difficult topics as computation of income under different heads under the Income-tax Act and the distinction between capital and revenue incomes and expenditures. Elaborate description has been given to explain the allowable and disallowable expenditures with 143 practical examples under the Income-tax Act and also the problems connected with the loss in business, depreciation and development rebate. Special effort has been made to explain the various exemptions and rebates allowable for the new industrial undertakings, their assessment procedures including calculation of tax etc. Provisions as they apply to foreign companies, especially for their income from royalties, have also been explained in detail.

The Companies Profits Surtax Act, 1964, which was introduced this year and which is somewhat difficult in understanding has been clearly explained by providing suitable and exhaustive examples regarding computation of capital of the company, statutory deductions, chargeable profits, etc. It is a useful guide for company directors, executives, accountants, auditors, legal and taxation advisers and all others who have to deal with taxation matters especially relating to companies and personal assessment of directors and other officers. The book will also prove very useful to the Income-tax Departmental officers for their day-to-day work as well as for their departmental examinations.

RECORDS AND STATISTICS

Tariff Valuation

THE GOVERNMENT of India has fixed, with effect from October 1, 1964, the tariff values for more than 60 articles. The tariff value specified shall, unless otherwise expressly provided, apply whether the article is assessed to duty under the "item in the First Schedule to the Indian Tariff Act, 1934 (32 of 1934)" or under any other "item." The description of articles

follows the ordinary trade description and covers all reduced grades and mixtures unless they are specially provided for. The item number in the First Schedule to the Act under which the article is ordinarily chargeable, the name of the article, and the tariff value are given below :

Item No. in First Schedule to Act under which article is ordinarily chargeable	Name of the article	Unit	Tariff Value (Rs.)
(1)	(2)		(3)
	SECTION — I		
	Live animals and products of the Animal Kingdom.		
5(2)	Ivory, unmanufactured —		
	Elephants' tusks (other than hollows, centres and points) each exceeding 9.0 Kg. in weight and hollows, centres and points each weighing 4.5 Kg. and over	Per Quintal	3,200.00
	Elephants' tusks (other than hollows, centres and points) not less than 4.5 Kg. and not exceeding 9.0 Kg. each and hollows, centres and points each weighing less than 4.5 Kg.	"	3,200.00
	Elephants' tusks each less than 4.5 Kg. (other than hollows, centres and points)	"	2,600.00
	SECTION — II		
	Products of the Vegetable Kingdom		
8(2)	Khasta Badam without shell (Kernel of Apricot)	"	650.00
	Dates, Wet, excluding seedless, in containers other than bags, baskets, gunny cloth and matting bundles	"	80.00
	Apricots in all packings and containers	"	310.00
8(5)	Grapes in all containers	Per Kg.	1.40
9(3)	Spices, unground — Cloves (other than exhausted)	Per Quintal	410.00
	Cassia Lignea (unground)	"	360.00
	Nutmegs in the shell	Per Kg.	6.00
	Nutmegs without shell	"	11.00
9(4)	Mace, unground	"	10.00
12	Cumin seed —		
	(a) Zira, Kandhari, Badakhshani and Khanabadi	Per Quintal	1,000.00
	(b) Zira, not otherwise specified including Khar and Kajak	"	500.00
12(2)	Copra or coconut kernel in dried form	"	105.00
13(4)	Gum kordofan and Hashab, all sorts other than ground	"	205.00
	Acacia gums, gum Arabic, gum Senegal and gum African, other than ground, not otherwise specified excluding gum Bhimbri	"	70.00
	Dammer Batu, unrefined	"	60.00
	Gum Benjamin	"	325.00
	SECTION — III		
	Fatty substances, Greases, Oils and Products of their decomposition; Prepared Alimentary Fats; Waxes of Animal or Vegetable origin.		
15(7)	Coconut oil, other than deodorised coconut oil	"	30.00
15(9)	Lubricating grease	Per Kg.	1.55
	Petroleum Jelly, white	"	1.30
	Petroleum Jelly, all other sorts	"	1.10
	N.B. — The tariff values apply to articles packed in containers		
	SECTION — V		
	Mineral Products		
27(3)	Mineral Colza oil	Per Kilolitre at 15°C	580.00
	Transformer oil, including transil and switch oil, other than that assessed to duty under the proviso to Item No. 72(3) of the First Schedule to the Indian Tariff Act, 1934	"	710.00

Item No. in First Schedule to Act under which article is ordinarily chargeable	Name of the article	Unit	Tariff Value (Rs.)
(1)	(2)		(3)
	Liquid Paraffin	Per Kilolitre	1,200.00
27(7)	Furnace oil, naked in bulk	Per Tonne	66.00
	SECTION — VI		
	Chemical and Pharmaceutical products; Colours and Varnishes; Perfumery; Soap; Candles and the like; Glues and Gelatines; Explosives; Fertilisers.		
28	Ammonium carbonate	Per Quintal	102.00
	Ammonium bicarbonate	"	42.75
	Sodium sulphide	"	55.00
	Sodium Hydrosulphite	"	200.00
	N.B. — The tariff values apply to articles packed in containers of not less than 6.36 Kg.		
	Long pepper	"	290.00
	Cubebs	"	245.00
	Unab (Indian jujube or Chinese dates)	"	250.00
	Mulathi (Glyceriza Glabra or Indian Liquorice)	"	100.00
	Zoofa (Mysop)	"	550.00
28(8)	Sodium bicarbonate	"	34.00
	N.B. — The tariff values apply to articles packed in containers of not less than 6.36 Kg.		
	Asafoetida, other than Iranian —		
	(a) Asafoetida (Hing), namely, Khéwal, Charaghar, Chakkan, Nai Zamin, Choras, Hing Ghalbin, Hadda and Zulfikar in all packings	Per Quintal	1,950.00
28(8)	(b) Asafoetida (H'ng) Pir Naksir and Saibandi	"	1,100.00
	(c) Asafoetida (H'ng), not otherwise specified including Kabli Hing	Per Kg.	900.00
28(29)	Acetic acid	"	1.25
	Borax excluding anhydrous borax commonly known as borax glass powder	Per Quintal	56.00
	Boric acid, excluding boric acid glass powder —		
	(a) Pharmacopoeia standard	"	105.00
	(b) Commercial quality	"	92.00
	N.B. — The tariff values apply to articles packed in containers of not less than 6.36 Kg.		
28(34)	Soda, caustic, commercial quality (including rayon grade) —		
	(a) Fused solid	"	28.00
	(b) Other forms, including flakes, pellets, rods and sticks	"	52.00
	N.B. — The tariff values apply to articles packed in containers of not less than 6.36 Kg.		
30(1)	Alizarine, moist, not exceeding 20 per cent	Per Kg.	320.00
	Alizarine, dry	"	14.00
	Beta-naphthol	"	2.25
	Vats paste other than Indigo paste	"	20.00
	Aniline oils	"	1.55
	Aniline salts	"	1.75
	Reactive dyes	"	50.00
	All others (excluding Naphthols, Bases and Indigo paste)	"	25.00
30(13)	Azo dyes not otherwise specified	Per Kg.	25.00
	Sulphur dyes (excluding Sulphur black)	"	15.00
	Reactive dyes	"	40.00
	Vats —		
	(a) Indigo (i.e. Pure indigo in its various concentrations in forms other than paste)	"	9.00
	(b) Carbazole blue in powder form	"	20.00
	(c) Other vats powder	"	60.00
30(15)	Solubilised Vats —		
	(a) Indigo solubilised including Indigosol O, and Soledon Indigo LLS.	"	24.00

Item No. in First Schedule to Act under which article is ordinarily chargeable	Name of the articles	Unit	Tariff Value (Rs.)
(1)	(2)		(3)
	(b) Solub'ised and stable vat dyes such as indigosols, Soledons and similar products excluding those falling under group (a) above		70.00
30(16)	(a) Congo red		5.75
	(b) Metanil yellow		6.50
	(c) Reactive dyes		400.00
	(d) Other direct Azo dyes and Acid Azo dyes		20.00
	Sulphur black (Indo-Carbon CL)		15.20
31(1)	Citronella oil, natural, from Ceylon		13.00
	Citronella oil, natural, from other countries		11.00
	N.B.—The tariff values apply to articles packed in containers of not less than 6.36 Kg.		
SECTION XXII			
Articles not otherwise specified			
87	Casein (lactic)	Quintal	224.00
	Ratanjot	"	180.00

Subsidiary Companies in India

ACCORDING TO the information received from the Registrars of companies there were 828 subsidiary companies in India with a paid-up capital of Rs. 218 crores as on 31st March, 1963 (vide table below):

	No. of subsidiary companies	Paid-up Capital (Rs. crores)	Paid-up Capital held by holding companies (Rs. crores)
Indian subsidiaries (Subsidiaries of companies in India)			
I. Public subsidiaries of Public Companies	393	61	42
II. Public subsidiaries of private companies	74	16	9
Total number of public subsidiaries	467	77	51
III. Private subsidiaries of private companies	141	11	9
	608	88	
Foreign subsidiaries (subsidiaries of companies incorporated outside India)	220	130	97
TOTAL	828	218	157

Since the provisions of Section 43A of the Companies Act, 1956 as introduced by the Companies (Amendment) Act, 1960 came into force with effect from the 28th March, 1961 all private subsidiaries of public companies have become public

companies and, therefore, at present there are no private subsidiaries of public companies registered in India.

The 608 Indian subsidiaries were held by 392 companies. The paid-up capital of these holding companies was Rs. 395 crores, out of which 241 companies with a paid-up capital of Rs. 351 crores were public companies while the remaining 151 companies with a paid-up capital of Rs. 44 crores were private companies. The 220 foreign subsidiaries were held by 194 foreign companies. The paid-up capital of the subsidiary companies, viz., Rs. 218 crores forms about 15.6 per cent of the paid-up capital of companies registered in India as on 31st March, 1963, excluding Government companies. Thus the companies belonging to the holding subsidiary companies complex registered in India came to 1220. Table I (p. 766) shows the statewide distribution of subsidiary companies registered and at work in India (Public and Private) and their holding companies (Indian) with their paid-up capital as on 31st March, 1963 excluding Government Companies.

Management Pattern

Out of the 828 subsidiaries, 111 companies with a total paid-up capital of Rs. 27 crores, including 10 foreign companies with a paid-up capital of Rs. 5 crores, were managed by managing agents/secretaries and treasurers. Out of these 111 managed companies, 56 companies with a paid-up capital of Rs. 13 crores, including 3 foreign companies with a paid-up capital of Rs. 4 crores, were managed by their holding companies. In 23 subsidiaries with a paid-up capital of Rs. 7 crores, the holding companies and the subsidiary companies were managed by the same managing agent. The remaining 32 subsidiary companies with a paid-up capital of Rs. 7 crores were managed by other managing agents, including 7 foreign subsidiaries with a paid-up capital of Rs. 82 lakhs. The remaining 717 subsidiary companies had other forms of management. Management pattern of subsidiary companies is summarised in the Table II (p. 766).

It is noticed that many foreign controlled managing

agency houses have a number of subsidiaries/sub-subsidiaries including some managed by them. These are Andrew Yule & Co. Ltd., Bird & Co. Pvt. Ltd., Macneill Barry Ltd., Shaw Wallace & Co. Ltd., Jardine Henderson & Co. Ltd., Gillanders Arbuthnot & Co. Ltd., Binny & Co. (Madras) Ltd., Balmer Lawrie & Co. Ltd., Turner Morrison & Co. Ltd. Among the Indian companies some prominent holding companies are Kesar Corporation Private Ltd. (Kilachand Devchand Group), Amalgamations Private Ltd., (Simpson group), Christian Mica Industries Ltd. (Ramkumar Agarwalla group), Rallis India Ltd., Mafatlal Gagalbhai & Sons Private Ltd., Larson & Toubro Ltd., Scindia Steam Navigation Co. Ltd., Mahindra & Mahindra Ltd., British India Corporation Ltd. etc.

Foreign Subsidiaries

There was 220 foreign subsidiaries with a total paid-up capital of Rs. 130 crores. There were also 54 Indian subsidiaries with a paid-up capital of Rs. 11 crores whose holding companies were subsidiaries of foreign companies i.e. sub-subsidiaries of foreign companies. The total paid-up capital of foreign controlled companies was Rs. 141 crores, i.e. about 10 per cent of the paid-up capital of companies registered in India as on 31st March, 1963 excluding Government companies. This will indicate to some extent of the quantum of foreign investments in India. Country-wise distribution of foreign holding companies having subsidiaries registered and at work in India as on 31st March, 1963 is shown in Table III.

TABLE III.
COUNTRY-WISE DISTRIBUTION OF FOREIGN COMPANIES HOLDING SUBSIDIARY COMPANIES AT WORK IN INDIA
(As on 31st March, 1963)

Country of origin	Holding Companies		Subsidiary Companies	
	No.	Amount held in subsidiary companies	No.	Paid-up Capital
U.K.	136	6728.8	156	8771.4
U.S.A.	28	1539.9	29	1981.6
Switzerland	10	306.7	11	354.6
Sewden	7	450.4	10	775.8
West Germany	4	40.8	4	79.0
Canada	1	286.6	2	495.3
Bahawa Island	1	59.2	1	71.9
Denmark	1	50.0	1	50.0
Holland	1	120.0	1	220.0
Hungary	1	0.02	1	0.03
Italy	1	0.9	1	1.0
Japan	1	79.8	1	80.0
Panama	1	65.0	1	65.0
South Rhodesia	1	6.3	1	16.0
TOTAL	194	9734.2	220	12961.9

Many well-known foreign companies which have world wide operations such as ICI, Dunlop Rubber, Metal Box, Unilever, Reckitt Coleman, Associated Electrical Industries, English Electric, Courtaulds from UK, Caltex, Esso Standard, Union Carbide, Firestone Rubber, Good Year, Ingersoll-Rand Sperry Rand from USA, Bayer and Hoechst from West Germany, Aluminium Ltd. from Canada, Philips from Holland, Sandvikens from Sweden, Ciba & Roche and Sandoz from Switzerland, operate in India through their Indian subsidiaries.

Some managing agency companies are subsidiaries of foreign companies e.g. Macneill & Barry Ltd., Gillanders Arbuthnot & Co. Ltd., Parry & Co. Ltd., Aspinwall & Co. Ltd. and its sister-concern, Aspinwall & Co. (Travancore) Ltd., W.A. Beardsell & Co. Pvt. Ltd., Bombay Co. Pvt. Ltd. One bank, Allahabad Bank Ltd., is a foreign subsidiary of the Chartered Bank, UK.

The UK, USA, Switzerland and Sweden had 156, 29, 11, 10 subsidiary companies in India with paid-up capitals of Rs. 88 crores, 20 crores, 4 crores and 8 crores respectively. The remaining 14 foreign subsidiaries were from 10 countries.

Indian companies had 37 subsidiaries in foreign countries, 18 in United Kingdom with a paid-up capital of £1.07 million, 19 in Pakistan with a paid-up capital of Rs. 24 lakhs, 5 in Ceylon with a paid-up capital of Rs. 70 lakhs, 2 in Switzerland and one each in USA, Indonesia and Malaysia. This will indicate to some extent the overseas investments of Indian companies. Among the prominent business houses which have got overseas subsidiaries are Duncan Brothers, Gillanders Arbuthnot, Octavius Steel, Jardine Henderson, Shah Wallace, Turner Morrison, Tata, Birla and Mafatlal. Shaw Wallace and Co. Ltd. has considerable interest in Ceylon through their five subsidiaries.

TABLE IV.

STATE-WISE DISTRIBUTION OF INDIAN HOLDING COMPANIES HAVING SUBSIDIARIES OUTSIDE INDIA

Holding Companies		Subsidiary Companies	
State	No.	No.	Country of origin
West Bengal	16	5	Ceylon
		8	Pakistan
Maharashtra	6	12	United Kingdom
		12	United Kingdom
		1	U.S.A.
Maharashtra	6	4	United Kingdom
		1	Switzerland
		1	Indonesia
		1	Malaysia
Madras	2	2	United Kingdom
		1	Pakistan
Madhya Pradesh	1	1	Switzerland
TOTAL	25	37	

Source : Company Law Division, Ministry of Finance.

TABLE I
STATEWISE DISTRIBUTION OF INDIAN SUBSIDIARY COMPANIES (PUBLIC AND PRIVATE) AND THEIR HOLDING COMPANIES (INDIAN) AS ON 31ST MARCH 1963.
(Excluding Government Companies)

(Excluding Government Companies)

(Paid-up Capital in lakhs of Rs.)

	Holding Companies								Subsidiary Companies					
	Public		Private		Paid-up capital held in subsid ary companies				Public subsi- diaries of Public com- panies		Public subsi- diaries of Private com- panies		Private subsi- diaries of Private com- panies	
	No.	Paid-up Capital	No.	Paid-up Capital	Public subsi- diaries of public com- panies	Public subsi- diaries of Private com- panies	Private subsi- diaries of Private com- panies	No.	Paid-up Capital	No.	Paid-up Capital	No.	Paid-up Capital	
Andhra Pradesh	5	477.5	1	3.0	13.6	—	1.3	6	18.2	—	—	1	3.4	
Assam	1	284.2	1	2.5	3.0	—	0.7	1	3.0	—	—	1	1.0	
Bihar	4	75.6	1	17.5	9.8	—	2.0	5	13.9	—	—	1	2.3	
Gujarat	11	1422.5	11	322.3	124.8	84.5	20.6	15	162.0	10	179.0	5	28.6	
Kerala	6	177.1	3	54.0	22.8	0.5	3.0	6	37.4	1	1.0	2	3.4	
Madhya Pradesh	7	883.6	2	25.0	99.8	14.5	1.4	7	194.5	1	25.0	1	1.9	
Madras	18	1374.9	18	455.0	637.8	104.2	167.2	33	815.0	8	120.5	24	215.4	
Maharashtra	63	8015.2	52	2644.5	947.4	356.7	510.7	98	1453.7	21	614.0	55	640.3	
Mysore	3	4454.4	1	3.0	143.1	—	0.4	11	216.9	—	—	1	0.6	
Orissa	2	3931.9	—	—	191.7	—	—	2	351.8	—	—	—	—	
Punjab	4	74.6	5	4.8	21.1	—	2.5	4	30.8	—	—	5	2.7	
Rajasthan	6	321.1	7	61.0	66.0	17.5	30.9	6	91.5	3	25.3	6	37.5	
Uttar Pradesh	7	628.2	5	12.3	76.2	1.5	9.3	9	136.3	1	1.7	4	15.9	
West Bengal	85	10979.4	26	555.7	1786.9	323.5	72.5	176	2357.7	29	661.8	17	72.5	
Delhi	14	1977.5	18	291.5	98.1	—	83.2	14	170.7	—	—	18	81.5	
TOTAL	241	35072.8	151	4452.1	4242.1	907.9	905.6	3933.3	6053.3	74	1628.2	141	1107.0	

TABLE II
MANAGEMENT PATTERN OF SUBSIDIARY COMPANIES

(Paid-up Capital in lakhs of Rs.)

Form of Management	Indian Subsidiaries		Foreign Subsidiaries		Total	
	No.	Paid-up Capital	No.	Paid-up Capital	No.	Paid-up Capital
Companies managed by their Holding Companies	53	896.2	3	4,05.0	56	1301.2
Subsidiary and Holding Companies having common Managing Agents	23	669.7	—	—	23	669.7
Companies managed by Managing Agents/Secretaries and Treasurers	25	656.2	7	82.2	32	738.4
Companies managed by other Forms of Managements	507	6566.4	210	12474.7	717	19041.1
TOTAL	608	8788.5	220	12961.9	828	21750.4

Source: Company Law Division, Ministry of Finance

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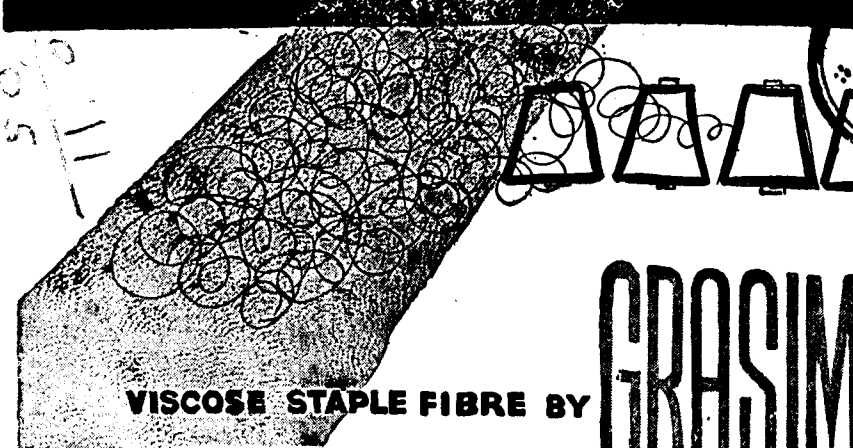
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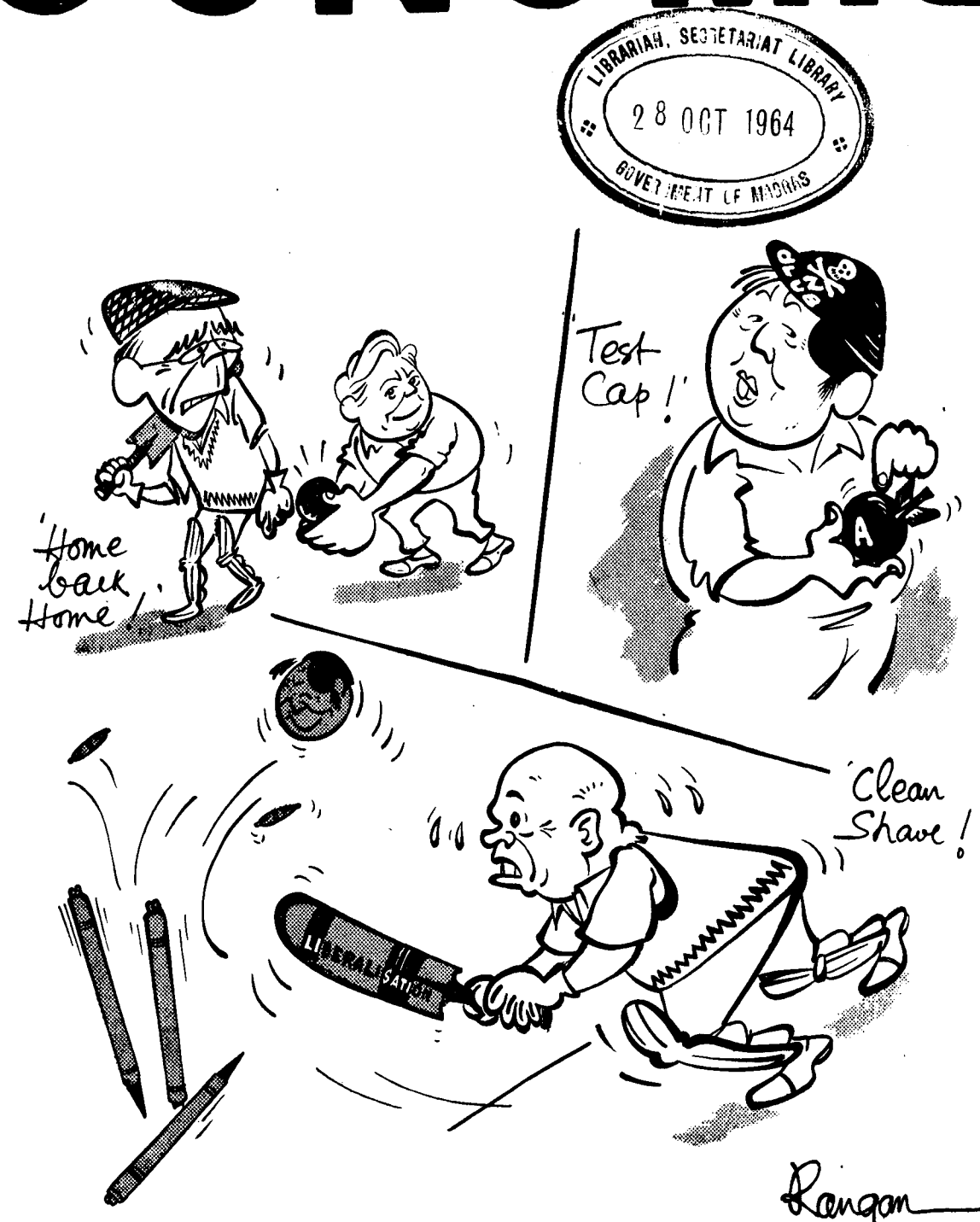
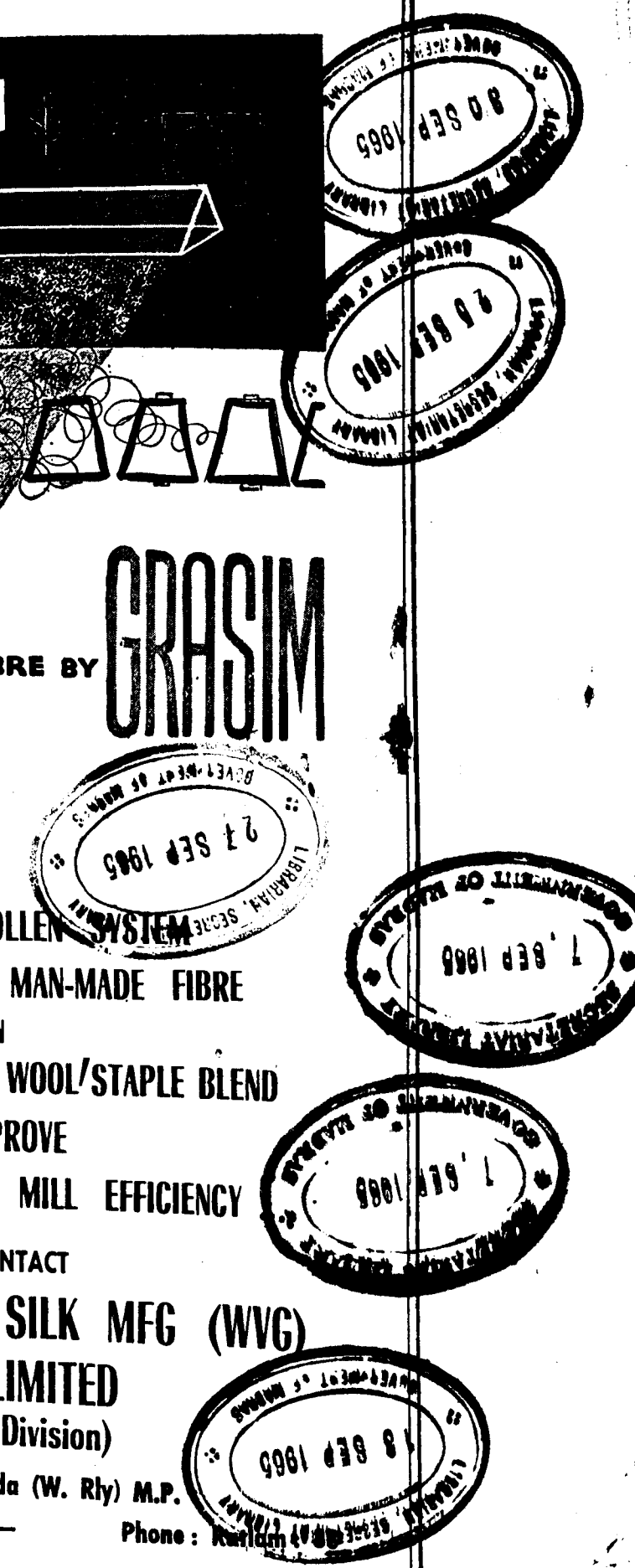


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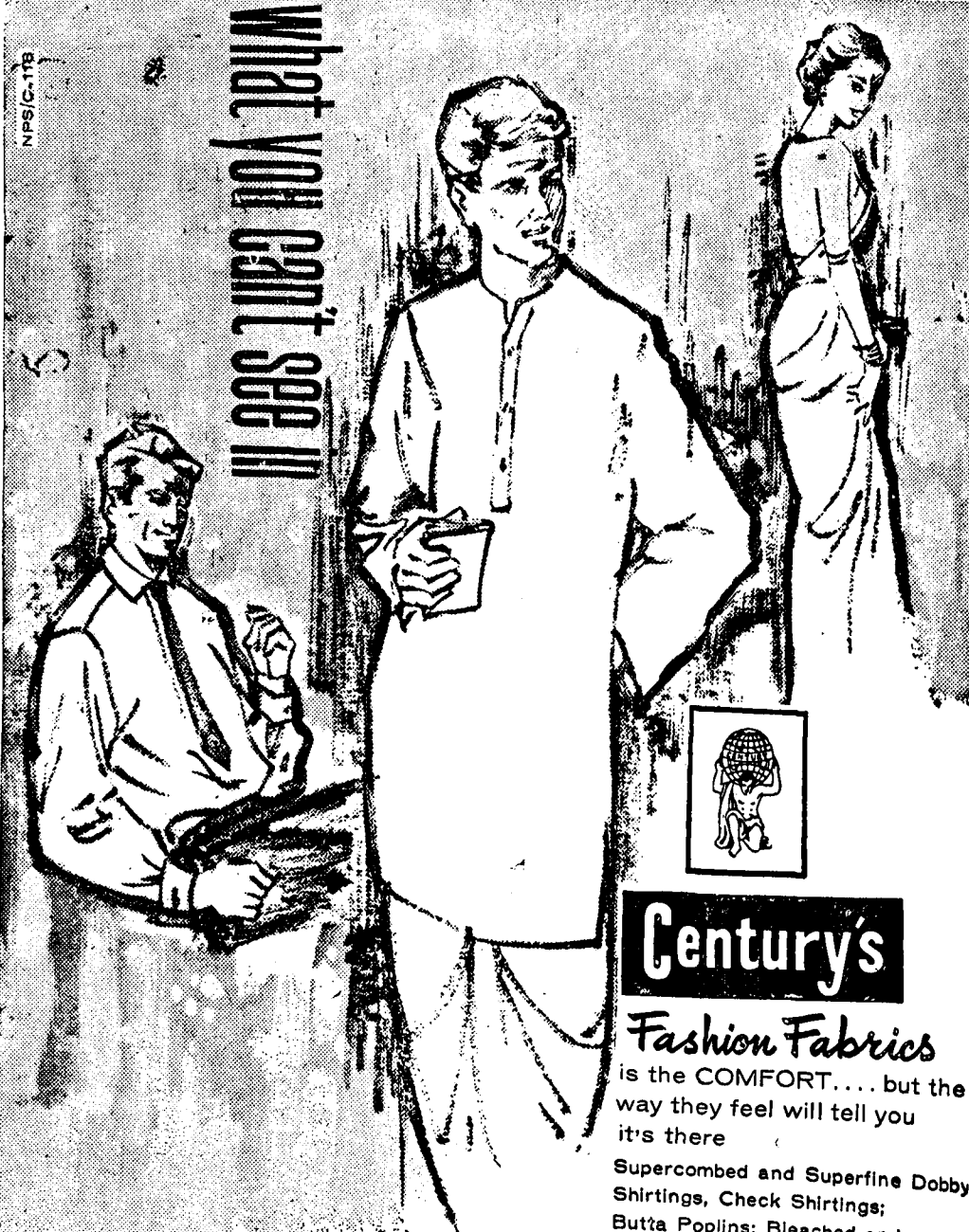
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OCTOBER 23, 1964

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First Things First

IT IS somewhat difficult these days for the ministers to forget, whenever and wherever they stand up to address a gathering, the current inflationary spiral which is causing great hardship to the people. Last week both the Prime Minister and the Finance Minister made public speeches on widely different topics, but the central thread in both was the rising cost of living. Addressing the Commissioners of Income-tax at Bangalore, Mr. T. T. Krishnamachari dwelt on this subject also when he said that the cost of living had gone up progressively since 1956, owing mainly to the circulation of unaccounted money which provided funds to the commodity trade. The Prime Minister, Mr. Lal Bahadur, in a broadcast to the nation on the eve of the National Solidarity Day, made a direct reference to the shortages of food and the consequent rise in prices. His stress was, however, on increasing efforts for raising the production of food in the country; he listed a number of measures which needed to be taken in order to make the country self-sufficient in food.

In any discussion of the current price situation, it is necessary to put first things first. If food production in the country had taken the course indicated in the third five-year Plan, the current inflationary spiral would not have raised its head and the secondary and tertiary factors now being cited would not have been dangled before the public. In the creation of the present price situation, unaccounted money is not the main contributory factor. The primary cause, without doubt, is the shortfall in food production and in this respect the Prime Minister's broadcast breathed realism. Nearly half of his speech was rightly devoted to the ways and means of increasing food output in the country. The farmer, he said, had been assured of remunerative prices for his produce. The officers had been asked to assist the farmer in providing seeds, manures, water etc. at the right time. The Prime Minister also drew attention to the problem of water - logging and of adequate attention to irrigation. All this is relevant and central to the problem of increasing food production and restraining prices. To blame unaccounted money in the economic system to be the chief source of the present inflationary spiral is to provide an extremely distorted and imperfect picture of the situation.

It may be recalled that in June this year, when the realization had dawned upon the Government that price situation was slipping out of control, it was the Minister of Finance who had volunteered to curtail expenditure at the Centre up to Rs. 70 crores because he believed at that time that it was the excessive expenditure of the Union Government which had continuously pushed up prices. The State Governments had also been urged to reduce their expenditure. In the present-day discussions of the price problem and especially in the Finance Minister's speech at Bangalore there has been no mention of this reduction in Central and State expenditure. In fact it is not known if the promised cut in expenditure will come about at all because there has been an unexpected buoyancy in revenue, especially at the Centre.

The man-in-the-street is rightly bewildered not knowing precisely what were the factors which were shrinking the purchasing power of his purse. While it is conceded that a multiplicity of factors have operated in order to bring about the present situation, it is up to the ministers to focus the attention of the public on factors which have greater rele-

ance to the present situation and an adequate attention o which will help in solving the price tangle. In this regard the Prime Minister's broadcast to the nation on October 19 as also his broadcast on the eve of his departure for the Cairo Conference score over the Finance Minister's analysis at Bangalore wherein the latter described unaccounted money as the main cause for the present rise in prices.

The Prime Minister has given the right lead in stressing the fact that increase in food production is the prime necessity of the day and that agriculture will be accorded the highest priority in the next five-year Plan. Let us hope that the Finance Minister, while discussing the problem of prices at the next public meeting, will not forget this basic fact. Again, we hope that he will inform the public about his promise to cut down the Union Government expenditure which was also, according to his own analysis, a potent cause for pushing up prices. It is not our thesis that unaccounted money has had no effect on prices. We only contend that in the list of the relevant causes for the current price inflation, it enjoys a place of lesser importance. We wish the Finance Minister all success in tracking down unaccounted money wherever it exists, but let it not divert the attention of the people from

the main factor which has caused the present havoc in prices, namely, the shortfall in food production. Till we succeed in raising the level of food output on to the desired level, we have no option but to continue to import foodgrains; the Prime Minister has assured the public that the Government would do its best to supply to the people foodgrains at reasonable prices.

From a very intelligent analysis of the price and the food situation, the Prime Minister has, however, drawn the unfortunate conclusion that it is the dealers who are not co-operating with the Government in keeping the price situation under control. He has described the present system of distribution as defective requiring some drastic changes, though in the same breath he has agreed that any alternative system would not be hundred per cent satisfactory. Students of economics know that whenever supply fails to keep pace with demand, prices seek a new equilibrium. Any device to meet such a situation, however intelligently contrived, may not stand the pressure of demand; the alternative can be a stop-gap arrangement only. The key lies in increased output alone to which all efforts must be directed. Energy expended on less important factors or contrivances may not yield results commensurate with the effort put in.

Multipliers Will Multiply Difficulties

STATUTORY CONTROLS over the production and prices of dhoties, saris, long cloth and shirting were at long last introduced on October 20. And on the same day bowed out the four-year old Voluntary Price Regulation Scheme, unsung, unwept and unhonoured. As a matter of fact, the industry heaved a deep sigh of relief at the belated exit of his mis-called interim measure. That it should have managed to survive at all, notwithstanding the stout opposition of the entire mill industry all these years is not a little surprising.

After the Voluntary Price Regulation Scheme came to an end, the industry did not certainly bargain for the new statutory controls that have now been imposed. Nor did a large section of public opinion want controls when, admittedly, there were adequate stocks of cotton piecegoods in the country. The opposition of the organised sector of the industry to controls doubtless stems from the fact that over 50 per cent of the available supplies for the internal market comes from the decentralised sector. Regardless of all this and the vast organisation needed to ensure effective enforcement, the Government of India has thought it fit to bring under control about 45 per cent of the output of mill-made cloth, excluding the quantity sold for defence and export purposes.

After seeing the elaborate schedule of realisation multipliers and processing charges and other allowances and the lengthy instructions to the mills and processors

in the matter of stamping of mill prices with effect from the mid-night of October 19, — and these have had to be revised again — one wonders whether the game is at all worth the chase. He would unquestionably be an incurable optimist who could predict that the new control scheme would have smooth sailing, notwithstanding the assurance of whole-hearted co-operation by the industry and the trade, as also the offer of the textile authorities themselves to help any mill or processor which might find it difficult to follow the schedule to comply with the new regulations.

The unexpected change in the first schedule of realisation multipliers (the pink book) by the Government, after all the deliberations with the concerned interests and the obvious approval, of course, of the Government, has baffled the mill industry. The industry must have had a premonition of some last-minute shock when the commencement of the statutory control scheme was suddenly postponed from October 15 to October 20. The mills had already begun betimes to prepare themselves for the new scheme and were actually on the point of stamping the new prices on the controlled varieties of cloth. But like a bolt from the blue came the Government decision drastically revising the schedule of multipliers which had to be printed all over again. Evidently, the authorities were influenced by the interested propaganda in a section of the press

which created the impression that the new prices offered to the mills were over-generous and that there would be no reduction whatsoever in cloth prices.

Apart from the fact that this hurried action on the part of the Government smacks of playing to the gallery, the new schedule is likely to produce certain unforeseen results which neither the Government nor the industry will probably relish. Informed mill circles are of the considered view that big changes have been made in the final schedule which will defeat the very purpose of the proposed controls. As a result of the changes, they say, the prices of grey cloth in the category of higher medium, fine, and superfine varieties, will go down by four to five per cent, compared with those indicated in the first schedule. Bleached cloth and dyed cloth in the same categories will also suffer a reduction of 6 to 8 per cent and 8 to 10 per cent, respectively, according to them. In short, while the new schedules have left practically untouched the multipliers for coarse and lower medium cloth, they have had the effect of bringing down the prices in respect of a majority of varieties to levels much lower than even those fixed under the voluntary price control scheme. The worst affected undoubtedly are the varie-

ties the prices of which have been almost static for the last five to ten years at uneconomically low levels. The irony of it is that the producers of these varieties had been assured by the Government a rise in prices of at least 10 per cent. Instead of getting an increase, they have now been let down most unceremoniously.

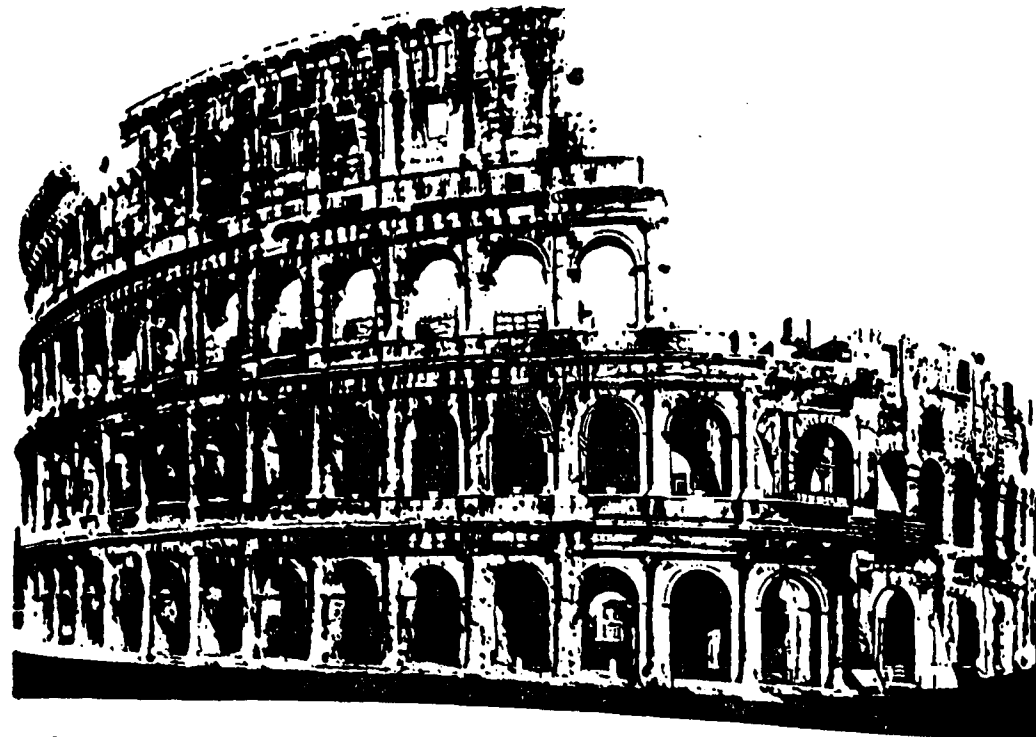
Besides the reduction in the multipliers there have also been restrictions on combing allowance for Indian cotton which, to say the least, is most regrettable. For the immediate effect of these restrictions will be to discourage the industry's attempts to upgrade Indian cotton which, in turn, will bring about a deterioration in quality. Quality also will suffer as a result of the sharp cut in processing charges.

On a careful appraisal of all the relevant factors, it would seem that this last-minute reduction in the multipliers was not at all warranted. The resulting apparent gain to the consumer, it is feared, would be more than wiped out by the apprehended fall in production, thanks to the unattractive levels of the multipliers and, what is worse, by the psychological demoralisation born of the avoidable new fear of shortage of quality goods.



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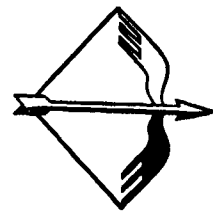


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Highlights of the Week

EXCITEMENT ALL-ROUND

LAST WEEK was full of excitement and expectation due to some sweeping changes in the international political scene. China exploded an atom bomb and thus joined the ranks of the nuclear powers of the world. Mr. Khrushchev resigned from the offices of the head of the Soviet Government and the Communist party for reasons of health, according to an official communique from Moscow. In the United Kingdom, Labour recorded a victory over the Tories by a narrow margin. The political pundits had a free play of their skills in an effort to interpret these events for the bewildered newspaper reader.

Close on the heels of Mr. Lal Bahadur's demand at the non-aligned Cairo Conference of sending a delegation to Peking for dissuading China from exploding an atomic device, came the news on October 16 that China has become the fifth nuclear power of the world by conducting its first nuclear test somewhere in western China. The Prime Minister, Mr. Lal Bahadur, described the explosion of the bomb by the Chinese as "a menace to mankind and danger to the maintenance of peace". A pertinent question which is being freely discussed in New Delhi at the moment is if India will be forced to change its declared policy of not joining the nuclear armament race. It had been stated categorically by the Prime Minister at the Cairo Conference that India has in its possession the technical knowledge and skill to manufacture the atomic bomb within twelve to eighteen months but its policy was directed to peaceful use of the atom and that India would never take part in this mad race for acquiring nuclear armaments. This approach was justified so long as China had not joined the nuclear club. In view of the treacherous policy pursued by China in the past, it would be living in a fool's paradise to put faith in the Chinese Government's statement that "China will never at any time and under any circumstances be the first to use nuclear weapons".

A statement of much greater importance has been made by President Johnson regarding the implications of the Chinese detonation of the atomic bomb; he has assured all nations that the USA would come to the succour of the non-socialist countries if any nuclear threat emerged from China. He has also stated that the Chinese entry into the nuclear club should not be over-estimated as there is a long time lag between the first explosion and the acquisition of a stock-pile of atomic weapons.

It is patent that within the Congress Party the pressure will grow to shed the pious cloak for not manufacturing nuclear armaments because this will expose the country to atomic invasion from the North. India cannot afford a repetition of the humiliation of 1962 and has no option but to take to this disastrous course which, without doubt, will cut into the funds earmarked for economic development. The expenditure on defence has already produced a certain disequilibrium in the economy and any attempt to enter this highly expensive adventure will without doubt demand of the people much larger sacrifices — sacrifices which they have not made for the last two decades. The pros and cons of this question will need to be debated at various levels before a final decision to plunge the country into this hazardous adventure is taken.

Exit Khrushchev: Enter Kosygin

The announcement of Mr. Khrushchev's resignation from both the party and the Government came as a big surprise, though it was known that pressure against Mr. Khrushchev was building up within the party since the ideological dispute between the USSR and China had split many of the Communist

parties in the non-socialist countries with the result that the Communist Party of the USSR seemed to be losing some valuable support. China, in particular, had made Mr. Khrushchev its target implying that there could be no rapprochement between the two countries so long as Mr. Khrushchev remained at the head of both the Government and the Party in the USSR. His exit has been taken as a signal for bringing the two countries together and closing the ranks of the communist parties all over the world. This will naturally require some change in the USSR foreign policy, though the USSR diplomats have hastened to clarify that the foreign policy of their country would remain unchanged. The Charge d' Affaires of the USSR Embassy in New Delhi is reported to have informed the Prime Minister, Mr. Lal Bahadur, that the change in leadership in the USSR would not result in any shift in policy towards India. In Moscow also India's Charge d'Affaires was summoned to the Ministry of Foreign Affairs and was told almost the same thing.

Mr. Khrushchev has not left the Russian political scene alone; six of his senior colleagues have followed him. Particular mention needs to be made of the editors of "Pravda" and "Izvestia" along with the other trusted men of Mr. Khrushchev. The Chairman of the State Radio and Television Committee has also been ousted. Political commentators all over the world are agreed that Mr. Khrushchev lost a crucial battle and, hence, his dismissal would be followed by a change in policy, however slow the process may be. An inkling of this trend was provided by an editorial in the Soviet Communist Party newspaper "Pravda" which accused Mr. Khrushchev of "hare-brained scheming, immature conclusions etc."; may be, within a few days some more abuses will be hurled at. Already, amongst the ten top leaders of the USSR, the picture of the ousted leader is conspicuous by its absence. The future course of foreign policy of the USSR has become an amusing guess-work.

PRECARIOUS PERCH

THE LABOUR PARTY in Britain is back in the saddle after 13 years with a slender majority of only four in the 630-member House. The majority is fewer by three than the Attlee Government — which was toppled after a year's rule — had in 1951. It, therefore, does not sound uncharitable or unreasonable when people like Mr. George Woodcock, General Secretary of Britain's Trade Union Congress, predict another General Election in less than a year. Apprehensions of the Labour Government being voted out of office become more apparent when one takes into consideration the lack of governmental experience of the ruling party and the large number of ticklish issues that it will have to face. But the dynamic personality of Mr. Harold Wilson, under whose leadership the Labour Party has attained victory, has blunted the edge of such a fear to a certain extent. Another redeeming feature is the offer of broad support to the ruling party by the Liberal Party which has a strength of 9 in the House. Mr. Wilson surely will buy time — as did the Conservatives by postponing the General Election in order to make people forget the Profumo Affair — to enable his Government to carve out for itself an image in the public mind of courage, toughness and fresh ideas by taking new initiative in foreign, defence and economic policies.

If the election manifestos of the two parties and the pronouncements made during the election campaign by their leaders are any guide, it was less of an ideological battle. While the Labour Party's slogan was 'modernization and technological advance', the theme of the Conservatives was

Industrial Development Under Contract Labour System

Dr. A. TEMESVARY

IN SOME industrially advanced European countries a contract labour system functioned after World War II, whereby foreign entrepreneurs supplied home manufacturers with free imported raw materials, in return for which they received a certain allocation of the total output for sale in other countries.

The above arrangements resulted from increase in prices without the corresponding increase in money wages, i.e. reduction of labour costs in terms of goods which were sold on the free home market. Thus, those able to obtain imports for the free home market could supply export markets with cheap labour. Out of the cheapening of labour costs arose the high profits which the home manufacturer and foreign entrepreneur shared.

Considering reserve man-power in developing countries, one might ask why this could not be turned to the benefit of mankind similar to the way labour was utilized in Europe after World War II under a contract labour system.

True, on the whole, developing countries lack some of the factors required by secondary industries, such as local primary production, convenient supply of foreign markets, as well as skilled labour and organizing skill employed in manufacturing and distribution. And no doubt a good proportion of secondary industries cannot develop in countries which yet are unable to offer these factors at competitive level.

Still, one can assume that some secondary industries would develop where unskilled labour is cheapest even in countries which are in short supply of all other factors generally required for secondary production.

Exchange Rates

Acceptance of the idea that certain secondary industries can develop anywhere where unskilled labour is plentiful, raises the question how cheap unskilled labour works out in terms of hard currency, in countries with reserve man-power. In expressing costs of labour in terms of hard currency one of the main determining factors is exchange rates, which, as a rule, overvalue the currency of developing countries.

By overvaluing their currencies under foreign exchange, countries can promote the development of home industries which supply the home market. Overvaluation, by cheapening of imported raw materials and imported semi-processed goods, furthers the development of local industries by increasing return on capital investment. Thus part of profit does not arise from the value added to products by employing the country's labour force under the terms of the international division of labour, but simply out of conditions artificially created by trade restrictions between countries.

Whatever way developing countries utilize foreign investments, foreign investors are not expected to further the development of industries in these countries, unless the return on capital they can anticipate is higher than it is in hard currency countries. The return on capital investment a country pays foreign entrepreneurs should, however, not be more than some of the value added to the products by employing the country's labour force under the terms of international division of labour.

Any profit that does not arise out of the value added to products by employing the country's labour force under the

terms of the international division of labour, reduces the gain the country can expect from employing its labour force on manufacture. So, when it comes to seeking foreign capital for artificially favoured industries, such as all industries developed to supply the home market, in countries whose currencies are overvalued under foreign exchange, it is important that with the return the country provides in hard currency there is a corresponding increase in the value of products through manufacture.

In contrast to the way overvaluation of currencies under foreign exchange can help to develop secondary industries, countries with reserve man-power would have to create improved conditions under which some of the country's secondary products can sell for hard currency, if they wish to obtain foreign capital under contract labour arrangements.

Highly Competitive Field

To sell secondary products for hard currency, developing countries have to participate in a highly competitive field, in which more advanced countries have many potential advantages.

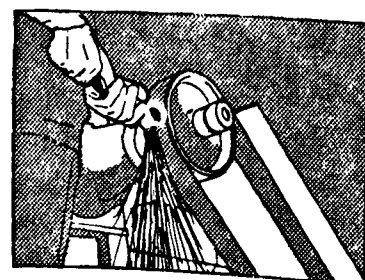
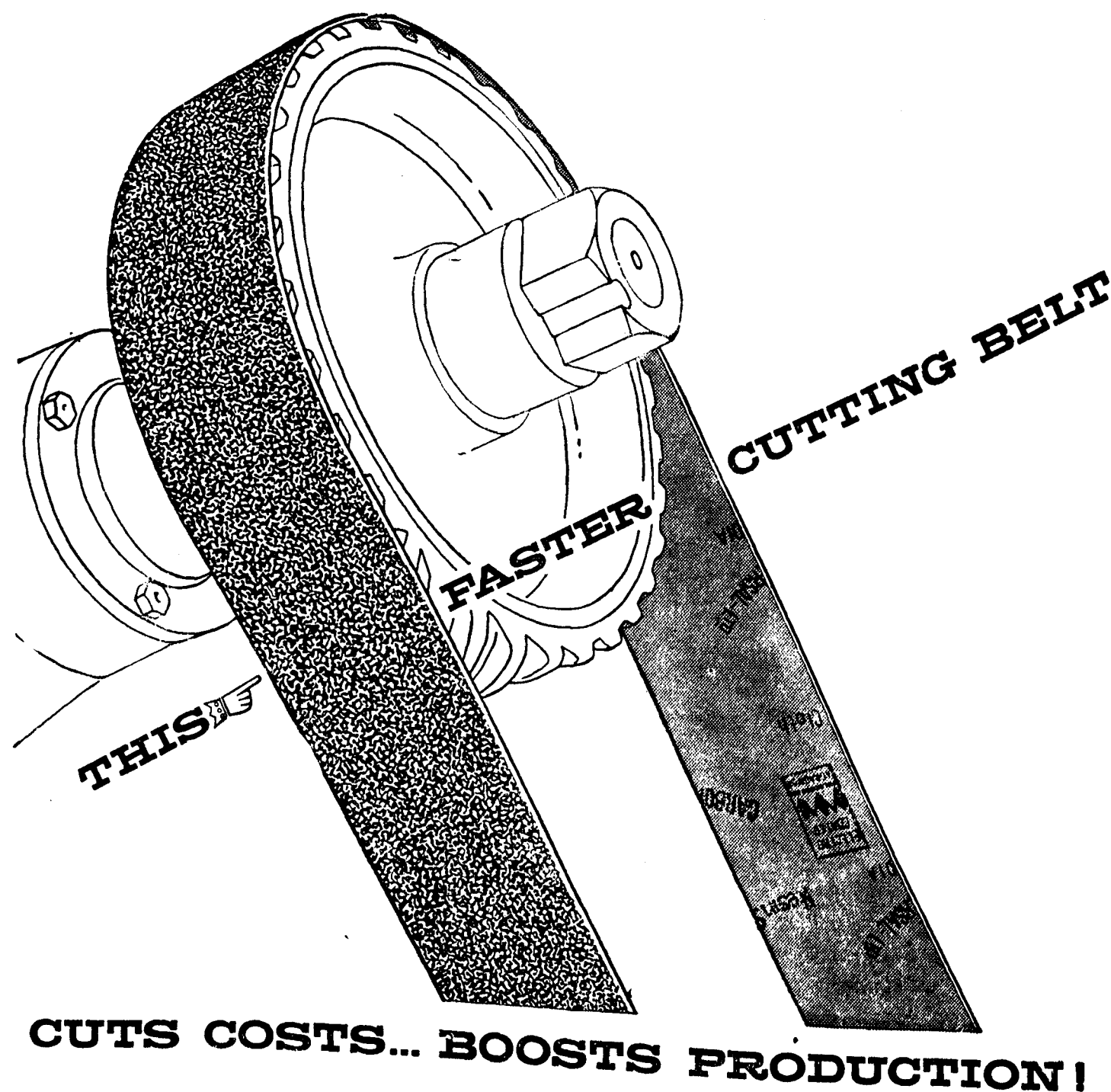
Short of using foreign capital for primary production, whatever way some countries would try to achieve improved sales for hard currency, whether through wholesale devaluation, or by subsidizing export industries, or otherwise, it would mean reducing the country's return for the man-power employed.

Without wholesale devaluation, which could hinder the development of industries supplying the home market, improved export sales for hard currency might be achieved most simply possibly by offering cheap labour for hard currency, to any investor who would not draw on the country's foreign currency reserves, but would earn all his requirements in raw material imports and capital return through supply of export markets.

It should go without saying that once foreign investors paid for the use of labour in hard currency the amount determined by the government of the country, it would then be up to that government to see that those employed under contract labour arrangements receive wages corresponding to award rates of the country, even if under the terms of foreign exchange the money paid for the use of labour by foreign entrepreneurs called for a subsidy to balance the effects of overvaluation of the country's currency.

Such arrangements would best not apply to any industry that draws on the country's hard currency reserves, for capital repayment and for raw material imports, even if these industries supply export markets, as profit arising from exports to any country whose currency is overvalued under foreign exchange is determined by similar factors as those stated in connection with home market supply.

Countries are able to develop for the supply of the home market many types of secondary industries only through employing certain import restrictions on manufactured goods, while supplying home manufacturers with cheap imported raw materials and semi-processed goods through overvaluation of their currencies under foreign exchange. This way, however, as has been stated already, the return on capital investment arises not entirely from the value added to products by employing the country's labour force under the terms of inter-



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'modernization of Britain'. Except for the two major blemishes — the Suez debacle, and the Profumo Affair — the Conservatives had, during their 13-year rule, given the country prosperity and economic stability. Although Britain's 2.5 per cent annual rate of growth is relatively slow, the country is in a phase of affluence. What has, therefore, contributed to the Labour's ascendancy to power is perhaps the people's desire for a change. But a major factor that might be said to be responsible for this is the Kennedy-like personality of Mr. Wilson, as against the unassuming and melancholy face of Sir Alec Douglas-Home. Moreover, the Labour Party, which was a shambles after the exit of Earl Attlee, after having been provided a strong foundation by the late Mr. Hugh Gaitskill, has now become more broad-based under the present leadership. It would not have been surprising, therefore, if Labour had won by a comfortable majority, which according to Britain's Gallup Poll was 13 per cent at one time. Among the factors that are believed to have contributed in the contraction of the majority are, firstly, the prolonged postponement of the General Election, secondly, the people's affluence, and thirdly, Conservative exploitation of the immigration issue.

Labour is now off to a start and the first problem it has to face is the adverse balance of payments which will be about £25 million by the end of the current year. Mr. Wilson has decided to correct the imbalance through a phased programme of borrowings from the IMF, export incentives and import deterrents, and a possible increase in the bank rate. He may go slow with re-nationalization of steel, since Liberal support will not be forthcoming. He is likely also to postpone State takeover of urban land for housing development — a strong plank of the Labour election campaign —, but a curb on rents and housing prices might very soon be clamped. With regard to the foreign policy of the Labour Government, Mr. Wilson stands unequivocally for disarmament. He is in favour of abandoning Britain's independent nuclear deterrent, but this will have to be looked from the changed perspective of Mr. Khrushchev's exit and China emerging as a nuclear power.

In Labour, India has a staunch friend of India. Apart from the fact that it was the Attlee Government which was responsible for securing independence for India, this country has always received moral support from the Labour leaders of Britain. Mr. Wilson, in particular, was the first to propose a lend-lease arrangement for India at the time of the Chinese aggression, and more recently it was because of his efforts that the Conservative Government finalised the loan agreement for the construction of frigates for the Indian Navy at Bombay's Mazgaon Dock. There is every reason to hope, therefore, that during Mr. Wilson's premiership Indo-British relations will be strengthened further.

PROTECTION FOR W. GERMAN INVESTOR

THE PROTRACTED negotiations between India and the Federal Republic of Germany on affording protection to West German capital investments in India have at long last been fruitful. An agreement was signed in Bonn last week providing for fair compensation for West Government investments in India in case of nationalisation and adequate facilities for remittance of profits, dividends and capital in the case of liquidation and expropriation. The agreement came into force with effect from October 15, 1964.

The Indo-West German pact broadly follows the same pattern as the investment guarantee agreement concluded between the Government of India and the US Administration some time ago. The Federal Government which had earlier insisted that this agreement should cover all West German capital investments in India, irrespective of whether such investments were guaranteed by the German Credit Guarantee

Institution or not, has accepted the Government of India's view that protection under the agreement should be provided only to investments which are guaranteed by the Federal Government. The Federal Government, it may be mentioned, has recently introduced a scheme under which a West German investor can take out guarantees from his Government, on payment of a prescribed fee, covering (i) any risk of convertibility for remittance of his profits and repatriation of his capital, and (ii) payment of adequate compensation in case his investments are nationalised.

Under the agreement signed last week, it has been laid down that in the case of any investment so guaranteed by the Federal Republic of Germany, the Government of India will recognise the Federal Government as holding the rights and title of the West German investor. A detailed procedure has been prescribed for resolving any disputes that may arise in respect of quantum and mode of compensation. Attempts will be made first to settle such disputes by the two Governments in consultation with each other. If, however, these consultations do not result in an understanding, the question will be referred to an Arbitration Committee consisting of one nominee each of the two Governments and a third member to be chosen by the two together. Reference can also be made to this Arbitration Committee in case the Government of India refuses to transfer the West German capital on the score of balance of payments difficulty.

The agreement should give further fillip to West German investments in India.

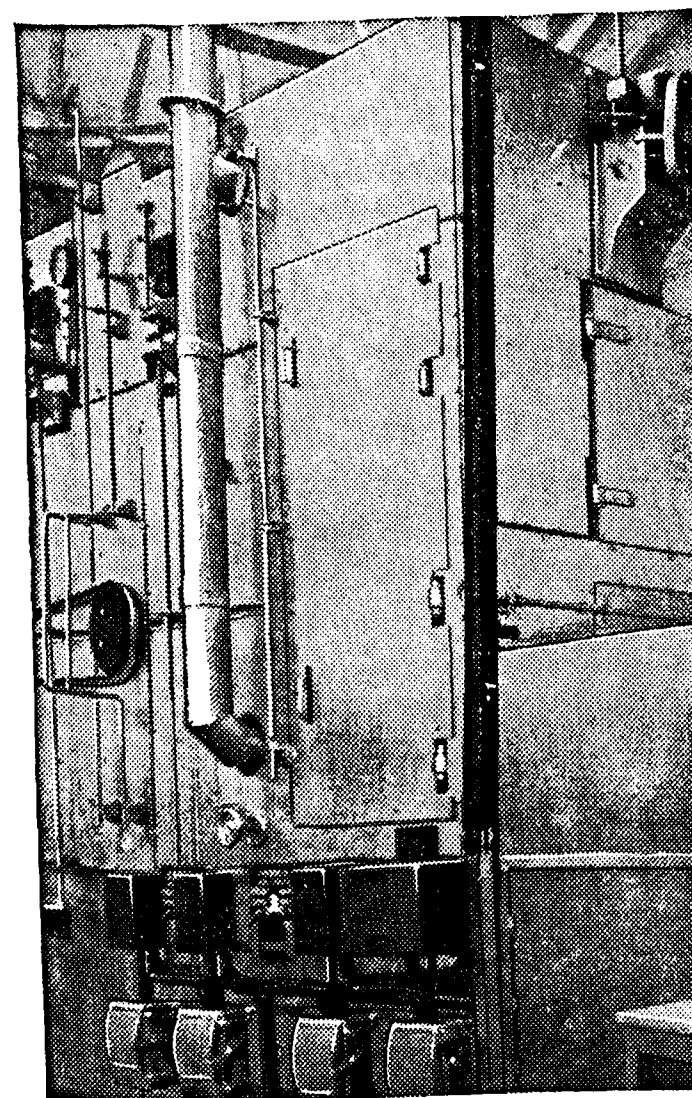
Eastern Economist 20 Years Ago

OCTOBER 13, 1944

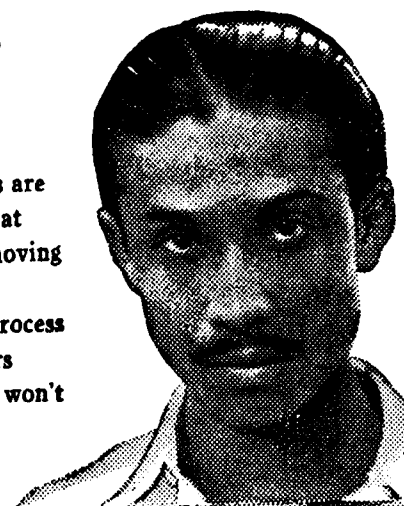
An interesting question arises whether the centralized distribution of food grains, which has come in the wake of the procurement and rationing activities of the Provincial Governments, has so worked as to increase the cultivator's share of the consumer's price, and if so whether the system has any lessons of permanent value for the post-war re-organisation of agricultural marketing. Taking the case of rice produced in Tanjore and sold at Coimbatore, which is about 180 miles from Tanjore, we find that the price paid to cultivator at village for 1.5 maunds of paddy (required to produce one maund of rice) is Rs. 7-1-8, whereas one maund of rice is retailed at destination at Rs. 9-13-8. In other words, the cultivator gets annas 11½ in the rupee or about 72 per cent of the price paid by the consumer. In another case, to wit, of Bezwada rice sold at Calicut, the retail price of one maund of rice at Calicut is Rs. 9-7-10, whereas the cultivator near Bezwada gets Rs. 6-14-1. Here, the cultivator's share is a little higher, about annas 0-11-7 in the rupee or 72.4 per cent. If these cases, which are typical enough, may be taken as a reliable general guide, it will not be incorrect to conclude that marketing costs have gone down under Government control, as before the war it was estimated that the producer got, on average, only about eight and a quarter annas for every rupee paid by the consumer. It may be that part of the economies is due to the avoidance of unnecessary transport, but this is negligible as, even in normal times, food grains were not transported over long distances, were generally consumed within the producing or adjacent areas and only rarely crossed provincial boundaries.



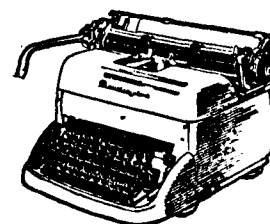
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national division of labour, which would be the only true indication of economic feasibility of any industry, in any particular country.

In contrast to secondary industries which supply the home market of countries whose currencies are overvalued under foreign exchange, under contract labour arrangements only industries could develop in those countries the economic feasibility of which rests on international division of labour.

Thus, by developing secondary industries under contract labour arrangements, on the whole higher value would be added to the manufacture of goods by employing the country's labour force, than with manufacture for home consumption. From this additional gain both the country and foreign investors might be able to benefit yet without increasing the country's indebtedness to capital-lending nations and because of imports of raw materials and semi-processed goods, as under most other arrangements.

Difficulties Involved

Some might question the wisdom to manufacture in countries without long-established industrial traditions, secondary products for sale for hard currency. It can, however, be argued that, as the difficulties involved in selling manufactured goods to hard currency countries result mainly from low prices there, this in turn assures countries trading for hard currency of proportionately cheap imports.

Industrial production under contract labour arrangements in European countries, after World War II, due to cheapening of labour, was very small in comparison to present industrial production of those countries, with still smaller rise in the national income. Nevertheless, the employment of man-power as contract labour provided imports which were vital for those countries at that time, and helped in re-establishing pre-war industrial production.

Thus, it is difficult to see why any objection should be raised by countries with ample reserve man-power against the use of contract labour arrangements, however small initial rise in their national income this might promise. And should conditions be established under which such arrangements could possibly exist, there is little doubt that whatever difficulties foreign investors might have to face to develop new industries and new export markets, some will seek to explore the opportunities that cheap labour is offering.

In short, assuming that countries with ample reserve man-power would develop secondary industries, with foreign capital, under contract labour arrangements, this should offer those countries the following special benefits:

1. Increased exports, without wholesale devaluation.
2. Use of raw material imports with increased secondary production, without adverse effect on the country's foreign trade balance.
3. Use of foreign capital, without corresponding increase in the country's financial obligations to capital lending nations.
4. More value added to secondary products by employing the country's labour force under the terms of the international division of labour.

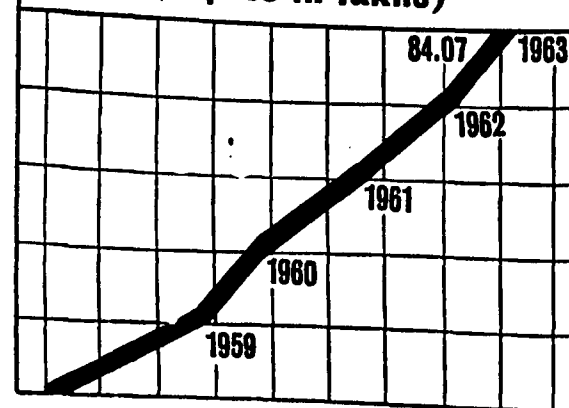
To foreign investors, contract labour arrangements and corresponding rise in industrial production, could mean better return on capital investment, with the opening of new markets for their products, possibly under more rapidly improving political climate in developing countries.

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Is "Stop - Go" Policy Obsolete ?

PAUL EINZIG

CRITICISM OF "stop-go" — the monetary policy under which pressure on sterling was sought to be checked from time to time by means of devices which halted and even reversed economic expansion — figured prominently during the electioneering campaign in Britain in October. The Government was taken severely to task for the periodically recurrent setbacks resulting from the application of that policy. And the Labour Party promised — though not very clearly — to discard it in the interest of progress. It did not occur to those responsible for running the Conservative campaign that the "stop-go" policy had been in full operation under the Labour Government between 1945 and 1951. It is true the "stop" was not applied in the form of high Bank rate and credit squeeze but in the form of cuts in public expenditure and of increases in taxation. The effect on the economy was, however, the same. Few people would prefer the Cripps style of austerity to the Thornycroft style or the Selwyn Lloyd style or austerity.

The fashion of denouncing "stop-go" some time ago was started some years ago by the Plowden Report which objected to the application of that policy in the form in which it had been applied under the Socialist Government — in the form of cuts in public expenditure — on the ground that Government officials in charge of spending feel frustrated whenever they are ordered to alter their plans and cut down expenditure. It did not occur to the Plowden Committee, or to politicians and journalists who enthusiastically welcomed its Report, that continued high expenditure might be too high a price to pay for shielding Government officials from frustration, and that the same result might be attained at considerable less cost if the officials concerned were subjected to appropriate psycho-analytical treatment at the public expense.

U.S. Example

In the meantime the anti - "stop-go" policy has come to be directed primarily against dear money and credit squeeze as a means of checking inflation and correcting the balance of payments. The school of thought opposed to "stop-go" triumphantly points out that the United States has been successful in avoiding it and in maintaining non-stop expansion in spite of the gravity of her balance of payments problem. What people who argue on such lines forget is that 10 years ago the United States was in the happy position of being able to afford to loose some 10 billion dollars of gold and the accumulation of an even larger amount of floating foreign debt. Neither Britain nor any other country is in such a fortunate position. The man of modest means who thinks he can afford to emulate the spending habits of a millionaire is liable to find himself in trouble, and so will Britain or other countries who imagine that they can afford to follow the American example of ignoring the outflow of gold.

For the time being the British alternative to "stop-go" is short-term borrowing abroad. The extent to which that policy can be pursued is not unlimited, however. Its great disadvantages are that it lulls the authorities and public opinion into a false feeling of security, and it provides the utmost temptation for abstaining from dealing with the basic causes of the balance of payments deficit. Since a run on the pound and a drastic reduction in the gold reserve could be avoided during the period preceding the election by means of arrang-

ing credit facilities abroad, trade unions and employers alike felt they could afford to adopt a course which necessarily increases domestic inflation and keeps down British exports.

Were the "stop-go" policy still in full operation trade union leaders might think twice before doubling their wage demands, for they would fear that a Bank rate and a credit squeeze might cause unemployment. Employers would be reluctant to bid against each other recklessly for the scarce manpower, for they would fear that a stepping up of the creeping inflation might lead to deflationary measures forcing them to cut down their output. But since it has become fashionable to regard "stop-go" as obsolete there is nothing to prevent both sides of industry from adopting a course that tends to aggravate inflation and the balance of payments deficit.

Two Alternatives

There can only be two alternatives to "stop-go". The one is non-stop inflationary boom, the other is self-restraint in the form of an incomes policy. Of course the ideal solution would be the adoption of an incomes policy which would enable us to go ahead with expansion uninterrupted. Even though inflation could not be avoided altogether since it is inherent in expansion, it could be kept down to tolerable proportions. But the Socialists, while emphatically rejecting "stop-go", would not dream of accepting incomes policy as its alternative. The chances for the adoption of an incomes policy in Britain are indeed negligible.

That being so, the only alternative to "stop-go" in practice is non-stop inflation. It was "stop-go" that had kept post-war inflation in Britain relatively moderate. Had it not been for its application in 1947, 1949, 1951, 1955-57 and 1961, the cost of living in Britain would have risen several times faster than it actually did. Sterling would have had to be repeatedly devalued in order to enable British industries to compete with foreign rivals.

Even repeated devaluation is no alternative to "stop-go". At the present moment prices in Britain are lower than in most continental countries or in the United States. If in spite of this there is an import surplus of uncomfortable size it is because, owing to the perpetual rise in wages unearned by increasing output, a too high proportion of the output is consumed within the country and there is not enough inducement to press sales overseas. Since there is no reason for expecting the trade unions to moderate their wage demands or for expecting employers to resist them so long as they can sell their goods at home, in the absence of checking the domestic demand by means of "stop-go" it will continue to absorb too much of the output.

Of course if only the British worker made an effort to work harder — his present exertions are probably less than 75 per cent of his pre-War exertions — the need for either "stop-go" or incomes policy would not be nearly so pressing, and excessive inflation could be avoided in spite of non-stop expansion. But to expect the British worker to work harder would be so utterly devoid of any sense of realism that I did not even mention it above as one of the alternatives to "stop-go".

It is a mistake to regard "stop-go" as a relic of the past. We shall learn it sooner or later at our cost that it is as necessary as ever.

Liberal Orientation of Trade Policies

GUY SIMS FITCH

WASHINGTON:

BY THIS time it certainly must be evident that in the field of foreign trade the United States is motivated, and has been for some time, by a clear adherence to liberal and expansionary policies. Yet this fact may be more appreciated at home, where it is more or less taken for granted, than it is abroad. For the benefit of our friends in other lands, then, let us state the case again, and once and for all end any lingering doubts about the matter. Only this week, the Secretary of State, Mr. Dean Rusk appeared before a bunkers' meeting in Washington and emphatically stressed — as he has so often in the past — the liberal orientation of US trade policies. Widening of markets in the United States and elsewhere, he noted, was in the best interests of all nations. But the most persuasive and most effective spokesman for US liberal trade policies probably remains the Head of the National Administration, President Johnson himself. Almost from the moment he succeeded to the Presidency following the assassination of President Kennedy, Mr. Johnson, has taken every opportunity to reaffirm both his nation's and his personal commitment to this position.

A few weeks ago, for instance, in a message to Congress accompanying a generally routine report on the conduct of the US trade agreements programme, he went out of his way to restate his Administration's full support of efforts to further liberalize and expand world trade. "I hope," the President said, "that our friend in other countries will neither underestimate nor undervalue the strength of American support for trade liberalization". He called the Trade Expansion Act of 1962 "one of the greatest monuments to President Kennedy's leadership," and he took note of the US determination to apply the Act's principles in the international arena. It is by authority of this Act that the United States is participating in the latest, and the most ambitious effort ever, to reduce international trade barriers under the General Agreement on Tariffs and Trade (GATT). In the light of this direct and forthright affirmation, it hardly seems possible that anyone, whatever his sentiments may have been, can continue to doubt the sincerity of the US liberal trade position. One can only wonder why there should have been doubts about this in the first place, particularly where President Johnson is concerned. For those who may not be aware of it, his record of sustained support for expanded and liberalized trade goes back many years, and speaks for itself.

Liberal Policies

Let us begin with his distinguished career as a US Senator. In a series of Senate roll calls on trade issues from 1949 on, Mr. Johnson consistently voted in favour of liberal policies embodying a broad delegation of tariff-cutting authority to the President. In 1958, as Democratic Party leader in the Senate, under the Republican Party Administration of President Eisenhower, Mr. Johnson was instrumental in salvaging the Eisenhower Administration's Bill extending the US trade agreements programme, after attempts had been made to trim its duration and authority. As majority leader, he designed the strategy for winning Senate approval of the measure, and personally sponsored an amendment that deleted from the final Act some proposed and objectionable protectionist provisions. The Committee for a National Trade Policy, a large and influential group of American businessmen who strongly support the principles of the Trade Expansion Act, gives Mr. Johnson a perfect mark on trade questions. Words, of course, may be one thing and deeds quite another. But in the case of Mr. Johnson, they are fully compatible. What he says

about trade liberalization matches his performance. It is against this combination of word and deed that one may judge the continuing US effort to co-operate with other nations in fostering a meaningful reduction of trade barriers under GATT, and to get on with the task as expeditiously as possible.

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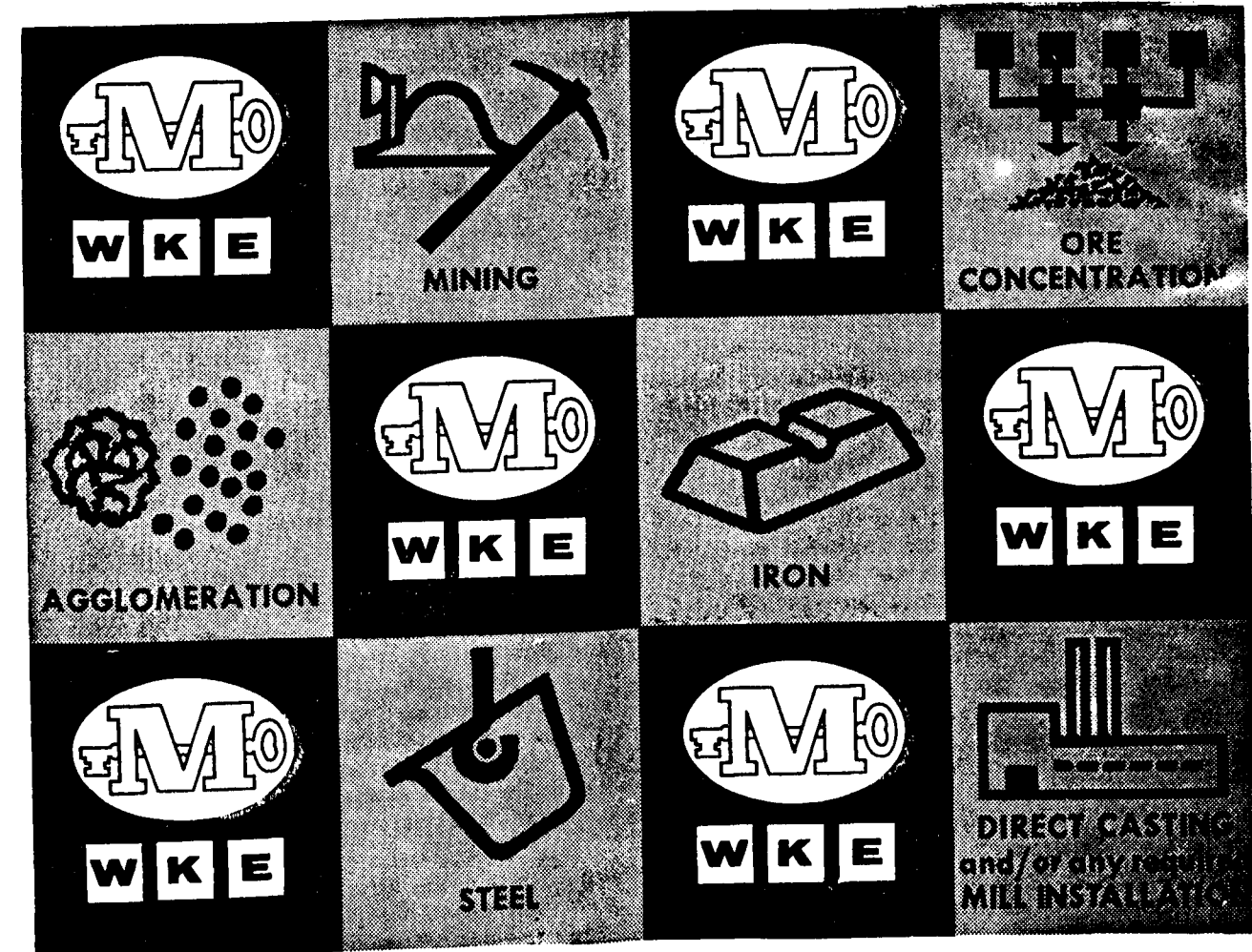
The US Congress has wound up one of its most productive sessions ever — perhaps its most productive. In this last session, its eighty-eighth, the Congress enacted such landmark measures as a far-reaching Civil Rights Bill, a major Tax-Reduction Bill, and an Economic Opportunity Act to help eliminate remaining pockets of poverty in the United States. No major trade measures were approved, but nearly a dozen minor tariff bills were enacted. Nearly all of these provide for duty-free treatment of certain imports, such as manganese ore and soluble coffee. This basically liberal orientation was evident even in the widely publicized case of meat imports. Under Administration prodding, Congress successfully resisted domestic industry pressures and finally adopted a measure that would permit beef and veal quotas, but with an allowance for import expansion and with sufficient Presidential discretion to make it highly unlikely that the controls will be brought into play in the near future, if ever. Admittedly, some important matters were left uncompleted in the rush of business, particularly towards the end of the session.

Alleged Protectionism

Not all the acts of omission were unfavourable. In the final analysis, for instance, the Congress did not approve proposed restrictive import measures in such fields as steel, wool or brooms — measures which the Administration opposed. It is hardly in keeping with this record to say, as some critics apparently would, that the Congress has been insensitive to international requirements or has been drifting towards an alleged protectionism. To the contrary, the Congress has maintained its essentially liberal posture of the past three decades. Capping this basically liberal legislative record is the monumental Trade Expansion Act, which was proposed by President Kennedy and was approved by the eighty-seventh Congress two years ago. This Act delegates to the President new and unprecedented authority to reduce trade barriers, both tariff and non-tariff, in negotiations with other countries.

The problem now is to put the Trade Expansion Act to good use. And the main task in this regard is to get the Kennedy Round of the 62-nation General Agreement on Tariffs and Trade (GATT) going on a constructive basis. The United States has been co-operating whole-heartedly with other countries to that end, and is prepared to table its offers on the appointed date of November 16. It asks only that workable rules for agriculture be agreed to by that date, and that agricultural as well as industrial items be included in the negotiations in accordance with a unanimous GATT ministerial decision made in May, 1963 and reaffirmed in May, 1964.

In the meantime some of the effects of the Trade Expansion Act already are visible in the form of administrative decisions. These decisions confirm the widely-held view that operation of the Act is in good hands, given the firmly liberal trade position of the Johnson Administration, and the President's own consistent record in favour of freer trade. As an example, only 14 escape clause applications from American industry, to modify earlier US tariff concessions, have come up under the stringent provisions of the Act. And all of these have been denied by unanimous vote of the US Tariff Commission.



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U.K. Election: Voters' No Confidence in Socialists or Tories

JOSSLEYN HENNESSY

LONDON:

MY FIRST feeling at the outcome of the election is dismay: not because Labour has won but because it has won by the slimmest majority in UK history, and this means that Mr Wilson's chances of forcing through the vast changes needed to make the UK a wealthy and (reasonably) powerful country are limited.

That the total votes cast for the Tories has fallen, and that cast for Labour has not risen, suggests that the voters have lost confidence either in the Tories as leaders or in their policies. Unfortunately, in my submission, it seems more likely that they have voted against the men rather than the policies, because on so many issues the differences between the two parties lie in emphasis rather than in content.

In the past, the UK achieved one of the world's highest living standards by manufacturing products for export at competitive prices, by ceasing to manufacture what would be imported more cheaply and switching to new technologies. But the great interwar depression turned our manufacturers into protectionists, and the memory of mass unemployment created thickets of union restrictive practices, intended to spread work among as many workers as possible. We are today one of the world's highest tariff countries. We believe that we enjoy full employment. In fact, we suffer from under-employment. Instead of working intensively for reasonable hours and then enjoying our leisure, we do a longer working week than any European country and take most of our time off in tea breaks and leisurely work on the job. Our shipbuilders, strangled by demarcations, use 50 per cent more labour per ton than the Germans, Japanese, or Swedes. Our nationalised air lines employ twice the workers per passenger mile more than the Americans and others. Our steel works employ between 50 per cent and no less than 100 per cent more. Our nationalised electricity industry used five times more workers to produce a unit than the Americans. We take up to six times longer to build an office block than the Americans, and sale prices per square foot are only slightly lower, although US builders' wages are thrice ours.

Heredity and Custom

Before the Industrial Revolution, mass living standards remained around subsistence level, because the people accepted occupations established by heredity and custom. War, famine, and pestilence kept the population within the capacity of the land and of traditional techniques of production. Among the factors which ended this was a population explosion in the late 18th and early 19th centuries, which burdened the land and traditional techniques with demands beyond their capacity. It became imperative to find new technologies. Adam Smith (1723 - 1790) pointed out that the easiest way to find out what changes were needed for greater efficiency, diversity, and cheapness, was to end monopolies and enforce competition. This inaugurated the change and growth of the Industrial Revolution, which created ever widening opportunities for new jobs at rising wages.

All change is painful, but it is not minimised by prolonging the agony of adaptation. It must be forced through as quickly as possible, accompanied by generous severance pay, retraining schemes, and grants for moving homes, as they do in Sweden. Resistance to change, since the interwar inauguration of protection, has, however, become formidable in the UK. Dr. Beeching's market research on the railways, carried out by independent consultants, disclosed that one half of total route mileage was carrying only 4 per cent of passengers and only 5 per cent of freight ton miles, and that no less than

93 million tons of freight, suitable for rail carriage, was adding to the congestion on precisely the most congested roads. This is a colossal waste in labour and in current expenditure, and ties up vast capital sums, which could be used for innovation that would speed up the national growth rate. The constructive side of Dr. Beeching's proposals has disappeared behind a smoke screen of protest against the closure of lines which the statistics show that the public does not use, and from the railway unions, who fear a loss of members to other industrial unions.

Need for Modernisation

A number of prominent Tories led by Harold Macmillan, Alec Douglas Home, Edward Heath, Reginald Maudling, and others, recognise all this. General de Gaulle was able to defeat Harold Macmillan's courageous effort to co-operate politically with Europe, and to infuse competition in the UK economy, by taking us into the European Economic Community, largely because he was able to point to the shrill critics of the EEC among too many Conservatives and still more among virtually all Socialists. The attempts of Sir Alec, and the others named above, to strengthen the Monopolies and Restrictive Practices Commission and to abolish resale price maintenance encountered similar opposition in both parties and were watered down. It can at least be said in favour of the Tories that a greater number of them than of Socialists favoured these measures of modernisation.

Mr. Wilson made modernisation the main plank of his campaign, but the largest group of his supporters, who provide the bulk of his party funds are the Trade Unions and Labour as a whole is protectionist, insularly inward looking, anti-European, and anti-German, although there are distinguished exceptions, like Roy Jenkins.

Mr. Wilson understands these arguments: he is an economist and not remotely a fool. But, at any rate in public, his pronouncements on modernisation include the re-nationalisation of steel, which all non-party economists dismiss as irrelevant to modernisation, and they include state intervention and direction and coping with the balance of payments by import controls (which means more protection and the building up of higher cost domestic industries to replace lower cost imports). Many Tories believe in all these things.

The Socialists have the strongest emotional resistance to Germany. They are blind to her postwar experience. When Erhard came to power in 1948 the view in the UK, the USA, and in Germany, was that the nation-wide devastation could only be tackled by national planning, that the problems of recovery were so vast that they were far beyond individual enterprise to solve, and that the millions of unemployed and refugees could only be put to work by Keynesian credit creation to establish full employment. If Erhard had acquiesced in this contemporary orthodoxy, an elite of administrators and planners would have organised the German people for recovery and would be in power today. But what Erhard sought was to enlist the energies of the masses to organise themselves for a recovery that would not be imposed from above but would give each participant, first, a sense of purpose and, secondly, of personal achievement.

Mr. Wilson's slim majority renders a second election probable in the new year. I hope that the economic crises, likely to blow up in the interval, will blast both parties out of their obsolete ideologies, and that the electors will enable new thought to be put into practice by giving one of the two parties — I do not care which — a working majority.

Overtaking needs good judgment too

Overtaking is no gamble. It requires concentration and good judgment of speed and distance.

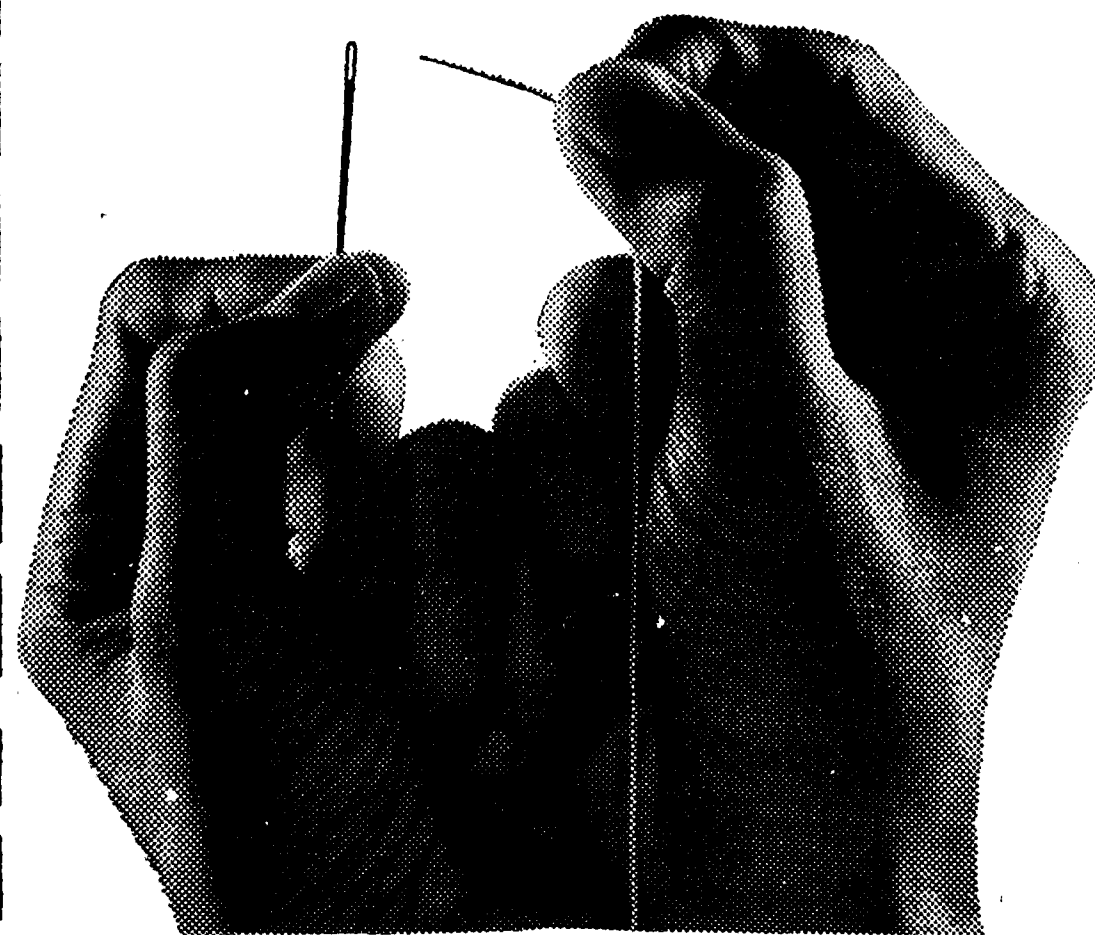
Never overtake till you're SURE. Then do so quickly, and return (don't cut in sharply) to your appropriate lane. If someone is overtaking you, don't accelerate. Do not overtake rashly. Misfortune may overtake you.

WHEN IN DOUBT—HOLD BACK



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LISTENING POSTS

Fourth Plan: Emphasis on Agriculture

By Our Special Correspondent

NEW DELHI:

THE UNION Cabinet has decided that the overall outlay of the fourth Plan should be of the order of Rs. 21,500 crores — Rs. 14,500 crores in the public sector and Rs. 7,000 crores in the private sector. The public sector outlay may be stepped up by another Rs. 1,000 crores in the second half of the Plan if the performance of the economy in the first half is encouraging.

This decision of the Union Government will now go before the National Development Council which is meeting on October 27 and 28.

The sector-wise fourth Plan financial allocations approved by the Union Cabinet last week disclose a major shift in emphasis as compared to the second and the third Plans. The relative share of the organised industry, power and transport in the overall public sector outlay has been scaled down to 55 per cent from 61.2 per cent in the third Plan. Compared to the second Plan as actually implemented, this percentage, of course, is higher by 2 points. The allocation for agricultural development has been stepped up. It will form 15.4 per cent of the fourth Plan public sector outlay, as against 13.3 per cent in the third Plan and 12 per cent (actual) in the second. Education and health taken together have also been provided a greater share in the fourth Plan outlay, the increase being from 11 per cent under the second and the third Plan to 16 per cent in the fourth Plan. A marginal increase of 0.3 per cent over the third Plan allocation is also envisaged for the development of small-scale industries. The share of the small-scale industry in the public sector outlay in the fourth Plan will be 2.9 per cent. The public sector outlay will be more or less equally distributed between the Centre and the States. But if the Union Government takes upon itself the responsibility of executing irrigation and power projects, the share of the Centre will go up.

The main guide-line for fixing the fourth Plan outlays for the various sectors of the economy has been the urgency to impart stability to the price-line. It has been decided that no deficit financing whatsoever should be taken resort to during the fourth Plan period.

The Rs. 21,500-crore fourth Plan envisages mobilisation of additional resources to the tune of about Rs. 3,000 crores by way of additional taxation, larger savings from the public sector undertakings and higher proceeds from the existing level of taxation. The foreign assistance required for execut-

(Contd. from P. 788)

shortages of food reported in the press are due to the fact that the consumption standards are pretty high.

Hitch-hikers

An interesting phenomenon which I observed while moving from Brno to Prague by car was that on the roadside a large number of young boys and girls showed up some cards with a red mark. On enquiries it was revealed that the practice of hitch-hiking had been regularised in Czechoslovakia and that each approved hitch-hiker was provided with a card which he or she displayed when requesting for a lift from one place to another. The amazing thing was the patience and fortitude of these youngsters of both the sexes who sometimes had to stand in bitter cold and rain waiting for someone

ing this Plan would be Rs. 2,500 crores. An important aspect of the financing pattern of the Plan will be that this time the States will be asked to share very substantial burden of additional taxation.

Most of the programmes to be included in the additional outlay of Rs. 1,000 crores, if it becomes feasible in the second half of the fourth Plan, will relate to industry, power and transport. The Planning Commission has yet to work out in detail the projects that should be left over to be included in this additional outlay. Even if the additional outlay does not materialise and only Rs. 21,500 crore Plan is implemented, it is hoped it will not create any imbalances in the economy.

In consonance with the great emphasis placed on development of agriculture during the fourth Plan, the Planning Commission is understood to be thinking in terms of having a separate Plan for agricultural development, setting forth two cycles of quick-yielding schemes worked out on the basis of 2½ years in each case.

The fourth Plan outlay figure of Rs. 21,500 crores, it is further learnt, is based on the assumption that defence expenditure would not be very much higher than the present levels.

★ ★

In a study of the transport requirements of the iron and steel belt of East India, the National Council of Applied Economic Research has reiterated the general belief that the fourth Plan traffic requirements of this region call for a radical improvement in the road transport system and large-scale stepping up of operational efficiency of the railways. The sea route and the inland water transport, the study says, provide only a limited scope for movement of coal and other heavy materials. The burden of transportation in the eastern region will, therefore, continue to be squarely on the railways. It can, of course, be lightened to some extent by the development of road transport.

The Council has given a good chit to the railways for their performance during the 12 years from 1950-51 to 1961-62 in view of about 45 per cent increase in wagon and engine usage. But the trends in regard to the average lead of goods traffic, the average speed of goods trains, the average turn-round time of wagons and detention of wagons in marshalling and terminal yards, it says, have been disconcerting.

To meet the growing demands of goods traffic on rail

to give them a lift to the nearest town or village. This seems to be a unique peculiarity of Czechoslovakia alone.

In Prague I had a brief session with our Ambassador who agreed with me that the Indian pavilions in Brno suffered from a number of deficiencies and the primary cause for all of these was that adequate preparations were not made to put up a good show. The goods which arrived at the eleventh hour in a damaged condition could also not be repaired because nobody had the necessary financial means of getting them set right locally. He also agreed that literature distributed was inadequate and it was for New Delhi to take up this question seriously. In any case the responsibility for organizing these fairs now vests in the new Council of Fairs and Exhibitions which has still to get into stride. Heavy duties await the officials of this Council who are mostly new to this business.

pride of place in Indo-Czech co-operation goes to the heavy engineering plant currently being set up at Ranchi. This plant is being provided by Technoexport, the Czechoslovak Foreign Trade Corporation which is responsible for providing complete plants to the importing countries. It will manufacture heavy machine-tools. In Ranchi another foundry forge plant is also being set up for manufacturing metallurgical equipment. The plant will be a versatile one as it will be capable of manufacturing diverse machine tools and will be in a position to adapt its manufacturing programme to a larger extent to the existing demand for a given type of machine tool. Technoexport has also provided two cement plants to this country. It has earned world-wide fame by providing complete plants to the USSR, Brazil, Turkey, Syria, Ceylon, Afghanistan, etc. Czechoslovakia has sufficient capacity to provide cement plants and during my talks with the officers of Technoexport, I learnt that cement plants could be sold to India at competitive rates, though the demand from other countries is currently high. All these facts point to the important part that Czechoslovakia currently plays in trade with India and is also likely to do so in the coming years.

Enhanced Trade

In line with other East European countries, Czechoslovakia has also enhanced its trade with the non-socialist countries. In 1962, 27.5 per cent of its foreign trade was with the non-socialist countries, the corresponding percentages for the German Democratic Republic and Bulgaria being 21.8 and 20.0. In this race for extending trade with the non-socialist countries, Poland is in the lead as 36.6 per cent of its foreign trade in 1962 was with the non-socialist countries. The table below compares the shifts in the trade of Czechoslovakia in 1948, 1953 and 1963. Between 1948 and 1953 there was a marked trend towards the socialist countries when the percentage of its trade with socialist countries rose from 39.6 to 78.5. Since then, there has been a gradual increase of its trade with the economically developing countries of Asia, Africa and also

TERRITORIAL STRUCTURE OF CZECHOSLOVAK FOREIGN TRADE TURNOVER

(In per cent)

Groups of countries	1948	1953	1963
Total	100	100	100
Socialist countries	39.6	78.5	74.6
Other countries	60.4	21.5	25.4
of which:			
Advanced non-socialist countries	45.7	14.9	16.2
of which:			
European countries	38.9	13.6	14.3
Economically developing countries	14.7	6.6	9.2
of which:			
Asiatic countries	7.5	3.3	4.7
African countries	3.4	1.8	3.1
American countries	3.8	1.5	1.4

with the advanced non-socialist countries. Whereas in 1953, 78.5 per cent of Czechoslovak trade was with the socialist countries, it fell to 74.6 per cent in 1963. The chief beneficiaries were the advanced non-socialist countries whose percentage rose from 14.9 in 1953 to 16.2 in 1963. The Asian countries increased their share from 3.3 to 4.7 per cent of the total.

Czechoslovakia is the one East European country which has extended welcome to the tourists by positive measures.

It has not only liberalized the granting of the visas, but has also made a liberal concession in the exchange rate. On a particular day if a tourist presents at the bank foreign currency for conversion into Czech crowns, he will get four times the normal rate for currency exchanged beyond the minimum daily allowance of 29 shillings. It means that whereas the first 29 shillings on any day will be converted at the rate of 20 crowns for a pound, any sum over and above that level will fetch local currency at the rate of one pound equivalent to 80 crowns. Through the Tuzex vouchers the tourists are known to have gained even 100 crowns to the pound. Tuzex — the foreign trade corporation for retail sale of goods — runs shops where imported goods are sold against foreign exchange. The foreign currency is converted into Tuzex vouchers for which the local rate is 5 crowns to the Tuzex while about 20 Tuzex are given for a pound. All this points to the fact that Czechoslovakia has opened its gates to the tourists and is willing to entertain them at one-fifth the normal cost.

Czechoslovakia is one of those countries in Europe which was damaged the least during the war and it has, therefore, preserved its charm. Prague, the capital of Czechoslovakia, had very little damage done to it and there were hardly one or two buildings which were destroyed; they have now been rebuilt.

Czechoslovakia is well-known not only for its heavy machinery, but also for its glasswork. The glass-makers of Czechoslovakia have proved their ability so as to retain an outstanding position in the international market not only in the decorative and table glass, but also in the field of technical and laboratory glass. Simax and Sial Glass which are used in the manufacture of complicated laboratory apparatus for various industrial branches are manufactured on a large scale. Special mention needs to be made of Anumbra Petri dishes which are distinguished for their perfectly even bottoms and the quality that they cast no shadow. These dishes are used in bacteriological research. Because these dishes are not affected by corrosion at all, they have captured a world wide market. Similar is the case with other glasses for laboratory apparatus purposes.

Gina in Brno

As I entered the pavilion of Glassexport at the Brno Fair, I was surprised to see a big photograph of Gina Lollobrigida — the renowned Italian actress — holding a large glass tumbler in her hands with an appreciative look. I asked the interpreter accompanying me why some Czech actress had not been selected for this honour; he came the reply that Gina was well-known throughout Czechoslovakia and, hence, the organizers perhaps thought it more desirable to put up her photograph at the entrance to indicate that even foreign artists had appreciated the Bohemian glass manufactured in Czechoslovakia. This is just an illustration to show that certain Western influences have penetrated into Czechoslovakia despite the restrictions on the movements of the people outside the socialist states. In addition to the popularity enjoyed by foreign film artistes one cannot help noticing the popularity of Twist, Cha-Cha and other Western dances and music which have won the hearts of the people.

The standard of living in Czechoslovakia has always been high and the consumption of food has been at a relatively high level. The export of heavy machinery and other engineering products has facilitated the import of food and the frequent

(Contd. on page 789)

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Briskness at Brno

S. P. CHOPRA

THE SIXTH international fair at Brno, Czechoslovakia, attracted this autumn traders and tourists from all over the world. The history of this fair goes back to 1922 when the first exhibition was held at the same place where the industrial fair has been held for six years. The fair was held between September 6 and 20 and was exclusively devoted to machinery and equipment. It was a gigantic affair by any standard and displayed machinery — especially heavy machinery — of almost every variety. The arrangement of machines and equipment according to industrial branches brought forth the relevant information about the latest stage of technical achievement.

The participants included both the socialist and the non-socialist countries. Whereas all the socialist countries, including Cuba, were represented at the fair, there was a long list of countries from non-socialist world; it included Belgium, Denmark, Finland, France, India, Italy, Japan, Lebanon, Libya, Luxembourg, Western Germany, Nigeria, the Netherlands, Norway, Greece, the UAR, Sweden, Switzerland, Turkey, Uruguay, Great Britain and West Berlin. The participation of the non-socialist countries in the Brno fair in recent years has led to increased flow of trade between the West and the East. Again, among the Asian countries, India and Japan were the major exhibitors, China, being conspicuous by its absence. The fair also highlighted the fact that trade knew no barriers and most of the West European countries found it profitable to display their goods in this exhibition.

India participated in this fair for the first time in 1959 on a small scale when there was a national stand in the Pavilion of Nations. This year, no less than 100 Indian firms exhibited their products. Not only that the usual stand in the Pavilion of Nations was put up, but India participated in different technical sections also. The Indian machinery displayed related to machine tools, castings, cutting tools, storage batteries, lead acid batteries, electric motors, starters and switches, water heaters, diesel engines, compressors, refrigerators, air conditioners, scientific instruments, sterilizers, etc. In the national stand, this country exhibited the traditional products such as tea, spices, cashewnuts, textiles, tobacco, oils, minerals, handicrafts, linoleum, coir goods, etc. Industrial goods such as razor blades, cigarettes, sea-foods, woollen knitwares, canned fruit juices, etc. were also displayed. In order to popularise Indian tea, free distribution to the visitors was arranged.

Much to be Desired

The display of Indian goods left much to be desired. In the Pavilion of Nations, for example, where mostly the consumer goods were displayed, there were no labels in the local language; amongst the many varieties of cigarettes exhibited, it was difficult for the foreigner to know if the packets with different colours contained chewing gum or cigarettes. In the technical pavilions, some of the Indian exhibits had obvious defects which had been caused mostly in transit; paucity of foreign exchange was given as the reason for not putting the defective exhibits into proper shape.

Special mention needs to be made of a large rotary Microtome which was exhibited by a Bombay firm and which is likely to fetch some orders; this automatic machinery has great utility for investigating the three-dimensional structure

of biological objects. It has been sent up for further tests in Czechoslovak laboratories and it is believed that it will yield some positive results. The machine tools exhibited by another Madras firm also were expected to result in some business. The tools which had some enquiries were twist drills, mill cutters, reamers and ground thread taps.

In all the technical pavilions, as in the case of the Pavilion of Nations, there was a general lack of literature to inform the people about the exhibits and their performance. Whatever literature was made available was in the English language and not in the local language. The impression was created that the paucity of foreign exchange stood in the way of making a good display of the Indian products. If a decision is taken to participate in a particular fair — there is no doubt that the decision to participate in the Brno fair was the right one because of the international character of this fair — the Government of India must not hesitate in spending foreign exchange in an adequate measure so that full justice is done to the exhibits. The large number of Indian students and trainees who are currently in Czechoslovakia were very much depressed by a poor showing of the Indian stands. Whereas they have been explaining to their colleagues in Czechoslovakia that India has taken rapid strides in industrialisation and is in a position to export some of the industrial products, they could not justify their claims in reference to the stalls that were put up on behalf of their country. This was the feeling conveyed to me by a band of young Indian trainees and I also got the same impression after I went round these stands.

Important Trading Partner

Amongst the East European countries, Czechoslovakia is an important trading partner for India. The first long-term trade and payments agreement dates back to 1959; since then, there has been substantial expansion in India's trade with Czechoslovakia. Currently, the level of trade is nearly four times the level in 1959. The value of total trade on both sides is put at Rs. 300 million. In November last year, a long-term trade and payments agreement was signed in New Delhi which envisaged doubling of trade between India and Czechoslovakia in the next three years. In May this year, another economic agreement was signed between the two countries according to which Czechoslovakia agreed to extend a credit of Rs. 400 million for supply of machinery and equipment for various projects to be set up in India with Czechoslovak collaboration. The repayment of the credit will be in easy instalments, not in any currency but in the form of exports of Indian goods to Czechoslovakia. In view of the growing trade relations between the two countries, it is necessary that India must participate actively every year in the Brno Fair because it will offer an opportunity for the Czechoslovak importing organisations to have a close look at what India can provide against imports of machinery. While the task of selling their machinery to us rests with the Czechoslovak foreign trade agencies such as Strojexport, Technoexport, Strojimport etc. we should not delegate the task of selling our goods to them. We must participate actively in the exhibition of our goods and this can happen if we take greater interest in the Brno Fair.

Czechoslovakia has entered into contract with the Government of India for providing large engineering plants. The

transport in the iron and steel belt — the originating goods traffic to be moved by the railways from this region is expected to go up to as much as 264 million tons by 1970-71 from about 161 million tons in 1965-66 and barely 76 million tons in 1960-61 — the Council has made several suggestions. Included in these are: (1) the railways should introduce "multiple cars" and "train-load" freight rates for the movement of coal, iron and steel; (2) the railway rates for "smalls" which are now carried at uneconomic rates must be revised upwards so that a more rational distribution of traffic between railways and road services might be effected; (3) the signalling system should be speedily and substantially improved with a view to speeding up the train movements; (4) the operational improvement should be effected in regard to the turn-round time of the wagons; (5) the present lack of weigh-bridges in adequate numbers should be made up; (6) the question of mechanisation of loading and unloading should be taken up immediately and the time consumed in loading and unloading should be greatly reduced; and (7) with a view to reducing the pressure on transportation, distribution centres should be established and regional warehouses built so that from these regional centres, the road system might take over the responsibility of distribution of the products.

National Transport Policy

The Council has emphasised the urgency for the formulation of a national transport policy indicating the priorities and functions of each mode of transport. With a view to lightening the pressure on railways, it has suggested that rail transport in the iron and steel belt should be relieved of the burden of carrying such types of industrial materials as go into general consumption. These goods, it has been recommended, should be concentrated at certain convenient points and between these points the goods should be delivered only by road. Rail movement of coal within 100 miles, the Council further suggests, should be substituted by other modes of transport such as road transport or conveyers. With a view to avoiding heavy rail transportation of coal, it has been suggested that power should be generated at the pitheads and should be transmitted to long distances by power transmission lines of high voltage.

The Council has urged the necessity of radically improving the road transport system in the iron and coal belt. Against the all-India average of 11.3 miles of surfaced roads per 100 square miles of area, the iron and steel belt, the Council's findings say, has only 10.1 miles. Only 308 miles out of the total length of 3,916 miles of the national highways in the

iron and steel belt are double tracked. The roads in colliery areas are in bad shape. The number of motor vehicles operating in the three States in this belt in relation to area, population and road mileage is substantially below the all-India average. The Council, therefore, has recommended that: (1) the position that very few of the State Plans have hitherto envisaged development of roads with a view to affording relief to the railways should be rectified; (2) improvements to the national highways, State highways and roads in the colliery areas should be taken up without further delay; (3) for economical operation, the roads should also be widened and strengthened to take the heaviest road vehicles with trailers, as only then can coal in bulk be transported at low cost; (4) road-railway crossings should be constructed at different levels at about 20 critical points in the iron and steel belt; (5) the cost of transport on road could be made more economical and acceptable by the use of larger vehicles and truck-trailer combinations — the production of heavier vehicles and truck trailers should be taken up in the industries sector; (6) pending the recommendation of the Committee on Transport Policy and Co-operation and the Government's decision thereon, steps be taken to cause to move by road traffic within the iron and steel belt now moving by rail and falling within specified distance limits — traffic from and to railway sidings for which the inherent advantage will generally be with rail transport should be treated as an exception; also traffic over sections where there are no road services due to absence of roads, missing bridges, etc.

In respect of the inland waterways supplementing the other modes of transport in iron and steel belt, the Council's finding is that only the Mahanadi canal system, leading to the Paradip port, has a substantial potential for the carriage of ores for export purposes. The chances of moving coal through the Ganges to places in Bihar and U.P. are not bright owing to the length and the cost of road haulage involved between the collieries and the riverside. About the Durgapur canal, the Council says that this route may prove economical for the supply of coal to the Calcutta area. Another suggestion of the Council in respect of the inland water transport is that in line with the West Bengal Government's action to improve the Haldi tidal canal connecting Calcutta with parts of Orissa through the Orissa coastal canal, the Orissa Government should also take steps to improve the coastal canal on its side so that the movement of traffic between the two States is facilitated.

About coastal shipping, the Council has opined that the low draft in the Hooghly river, the congestion at various ports causing serious delays in the turn-round of ships and the

freight rates below costs charged by the railways for long distance movements of coal are the three factors that militate against more extensive use of this mode of transport for carrying coal. The Council has suggested that these difficulties should be overcome if coastal shipping is to be harnessed for reducing the burden on railways.

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The Union Government, it is understood, does not intend to reverse the process of switch-over from coal to furnace oil by industrial units situated far away from coal-fields. This decision is understood to have been taken in view of the fact that in certain cases, it would be advantageous to the national economy as a whole to allow the consumers situated near the oil refineries and the centres of natural gas to use furnace oil or gas instead of transporting coal over long distances.

The switch-over to furnace oil has till now taken place in some 14 cement factories. The incentives given to them are: (a) concessional railway freight for transporting furnace oil

Reaction to Companies Bill

From our Correspondent

BOMBAY:

THE REACTIONS of the business community, in Bombay, to the Companies (Second Amendment) Bill, 1964, introduced in the Lok Sabha on September 21, 1964, are not very much dissimilar to those expressed by them at the time the recommendations of the Dathary - Sastri Committee for amending the Act were circulated to elicit public opinion. The Statement of Objects and Reasons to the proposed amendment makes it clear that the Bill is mainly directed to give effect to the recommendations of the Dathary - Sastri Committee, although it is also added that the opportunity is being taken to strengthen the provisions relating to investigations into the affairs of companies, to provide for more effective audit in dealing with cases of dishonesty and fraud in the corporate sector, and to simplify some of the present unnecessary but burdensome procedural requirements.

By and large, the provisions of the Bill may be said to achieve this object, albeit in quite an arbitrary manner in certain cases. While there is no doubt that, during the discussions on the Bill, opportunity will be taken suitably to modify some of these, the main criticism to the Bill will still be there, namely that it is a legislative measure mainly based on a few isolated cases of mismanagement of certain companies. It is felt that there must be greater justification than this for amending an already over-comprehensive enactment. As it is, as has been pointed out on several occasions by the spokesmen of the business community as well as Company Law experts, there are sufficient provisions, in all conscience, in the present Company Law itself to ensure a healthy administration of joint-stock enterprises in this country. In other words, there would appear to be no compelling need or a really convincing case for the proposed Bill, it is argued.

Emerging from discussions with the spokesmen of the business community are a few features that have evoked considerable interest. In order to counter the trend whereby dummy directors are appointed on boards of companies to implement policies of a dubious nature while master-minds evolving these policies manage to remain in the background, according to the "Notes on Clauses" of the Bill, it is proposed to expand the definition of "officer" so as to bring within its ambit any person in accordance with whose instruction the board or any of the directors of a company is accustomed to act. The underlying idea seems to be to bring "deemed director" also within the scope of the definition of "officer".

from ports to consumption centres; and (b) increase in the retention price of cement to the cement factories concerned.

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After Ethiopia, Nigeria, Kenya and Uganda, Zambia (formerly Northern Rhodesia) may be the next African country where Indian entrepreneurs may be setting up an industrial enterprise in partnership with local interests. The Union Government this week cleared the proposal of Messrs. Bengal Enamel Works Ltd., Calcutta, to establish in Zambia in collaboration with a local party a plant for the manufacture of enamel wares. The project is expected to be approved by the Government of Zambia shortly.

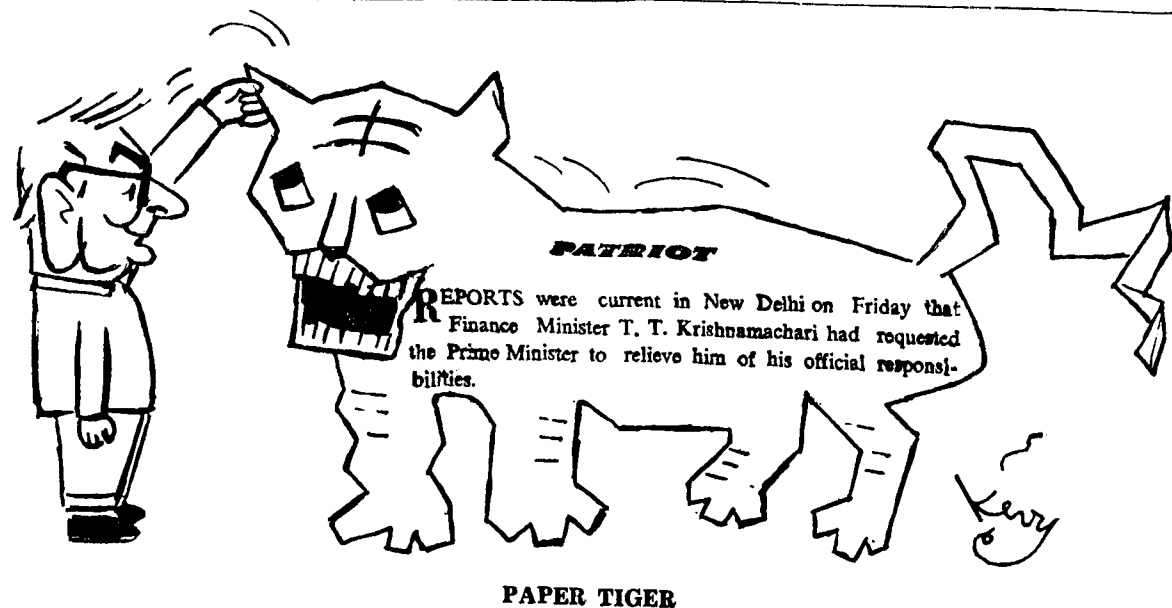
According to the agreement reached between the Bengal Enamel Works and the Zambian party, the Indian participation in the equity capital of the venture will be in the form of exports of machinery and technical know-how. The majority share in the enterprise will be held by the Zambian party which will also manage it.

There is nothing wrong in this, so long as care is taken to evolve a procedure to identify anyone as a "deemed director". There must be some substantial proof to establish that a particular person is directing from behind and that the board or any director is, in fact, acting according to these directions. If this is not done, it would be left to the sweet will of the Company Law Board to treat anyone it chooses as a "deemed director".

One of the clauses stipulates that underwriting commission should not be paid except in respect of shares or debentures offered to the public and also that the company concerned should file with the Registrar of Companies a copy of the contract for payment of underwriting commission at the time of delivery of the prospectus. This is wholly unacceptable in that it upholds the healthy principle that one must work to deserve one's wages.

Controversial Clause

Another, and perhaps the most controversial, clause relates to the new sub-section (1A) of section 108 which imposes restrictions on the period of currency of blank transfers. The proposed restrictions are that every instrument of transfer shall be in the prescribed form bearing the date of issue stamped by the prescribed authority and that the said instrument should be delivered to the company concerned within six months from the date of issue in the case of listed shares and within two months in the case of other shares. Undoubtedly a good deal of abuse has grown around the prevailing system of blank transfers. But one wonders whether the proposed restrictions will have the effect of mitigating, if not eliminating, these abuses, while, at the same time, leaving unaffected the mobility and liquidity of the concerned shares. Great care should be taken to ensure that the restrictions do not adversely affect the economic system. The whole idea — and a genuine one at that — of blank transfers is to facilitate the raising of finances on the security of these shares freely. It is well known that shares are pledged either with banks or other financial institutions, or with individuals. Often financiers have no objection to the transfer of the shares to their names, but, as often, they advance money without insisting on such transfers. Accordingly, any restrictions on blank transfers should see to it that where, for genuine purposes of raising a loan, blank transfers are employed, there should be no ban thereon. Similarly, where shares are held as stock-in-trade, the proposed restrictions would operate harshly, unless the position is suitably clarified. Here is a suggested re-wording



of the clause that merits consideration: "A person will be recognised as having beneficial interest in the shares only if they are transferred within the time prescribed in the section (1A) of section 108".

There are two amendments proposed in the Bill which require that beneficial holdings above the five per cent limit should be disclosed so as to distinguish between the real holders of such shares and the nominees by whom such shares are ostensibly held. The Bill also requires the furnishing of particulars as on the date of the general meeting regarding every person holding five per cent or more of equity capital, whether held in his own name or in trust for him, or of which he has any right to become holder on payment or otherwise. Whatever may be the justification for this, it imposes on the management an obligation to furnish particulars of which it may not always have full knowledge. No company can furnish an accurate return of this information, unless the shareholders themselves furnish the particulars to the company. The feasibility of inducing every shareholder, even after sufficient notice, to furnish such information is open to question.

Less Exacting

The provision regarding the efficiency audit and the powers proposed to be given to the Registrar of Companies or an officer authorised by him require to be more precise and less exacting, it is said. The object of any such audit or investigation should be to find out whether there is any fraud or activity against the interest of the company or members, and not to point out technical defects. Apart from the fact that it requires a high degree of specialisation to point out technical defects, there is also genuine room for difference of opinion about one particular technique and another.

About inter-corporate investments and loans, the proposed Bill has a very stiff clause — Clause 46 which amends section 270 of the Act. In trying to meet a situation created by the lapse or misfeasance on the part of the management of an

isolated company or two, the law should not be so changed as to retard the industrial growth of the country as a whole. Surely, India has not reached a stage where banks or other financial institutions are in a position freely to extend the required financial facilities whenever needed and without delay. That time is of the essence in the tiding over of a difficult period for a company is common knowledge. In the case of private limited companies especially, the more so if they happen to be family concerns, it is difficult, if not impossible, to arrange financial assistance promptly. There is, therefore, some thing to be said for the suggestion that loans by private companies where no public is involved should not be restricted and also that there should be no inhibition against one company making a loan to another company, even if one or either of them are public companies, so long as the loan is made against proper security. In other words, suggestion is that the proposed amendment should be made applicable only to public limited companies with considerably larger limits than those proposed in the amendment bill.

Finally, the proposed new section, namely section 635A, is considered to be at once serious and far-reaching. If, for instance, it is provided that information on the basis of which the Government acted in a given case need not be disclosed to the company concerned, the position is understandable. But one fails to understand how such information can be withheld even from a court. If the judicial authority cannot have access to information on the basis on which the Government is supposed to have acted, it would virtually amount to the removal of judicial process, even if it be limited to matters of special audit and investigation. It may also serve as an encouragement to blackmailers and there may be no protection too from possible vindictive action by prejudiced officials. Nothing can be so sacrosanct as to be saved from being justiciable by a Court of Law, it is rightly argued, if the fundamental rights guaranteed to the citizen under the Constitution are to be real and meaningful.

Tea Retains its 'Cup' as Exchange Earner

From Our Correspondent

CALCUTTA :

THE ANNUAL report of the Tea Board gives an encouraging account of India's tea exports during 1963. In terms of quantity as well as value, exports of India's second best foreign exchange earner were the highest since 1959, the respective figures being 223.5 million kilograms and Rs. 132.4 crores. The United Kingdom, as usual, remained the top customer, taking 135.6 million kilograms, compared with 119.9 million kilograms in 1962. The United Arab Republic came a distant second with 17.1 million kilograms, followed by Soviet Russia and the United States in that order with 16.6 million kilograms and 10.1 million kilograms, respectively. It needs to be pointed out, however, that the UAR and the USA took less during 1963 than in 1962, while Soviet Russia increased her imports by a little over 4 million kilograms. This last-named country has now become an important customer of Indian tea, although UK market remains as important for India's tea exports as ever.

Of more immediate interest however is what the Tea Board's report says about the current year's prospects, when tea output from north India is expected to be a record, perhaps surpassing even the 1961 production figure. South Indian tea production is running behind last year's level, yet this country's output as a whole is likely to be appreciably higher than that of 1963. According to the Tea Board's estimates, the crop output in 1964 is expected to be around 363 million kilograms.

Increased production in itself is a good thing, for the country as well as the industry, and is certainly pleasing from the Government's and the planners' point of view, but there are important qualifications. The first one is that proportionately more quality tea should be produced to cater to the foreign buyer's pronounced preferences for the better grades. Secondly, the prices fetched should be remunerative and thirdly, there must be an expansion of overseas markets in step with increased production.

Conditions on any of the three counts are not quite satisfactory. India's output of quality tea has not been increasing as much as it should if she is to maintain, let alone expand, her present position as a tea exporter. In fact, it is difficult to see how she can expand her quality tea production without undertaking replanting and new planting on a more adequate scale. The average prices realised at the Calcutta and London auctions during the current year are on the whole lower than in the same period last year. Although the Tea Board considers the lower average prices to be fair and satisfactory from the industry's point of view, the fact that prices have been declining will discourage measures which are necessary to raise tea production. There is nothing that the industry or the Government can do about auction prices as long as the country's dependence on export markets remains as great as it is now, but the effect can be mitigated by developing the internal market. India's domestic consumption of tea has

substantially expanded in recent years, but it should be expanded further so that an effective cushion can be provided for the industry when export markets prove to be less remunerative. The question of course is how this is to be done when the need is to maximise exports for the sake of earning foreign exchange even if the price trend is not very favourable. But if the industry's long-term interests are to be safeguarded, this has to be done. This does not mean that India could afford to neglect her export markets, which she cannot if she is to pursue a policy of steady expansion in output and earn more and more foreign exchange for financing her development and maintenance imports. A point of balance has, however, to be found, and efforts will need to be made to expand the domestic as well as foreign markets.

At the moment, India is concentrating on foreign markets, and the Tea Board's sales promotion propaganda is directed towards Europe and the United States of America where, it is rightly believed, a large body of potential consumers may be waiting to be tapped. Just now, the Indian National Tea Office has started a big campaign in the European Economic Community to promote tea consumption in the countries concerned. It is encouraging that the authorities there are co-operating with the Indian effort. West European tea importers have just concluded an agreement with the Indian and Ceylonese parties to import tea on a larger scale than before. This is heartening indeed, but the point to be borne in mind is that the Indian effort is benefiting other tea producers as well, like the Ceylonese for instance. As far ahead as one can see, the tea markets of the world are going to be more competitive and there is only a remote chance of the International Tea Agreement being revived. The Indian tea industry must, therefore, have a strong base of domestic market to meet the exigencies of a highly competitive trade.

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The meeting which the Union Deputy Commerce Minister last week had with the Chief Minister of West Bengal and the representatives of the major export industries in the State was the first concrete step towards the formation of State Export Promotion Advisory Boards, on which Mr. Manubhai Shah has been working for the last two years or so. Under the scheme, each State board would be formed with the Chief Minister, Finance Minister and Minister in charge of Commerce and Industry besides the representatives of export industries and trade. The Calcutta meeting provided an opportunity for the exporting interests concerned to voice their difficulties and demand remedial action by the Government where this was called for. For instance, Mr. B. S. Agarawal speaking for the Engineering Export Promotion Council urged that the Government must pursue a definite labour policy, at least in so far as export industries in the State are concerned. Mr. Tacker pressed the same point of view on behalf of the Chemical and Allied Products Exports Promotion Council, and drew the State Government's attention to the fact that because of too much labour trouble, there was already a tendency among the chemical units to shift their factories to Maharashtra. As for jute and tea, West Bengal's as well as the country's two major export industries, it was pointed out that if the fourth Plan production and export targets of jute goods (fixed at 1.7 million tons and 1.1 million tons, respectively) are to be achieved, the industry must be assured of an adequate power supply and what is more important, must have an adequate supply of raw jute at reasonable prices. This would also require an improvement in the yield to around 4 bales per acre, so that the 10 million bales or so of fibre needed can be had from domestic sources without difficulty. The tea industry's demands were mainly two; first, it should be given back

the land taken away under the West Bengal Estate Acquisition Act so that its programme of extending plantations can be pursued as planned; and secondly, the expenses incurred for the extension of plantation areas should be treated as revenue expenditure and further, these areas should be exempted from agricultural income-tax levied by the State Government.

The Chief Minister of West Bengal responded to these demands favourably. He has assured the jute industry that all its additional requirements of power will be provided. (On the basis of a production target of 1.7 million tons of jute goods extra energy requirements have been estimated at 40 MW). The mills could also install their own captive units as a stand-by provision for emergencies. To the tea industry, Mr. Sen assured that the land resumed under the Acquisition Act would be returned in all necessary cases, but he would consider the exemption from agricultural income-tax of new land brought under tea plantation only if the Fourth Finance Commission compensated the State Exchequer in some other way for the loss of revenue which would result. These proceedings show that the institution of State Export Promotion Advisory Boards is a useful idea, and these bodies could help the overall drive to boost this country's exports, the target for which under the fourth Plan has been fixed at a little over Rs. 5,000 crores.

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The Standing Committee of the Presidents of the Stock Exchanges met in Calcutta, just a few days before the Puja holidays, to consider the various governmental measures and other developments which have been hampering the revival of the capital market in the country. (The Government nominees who act as liaison between the exchanges and the Finance Ministry watched the deliberations). A matter on

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, 1965 at the rate of £2-13-0.36.49d. per cent less Income Tax at 7s.9d. in the pound equal to £1-12-6d. per cent. Payment will be made on 14th November, 1964 to those stockholders whose names are registered in the Company's Stock Register on 27th October, 1964.

Applications for transfers received in this Office before 12 O'clock noon on Tuesday, the 27th October, 1964, will, if otherwise satisfactory, be registered at that date for the purpose of participation in the above dividend.

BY ORDER OF THE BOARD

C. A. GUNTHER
Actg. AGENT

VICTORIA HOUSE,
CALCUTTA, the 10th October, 1964.

which the Presidents are going to make a representation to the Government concerns the provision in the Income-tax Act which treats income from dividends and interest as unearned income even in the case of dealers in shares and securities. Mr. C. L. Jhunjhunwala, President of the Calcutta Stock Exchange, placed the matter of capital formation in the broader

perspective of increased industrial production and industrial growth, and pointed out that since the key to price stability lies in greater production from industries, the revival of the capital market which has an essential connection with industrial production and growth should be brought about through all necessary incentives.

Oil in the South

From Our Correspondent

MADRAS:

THE REPORTS that oil exploration in Karaikal in the Canavery Basin is likely to be successful are encouraging indeed. As the earlier efforts to drill a well in the Pattukottai area did not prove successful there was no disposition to adopt an optimistic view. It is now stated, however, that oil and gas deposits exist in the Karaikal area and that it may probably be necessary to carry out off-shore drilling as the belt is moving eastward. A Soviet ship has been conducting a seismic survey for some time past in coastal waters and valuable data has been collected. The operations could not, however, be carried on without interruption on account of many factors. If the search for oil proves successful, as it might, the requirements of the Madras refinery in terms of crude oil might be found to a great extent from this source. It is too early to say anything definite in this regard but the possibilities cannot be ruled out. It is expected that a decision relating to the choice of the foreign collaborator for erecting the oil refinery near Madras City would be taken in the next few weeks. This has been long delayed in coming as the Central Government has been finding it difficult to arrive at a quick decision because of the frequent changes in the offers made by the various competing foreign firms. The choice now lies between four firms and it is expected that, whoever agrees finally to co-operate with the Central Government in this new undertaking, there would be agreement to buy crude oil at prices and from sources acceptable to the Government. The capital cost of the project also will be the lowest among the public sector refineries. The Madras Government is naturally interested in an early decision as the scope for erecting a steel plant at Salem is being disputed.

As regards the steel project, the State Government is even now keen on implementing it during the fourth Plan as it is convinced about the feasibility and economic manufacture of steel based on Salem ore and Neyveli lignite. The Anglo-American consortium, however, is interested in a much bigger project and there would seem to be intense lobbying for the location of the fifth steel plant either in the Goa-Hospet or Vizag-Bailadilaha area. A Hungarian mission also will be visiting this country shortly in this connection. It is being canvassed that there is scope for a sixth medium-sized steel plant. As it will not be necessary to construct transport facilities on a large scale in the case of the Salem project, it is emphasised

that this project has the prospect of coming into being in the fourth Plan more definitely than the other schemes. How the various controversies would be got over and a satisfactory decision reached on this question it is difficult to anticipate at this stage.

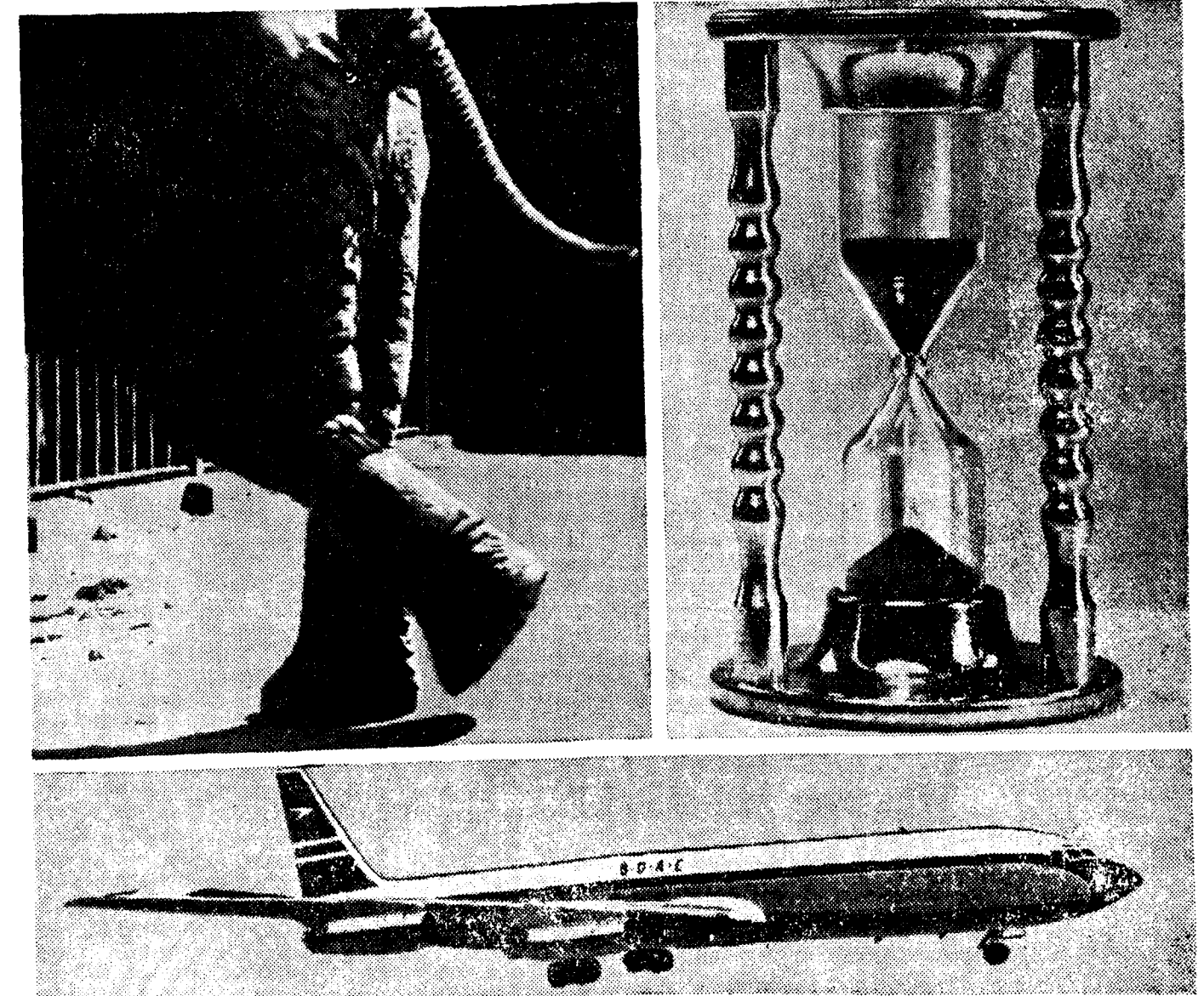
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The rice situation in the Southern Zone is intriguing and the Madras and Kerala Governments are very much concerned over the situation that might develop in the next three months. The exact situation in regard to the availability of rice stocks and the relief that can be obtained from the short crop that is coming on the market, is not clear. There is a disposition on the part of the Governments and consumers to blame the growers and traders. But it cannot be denied that traders are not effecting large sales openly while there are long queues before the co-operative shops. In Madras State, the position in respect of boiled rice particularly is acute and consumers in the lower income groups are prepared to purchase raw rice which can be had at prices cheaper than those for boiled rice. Even in respect of raw rice a difficult situation might develop in Madras City in the next few weeks if the Andhra Pradesh Government does not agree to permit regular exports to the neighbouring areas from its territory. It is not known what exactly are the reasons for the action taken by the Andhra Pradesh Government in preventing lorries loaded with rice moving beyond the checkpoints on its borders. There is probably an anxiety to find out what precisely is the surplus available for export as there are fears that the damage to the standing crop on account of the recent floods has been heavy.

In the meantime, in Madras, there are encouraging reports to suggest that the kuruva crop in Thanjavur and Tiruchirappalli districts has been very satisfactory and that, in the absence of any keen buying by Kerala, boiled rice might be available at reasonable prices to consumers in Madras State. It is, however, pointed out that this variety is not generally consumed in this State and exports from Thanjavur and Tiruchirappalli districts are usually replaced by better varieties of rice from Andhra Pradesh. In the present difficult situation, even the bumper kuruva crop will be easily absorbed within the State and it will not be correct to expect that there will be any sizable decline in prices until the next crop comes on the market in a big way.

There is no doubt that there is a general scare and consumers do not want to be caught napping. With releases from

From elephants—to egg timers everything is carried by BOAC's Jet-Cargo Service



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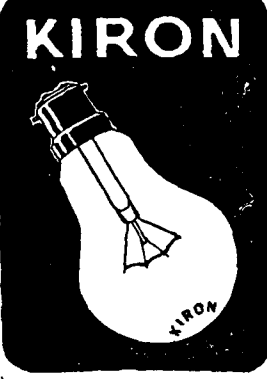
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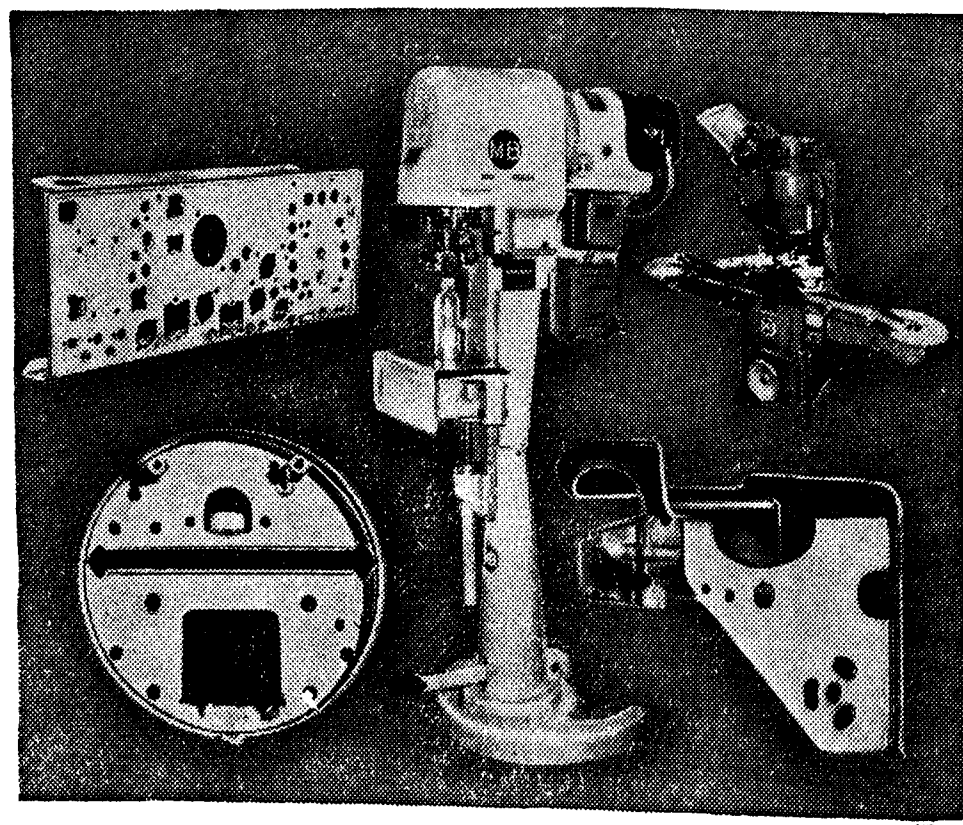
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JWTH 2058A

Central stocks and heavy sales of wheat, the situation can be managed more easily than is generally imagined. What is all required is a diversion of demand from rice by about 5 per cent with liberal releases of wheat. As the position in Maharashtra, U.P. and other parts of the country has latterly been improving and arrangements have been completed for heavy imports of wheat, it should be possible to sell large quantities of wheat in the Southern States. In that manner, foreign exchange expenditure on imports of rice could be reduced to some extent.

★ ★
A new large-sized shipping company has been formed in Madras State in collaboration with foreign interests. As already indicated, this is the first shipping company to be promoted with foreign participation to the extent of 40 per cent in the issued equity capital. Jayanti Shipping Company, which was the first new unit to be floated in association with foreign interests; had only participation to the extent of 25 per cent. Even this share had to be absorbed by the Indian interests later as the arrangement did not operate satisfactorily. South India Shipping Corporation Limited has, however, the advantage of collaboration with the well-established Peninsular and Oriental Steam Navigation Company Limited of the UK and Anglo-Norwegian of Norway. The former will be taking up equity shares for 35 per cent and the latter for 5 per cent of the issued capital. It is expected that the new Indian company will be able to benefit considerably from the experience of the UK company in the liner trade while the Norwegian interests are among the largest carriers of bulk cargo in the world.

The issued capital will be Rs. 2 crores out of which equity shares for Rs. 80 lakhs will be allotted to foreign firms. Out of the balance of Rs. 120 lakhs, the directors and their friends will be taking up shares of the value of Rs. 50 lakhs. The balance will be offered for public subscription and it is expected to be underwritten by the Madras Industrial Investment Corporation.

The company has already placed orders for 5 bulk carriers, each of 38,100 d.w.t., designed for the carriage of ore, grain and other bulk cargo. These ships are being constructed in a shipping yard in West Germany and the company has been permitted by the Shipping Development Committee to use the credit provided by West Germany for this purpose. The first ship is expected to be delivered some time next year while the others will follow at intervals of three months. The foreign interests will be represented on the Board of Directors while Mr. A. D. Shroff of Bombay will be co-operating with the industrialists of the India Cements groups, on the Indian side. The company is expected to come on the market for raising the required capital in November. It is, however, noteworthy that in the case of the shipping companies nearly 90 per cent of the finance required for acquiring ships is obtained on a loan basis and the whole scheme is based on the assumption that the purchases of ships will be self-financing in character. As serious efforts are being made to secure for India a larger share in the trans-ocean trade and the exports of iron ore and imports of petroleum products are expected to increase significantly, the ships can be employed profitably.

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RESERVE FUND AND OTHER RESERVES	Rs. 3,20,00,000

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Trade Winds

INCENTIVE TO SUGAR PRODUCTION

WITH A view to boosting sugar production the Government of India has announced an increase in the basic minimum price of sugarcane to Rs. 5.36 per quintal, linked to a recovery of 10.4 per cent or less, for the 1964-65 crushing season. The minimum price has been raised by 40 paise a quintal from the current Rs. 4.96 but the recovery level has also been raised by one per cent from the previous level of 9.4 per cent. This means that to some extent the farmer will be deprived of the advantage of securing a higher price for better quality cane. As before, there will be a premium of four paise for a quintal of sugarcane for every 0.1 per cent of recovery above 10.4 per cent. The Government's decision is based on the recommendations of the Sugar Price Enquiry Commission headed by Dr. S. R. Sen, adviser to the Planning Commission, regarding the procedure for determining the price of sugar and its distribution and a policy for licensing new factories and expanding the existing units. With a view to providing an incentive for early crushing the Government will allow a rebate of 50 per cent in the basic excise duty on the excess sugar production during October and November, 1964 as compared to the production during the corresponding period of 1962. The other recommendations of the Sen Commission regarding the fixation of ex-factory price of sugar and related matters are still under consideration of the Government and an announcement is expected soon. The Commission has proposed that during the normal season the excise rebate should be allowed to the extent of 20 per cent, on additional production up to 10 per cent, over the output achieved in 1963-64. Where the extra production is in excess of 10 per cent, it has suggested a rebate of 40 per cent in excise duty. In the case of new factories, the Commission has recommended that the production in excess of 85 per cent of their capacity should be considered eligible for rebate.

The Government's decision, as announced on October 14, 1964, falls below the sugar industry's expectations. The incentive of excise duty rebate, it is argued, is unlikely to lead to expected results because the industry is not in a position to plan for more production. Last year, excise rebate covered the full period of the crushing season; it was 50 per cent for the first part, 20 per cent for the middle part and 50 per cent for the last part. The industry, as a matter of fact, has all along been demanding immediate decision on incentives as well as ex-factory prices.

Sugar production this year is estimated to be of the order of 25,60,000 tons. Of this 23,30,000 tons are needed for meeting internal requirements and 2,60,000 tons for fulfilling export commitments. This means that the current year's production falls short of the current year's demand. The shortage will, however, be met out of the carry-over stocks of last year without any difficulty except that the new crushing season will start with a carryover stocks of only 1,50,000 tons as against 1,76,000 tons last year and 10,26,000 tons in 1962-63. But the Government is hopeful of achieving production of 33,00,000 tons during 1964-65. The industry's view, however, is that production of this order is possible only if the Government follows a policy of selective controls. The industry wants the Government to adopt a policy which would ensure an equitable distribution of available cane supplies among sugar, Gur and Khandasari industries. It does not demand complete decontrol of sugar for fear that the prices may rise, but wants complete freedom to pay higher price for sugarcane. It feels that a policy of selective controls, as was adopted in 1950-51 and 1951-52, should again be introduced to enable the factories to sell a part of their produce in the

free market. The industry also wants fixation of sugarcane prices in different regions and sub-regions at economic levels and demarcations of cane zones for individual sugar factories in all States so as to ensure adequate cane supplies to the factories.

The Union Ministry of Food and Agriculture has sanctioned plans for the expansion of the existing mills and the setting up of new units, mostly in the co-operative sector, to the extent of 5,00,000 tons, though licences have not so far been issued in most of the cases due to paucity of funds. An expenditure of Rs. 40 crores is estimated to be involved in increasing the installed capacity to 35,00,000 tons from the present 30,00,000. But otherwise, only by prolonging the crushing season the industry may be in a position to produce sugar in excess of the current installed capacity. Moreover, the industry holds the view that it would be more desirable to allow expansion of the existing units rather than permit new units to come up, from both economic and financial points of view. The production per unit in India is said to be the lowest as compared to the major sugar producing country in the world. The profitability of the sugar industry is also considered to be among the lowest in the industrial sector in the country.

SAVING IN SHIPPING FREIGHT

India is likely to effect a saving of more than three million dollars per year in its foreign exchange resources as a result of the negotiations in the United States between a delegation of the Government of India and the American Shipping Conference serving the trade from the East Coast of the USA to India. This saving includes over one million dollars per year that India would have had to pay as 30 per cent surcharge on freight to Bombay, imposed by the Conference because of acute congestion that occurred in the port during the last monsoon. The Indian delegation explained to the Conference the extraordinary and special circumstances in which the congestion occurred and outlined the various measures, such as better co-ordination of arrivals of cargoes at various ports and improvement in unloading and handling of vessels, which had been taken to avoid recurrence of such a situation. After prolonged discussions the Conference representatives agreed to withdraw the surcharge which, if it had not been rescinded, would have set an example for other conferences and shipping lines to follow. The question of special freight for all cargoes for the Government of India, State Governments, Public Sector Projects and Undertakings was also taken up by the delegation. After detailed discussions it was agreed that a general 25 per cent discount on freight would be given on Government cargoes, apart from specially reduced rates negotiated for heavy lift cargoes and special equipment like Power plants. Besides, the delegation was successful in persuading the Conference to withdraw the additional arbitrary charge on cargoes to Kandla and Vizagapatnam.

The delegation also held discussions with the India Supply Mission in Washington, and the High Commission in London, on the question of implementation of the decision to transfer to the Central Chartering Organisation in New Delhi the work relating to the chartering of non-American ships for the import of PL-480 foodgrains from the USA. So far this chartering work was being done by the Baltic Exchange Chartering Committee in London; but with a view to achieving better co-ordination it was decided that all this chartering work should vest in the Central Chartering Committee in Delhi. Accordingly, the Chief Controller of Chartering has, with immediate effect, arranged the chartering of non-American vessels to the extent of 24 ships (including 3 tankers) cover-

ing shipments for November, 1964. All this chartering has been successfully done at competitive rates and future chartering will also be done by the Central Chartering Committee in the same manner, through its panel of brokers in New Delhi representing reputable brokers in London, New York and Tokyo, thus giving the Committee worldwide coverage for its requirements.

HALF-YEARLY IMPORT POLICY

The import entitlements for established importers during the period October 1964 to March 1965 will remain the same as during the first half of the current licensing period, April to September 1964. Supplementary or additional licences issued to established importers will also not be subjected to any cut. According to an import trade control notice issued in New Delhi on October 14, 1964 on the policy for the second half of the current licensing period, the annual licences granted to established importers will be automatically validated for utilisation of the second half of the licences. The validity period of such licences shall also be deemed to be extended by another six months. Where fresh annual licences are yet to be issued to established importers for the period April 1964 to March, 1965, the licences will be granted for the total yearly entitlements. The licences will be considerably endorsed to permit the import of goods in one lot within the validity period of the licences. An announcement is yet to be made in regard to changes, if any, in the licensing policy for actual users during October 1964 to March 1965.

When the annual import policy for April 1964 to March 1965 was announced, the established importers were required to submit their applications on an annual basis to cover their yearly entitlements. It had then been stipulated that the importers were entitled to order shipment of goods and make remittance to the extent of 50 per cent of the value of the licences during the first six months. For the second half year, i.e. with effect from October 1, 1964, the annual licence was to be presented to the licensing authority for validation subject to any change in value as might be decided upon by the Government.

U.S. MARKET FOR INDIAN PRODUCTS

Businessmen visiting the Indian pavilion in the New York World's Fair have shown keen interest in the imports of various items manufactured in India. A New York firm wants to import in bulk quantities non-ferrous forgings manufactured in India according to its specifications and designs. It also wants to buy drainage fittings, plastic distribution cables, linoleum and basket strainers for stainless steel counter sinks. Another firm is interested in buying large quantities of chinaware manufactured by a leading Indian firm. Enquiries were also made by the US business men regarding the import of cotton, silk and nylon dress materials, tinned fruits, fruit juices, chutneys, shrimps, candy, sweets and tea.

According to a recent on-the-spot study conducted by the Indian Cotton Textiles Export Promotion Council, several categories of Indian cotton textiles have good prospects in the US market. While the demand is much greater in the dress-making industry, there is considerable sale of cloth as such. The sale of cloth in the United States is approximately 700 million square yards per annum. According to the survey, India can sell many varieties as typical Indian motifs, bright colours making stronger appeal to the Americans who are well supplied with abstract designs in light pastel shades. As a result of Indian participation in the New York World's Fair, the Cotton Textiles Export Promotion Council has received numerous trade enquiries relating chiefly to printed dress materials, pillow cases, bed sheets, canvass tarpaulins, cotton netting, terry cloth, carded twill, braided tapes and embroidered emblems.

Following the success of the fashion shows arranged in

the Indian pavilion in the New York World's Fair, a fashion show is being arranged in Washington to popularise the Indian textiles in the United States. Mrs. Johnson, wife of the American President, many Senators and their families are expected to attend the show.

NSIC

Out of the fourth Yen credit, a sum of about Rs. 50 lakhs (\$1 million) has been allocated to the National Small Industries Corporation for the import of machinery to be supplied on hire purchase basis to the small scale industrialists in the country. The Corporation has so far made available machines, indigenous and imported, worth over Rs. 18 crores to the small industrialists in the country under its hire-purchase scheme.

TEXTILE ADVISORY COMMITTEE

With reference to the announcement made earlier by the Union Minister of Commerce regarding the Government's decision to introduce statutory controls over the production and prices of four categories of cloth viz., dhoties, sarees, long-cloth and shirting, the Government has now decided to constitute a Textile Control Advisory Committee, with its headquarters at Bombay, to advise the Government on the measures to be taken from time to time to ensure the efficient and smooth working of the Statutory Control Scheme. The Committee will keep a close watch on the working of the scheme and make suitable recommendations to the Government, as and when necessary, for removing defects or effecting improvements in the working of the scheme. The Committee will be headed by Mr. V. P. Naik, Chief Minister, Government of Maharashtra, Bombay, while Mr. R. Doraiswamy, Textile Commissioner, Bombay, will be the Vice-Chairman. Other members of the Committee will be: Mr. Ramnath A. Podar, Chairman, Indian Cotton Mills Federation, Bombay; Mr. Krishnaraj M.D. Thackersey, Bombay; Mr. S. R. Vasavada, Ahmedabad; Mr. Nath Pai, M.P.; Mrs. Tarkeshwari Sinha M.P.; Mr. Rameshchandra Vyas, M.P.; Mr. Devarajulu Naidu, Coimbatore; Mr. T. P. Chakravarty, Calcutta; Mr. Padampat Singhania, Kanpur; Mr. Chinubhai Chamanlal, Ahmedabad; Mr. D. P. Mandelia, Gwalior; Mr. Navn't Lal Shah, Bombay; Mr. Brij Bhushan Saran, Delhi; Dr. K. N. Raj, Director, Delhi School of Economics; Dr. T. S. Subramaniam, Ahmedabad; Mr. Ganglal Casewa, Co-operative Federation; a representative of cloth retailers and a representative of fair price shops. Mr. P. J. Fernandez, Additional Textile Commissioner, will act as member-secretary of the Committee.

The Chairman may invite any persons connected with the Ahmedabad Textile Industry's Research Association, the Bombay Textile Research Association, the South India Textile Research Association or other technical institutions and other organisations to attend meetings of the Committee. The Committee shall meet as often as may be necessary. The non-official members of the Committee have been nominated for a period of two years.

The Government has also decided to set up a panel of technologists to assist the Government and the Textile Control Advisory Committee on different technical and economic aspects of the 'Control Scheme'. Besides its Chairman, Mr. P. J. Fernandez, Additional Textile Commissioner, the panel will consist of: Dr. R. Balakrishnan, Member, Tariff Commission; Dr. K. N. Raj, Director, Delhi School of Economics; Dr. Lakdawalla, University of Bombay; the Chairman, Institute of Cost and Works Accountants Association; a member of Cost and Works Accountants Association; the Director, Ahmedabad Textiles Industries Research Association; the Director, Bombay Textiles Industries Research Association; the Director, South India Textiles Research Association; and Mr. S. A. Kher of Calico Mills Ltd., Ahmedabad.

Company Affairs

HYDERABAD ALLWYN

STRIKING IMPROVEMENTS in working results have been reported by Hyderabad Aliwyn Metal Works Ltd. during the year ended April 30, 1964. Gross profits recorded a sharp rise from Rs. 43.47 lakhs to Rs. 67.26 lakhs, while net sales improved significantly from Rs. 3.26 crores to Rs. 5.13 crores. The improved performance in sales and production has been made possible due to the expansion of the plant. Although production of refrigerators is rising steadily, the company has not been able to achieve the desired progress on account of scarcity of raw materials. The company has received a licence to manufacture hydraulic hoists, tipping gears, heavy duty trailers, and semi-trailers. The company has already entered into technical collaboration agreements with Anthony & Co. of USA and Carimore Six Wheelers Ltd. of UK and a consultancy agreement with Western Corporation of USA to manufacture new items.

The directors have enhanced the provision for depreciation from Rs. 14.63 lakhs to Rs. 21.97 lakhs and managing agents' remuneration from Rs. 2.61 lakhs to Rs. 3.31 lakhs. The allocation to development rebate reserve has been reduced from Rs. 9 lakhs to Rs. 3.50 lakhs while the appropriation towards general reserve is stepped up from Rs. 2.65 lakhs to Rs. 4.50 lakhs. A sum of Rs. 16 lakhs is set apart for taxation against nil in the previous year. The directors have maintained the dividend at 10 per cent which absorbs Rs. 12.04 lakhs, leaving a sum of Rs. 17,364 to be carried forward to next year's account against Rs. 26,824 brought in from the previous year.

MYSORE SPG. AND MFG. CO.

The working results of the Mysore Spinning and Manufacturing Co. Ltd. for the year ended February 29, 1964, showed a gross profit (subject to depreciation) of Rs. 5,672. Taking into account the balance from the preceding year valued at Rs. 38,874 and the provisions made in the previous year which are no longer required, valued at Rs. 20,259, the amount available for distribution came to Rs. 64,606. The directors have transferred from the "general reserve" a sum of Rs. 8,41,010 to provide depreciation on the fixed assets and to pay dividend for the year on the 4½ per cent cumulative preference shares. Out of the total of Rs. 9,05,616, depreciation for the year absorbed Rs. 8,72,089, while the dividend on the preference shares at the rate of Rs. 2.25 per share (less tax) absorbed Rs. 33,527.

The company received a setback in the year under report, for which reason the payment of dividend on equity shares had to be passed over. The directors have stated that although the prices of coarse and lower medium yarn under the voluntary price scheme were marginally increased in the year under report, they were not commensurate with the increased prices that had to be paid for the cottons used.

The weaving department also did not show happy results. Increased production of higher medium cloth, according to the directors, did not yield the desired result because prices higher than anticipated had to be paid for the required cottons. The company had to change the pattern of export production from ordinary coarse and medium sheetings to towels and finished fabrics. All these changes brought about dislocation in the working of the weaving shed, but the directors have expressed the hope that the benefits of these re-arrangements would be available in the current year.

The company started its programme of re-building and renovating the existing plain looms in 1961-62. During the year under report, 72 looms were re-built at a cost of Rs. 38,174. Uptodate, 282 plain looms have been re-conditioned while

nearly 75 are being replaced by automatic looms out of a total of 500 plain looms. The directors are planning to take the total loomage to about 700, out of which 288 will be automatic.

The directors have also reported that 14,869 new equity shares of Rs. 50 each were allotted as bonus shares in the ratio of 1:8 after capitalising Rs. 1,44,060 from the "share premium account" and a sum of Rs. 5,99,390 from the "general reserve." Since allotment was made before March 31, 1964, the bonus shares did not attract the capital gains in the shareholders' hands.

The company has also ordered for additional machinery after March 1, 1964. The details are: One West Point Sizing Machine valued at Rs. 1,55,000, material for conversion of 31 Ring Frames of the value of Rs. 217,750 and an Industrial Sewing Machine valued at Rs. 27,540. The company has issued 26,764 9½ per cent taxable redeemable cumulative preference shares of Rs. 50 each to the shareholders as right shares for the sake of strengthening the finances of the company. It has entered into partnership with Minerva Mills Ltd. and Modern Mills for the purpose of organising and conducting retail shops for the sale of cloth manufactured by the mills. The new enterprise has been named Messrs. Sundatta Fabrics which has opened a prestige retail cloth shop in Bangalore. The investment made by the company as a partner in this venture is Rs. 1,50,000.

PANIPAT WOOLLEN

Addressing the Annual General Meeting, Mr. G. L. Gupta, Chairman, the Panipat Woollen and General Mills Company Limited, Kharar, informed the shareholders that the paid-up capital of the company during the last financial year had been increased to Rs. 52,75,985, out of which Rs. 9,92,975 were in preference shares, the rest being in equity shares. The company succeeded in raising the required capital and also in getting a loan of Rs. 45 lakhs plus a guarantee for deferred payments from the Industrial Finance Corporation of India. The Life Insurance Corporation also came forward liberally to take up preference shares. The increased reserves (Rs. 22,10,170, including development rebate, but excluding reserve for taxation, etc.), which have widened the capital base of the company for the purpose of surtax, will help in the reduction of the surtax liability of the company in future years. The Chairman informed the shareholders of the decision of the directors to maintain the dividend on equity shares at 12 per cent on the increased capital, in spite of the fact that the company is liable for dividend tax at 7½ per cent on the amount of the dividend paid.

The Chairman also said that a major portion of the yarn produced had been consumed in the company's tent factory and a part only had gone to the market. The company had received an "essentiality certificate" for the import of cotton waste spindles. It has also been allowed to replace part of its old machinery on the woollen side with the machinery imported from abroad. Both these measures will curtail wastage on the one hand, and increase efficiency and productivity, on the other. With the slackening demand for woollen goods from the Defence Department, the company is now changing over to the production of woollen fabrics for civilian use.

COOPER ENGINEERING

Cooper Engineering Ltd. had reported satisfactory working results during the year ended June 30, 1964. Despite a sharp rise in sales from Rs. 2.62 crores to Rs. 3.11 crores, the company has earned only a slightly higher gross profit of Rs. 23.18 lakhs against Rs. 22.97 lakhs in the previous year. The re-

latively small rise in gross profit is attributed to the enhanced cost of raw materials, labour and other charges without a corresponding increase in selling prices of the company's products. The company has already received the Government's sanction to raise the selling prices of some of the items and hopes to get the approval for some more products shortly. The full impact of the upward revision of prices will be reflected during the current year. The ICICI has agreed to give a loan of Rs. 18.5 lakhs in foreign currency for implementing the scheme for producing vertical turret lathes. Satisfactory progress has also been made for the manufacture of automatic looms and the first 50 looms will be ready for despatch shortly. The company's collaboration agreement with a reputed West German firm for the manufacture of gear hobbing machines has been approved by the Government.

After providing Rs. 34,012 (Rs. 25,000) for managing agents' commission, Rs. 22.60 lakhs (Rs. 18.69 lakhs) for depreciation and Rs. 1.35 lakhs (Rs. 3.92 lakhs) for development rebate, the company shows a net loss of Rs. 1.11 lakhs against a net profit of Rs. 11,375 for the previous year. After adjusting the provision no longer required of Rs. 3.76 lakhs, a sum of Rs. 2.65 lakhs (Rs. 95,000) has been transferred to general reserve. The proposed dividend amounting to Rs. 7.91 lakhs will be paid out of general reserve.

CAPITAL ISSUES

During the week ended September 27, 1964

Five companies have been authorised to raise fresh capital aggregating Rs. 7.10 crores. Of these, three are issuing equities, one debentures and another equity shares plus preference shares. Two companies involve foreign collaboration. The consent of the Controller of Capital Issues is valid for 12 months in all cases.

Utkal Machinery Ltd., Kansbahal, Orissa, engaged in the manufacture of heavy vessels, structural and plate work and machinery and equipment, is to issue further capital of Rs. 60 lakhs in equity shares of Rs. 10 each for cash at par. The shares will be offered on rights basis except 3,12,000 shares which will be offered to Deutsche Entwicklungsgesellschaft mbH (DEG), a West German Development Bank, after observing formalities under the Companies Act. The money will be used for the purchase of balancing equipment and machinery and for working capital.

Madras Motor & General Insurance Co. Ltd., Madras is to issue further capital of Rs. 10 lakhs, divided into 10,000 equity shares of Rs. 100 each, for cash at par, on rights basis to the existing shareholders of the company. The capital will be utilised to strengthen the funds of the company.

Gwalior Rayon Silk Mfg. (Wvg.) Company Ltd., is to issue 7 per cent debentures of the value of Rs. 3 crores. The capital is required for several expansion schemes, viz., installation of additional spindles at Bhiwani and looms at Birlanagar textile units and manufacture of pulp and staple fibres at Kozhikode.

Widia (India) Limited, proposed to be incorporated in the Mysore State, is to issue Rs. 40 lakhs equity capital in shares of Rs. 100 each. Of this, 60 per cent shares will be allotted to Meturit AG of Zurich, Switzerland (Meturit Group) in consideration of supply of plant and machinery, 20.4 per cent will be taken up by Sak Industries Pvt. Ltd., partly against cash and partly against purchase of land, indigenous equipment, and construction of factory, and the balance of 19.6 per cent will be offered to the public 'for cash at par'. The money will be utilised in the manufacture of Sintered Hard Metal.

The Andhra Pradesh Paper Mills Limited, Rajahmundry, Andhra Pradesh, a new company incorporated in the State of

Andhra Pradesh, is to issue a capital of Rs. 3 crores, divided into 2 lakhs equity shares of Rs. 100 each and 1 lakh preference shares of Rs. 100 each, to be issued for cash at par, excepting 66,000 equity and 50,000 preference shares which will be allotted to the Government of Andhra Pradesh for consideration other than cash, i.e. against the assets transferred by the Government. Of the balance, such number of shares of each kind as will qualify for enlistment on recognised stock exchanges, will be offered to the public by prospectus and the balance subscribed privately. The money will be utilised for taking over the Andhra Pradesh Mills, a State Government owned undertaking, having a rated capacity of 10 tons per day as also for expansion of its production to 70 tons per day.

LICENCES ISSUED

The following licences were issued under the Industries (Development and Regulation) Act, 1951 during the fortnight ended September 5, 1964. The list contains the names and addresses of the licensees, articles of manufacture and annual installed capacity.

(During the week ended August 29, 1964)

RAILWAY ROLLING STOCK

Gresham & Graven of India Pvt. Ltd., 22, Cobra Road, Entally, Calcutta-14 (Calcutta, West Bengal) — Vacuum Brake Equipment for Railway Rolling Stock 21,000 sets per annum.

ORGANIC HEAVY CHEMICALS

Indian Organic Chemicals Ltd., 28, Apollo Street, Fort, Bombay-1 (Khopoli, Maharashtra) — Butyl Acetate 500 tonnes; Amyl Acetate 250 tonnes; Isomyl Acetate 250 tonnes; Propyl Acetate 200 tonnes; Isopropyl Acetate 200 tonnes; Sodium Acetate 500 tonnes.

DRUGS AND PHARMACEUTICALS

Hoechst Pharmaceuticals Ltd., Dugar House, Backbay Reclamation, Bombay-1 (Bombay, Maharashtra) — Eugastrid tablets — 1,00,00,000 tablets per annum; Potanal ointment — 1,50,000 tubes of 15 gm. per annum.

COTTON TEXTILES

Rajeswari Mills Ltd., Railway Station Road, Gudiyattam (Madras) — 11,000 spindles; Elgin Mills Co. Ltd., Kanpur (U.P.) (Kanpur, Uttar Pradesh) — 50 automatic looms for the manufacture of terry towelling cloth; Rai Sahab Rekhchand Mahota Spg. & Wvg. Mills (P) Ltd., Hinganghat, (Maharashtra) — 10,000 spindles.

ALCOHOL

Cawnpore Sugar Works Ltd., Sutherland House, Civil Lines, Kanpur (Chakia Tehsil, Bihar) — Industrial Alcohol — 16,84,800 gallons per annum.

(During the week ended September 5, 1964)

IRON AND STEEL CASTINGS & FORGINGS

M/s. Saxby & Farmer (India) Pvt. Ltd., 17, Convent Road, Entally, Calcutta-14 (West Bengal) — Cast Iron Castings (including cast iron castings for a capacity of 3400 tons to be produced for own use as components for the manufacture of finished items) — 6,000 tons per annum; M/s. Hindustan Steel and Metal Co. (Pvt.) Ltd., 9-Clive Row, Calcutta-1 (West Bengal) — Shifting from Calcutta to Durgapur.

ORGANIC HEAVY CHEMICALS

M/s. National Organic Chemical Industries Ltd., Mafatlal House, Backbay Reclamation, Bombay-1 (Bombay, Maharashtra) — Ethylene — 60,000; Propylene — 35,000; Benzene (and related quantities of Xylene and Toluene as extracted via the sulpholane process) — 14,000; Dicyclopentadiene — 700; Butadiene — 7,200; Methane 2,700; Ethylene oxide — 12,000; (i) Ethylene glycol — 10,000; (ii) By-product diethylene glycol — 600; Polyethylene glycol (400) — 1,000; Ethylene dichloride — 3,000; Vinyl chloride monomer — 30,000; (i) Polyvinyl chloride — 20,000; (ii) Processed PVC products —

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BOOKS BRIEFLY

The Business of Money-Changing

The **ABC of the Foreign Exchanges**: By Norman Crump; Thirteenth Edition, Macmillan, London, 1963; Pp. viii + 405; 25 Sh.

Reviewed by D. KRISHNASWAMI RAO

THIS IS the thirteenth edition of a book first published in 1892, its original author being the late Mr. George Clare. Since 1924 the periodic revision of this book has been done by Mr. Norman Crump. So continuous are the changes in the practices and regulations of the foreign exchange market that even this edition embodies very considerable departures from the text of the last edition, which was in 1956.

As befits an "ABC", the book assumes no prior knowledge of the mysteries of money and foreign exchange on the part of the reader. We are taken through the elements of money, cheques, bills of exchange, international bank balances, gold-points and so forth in a few brief initial chapters. On this base is then built a description of the functioning of the London foreign exchange market as it was till its closure on the outbreak of war in September 1939 and as it has been since its re-opening in December 1951. The most interesting part of the description is that of dealings in forward exchange — that enigma of the lay reader and game of skill of the professional operator in the foreign exchanges — for which a wide measure of freedom has been restored to the market in the past few years.

Basic Forces

It is the great merit of the book that it considers the foreign exchanges not as a market apart, but in the proper setting of each country's monetary and banking activities and its general economy. Chapters XV to XXI are therefore devoted to a discussion of the bearing of central banking operations, the operations of the money market, and of internal price-levels on the foreign exchanges. Now that a large range of freedom has been restored to foreign exchange markets in the Western world, and greater importance is attached to monetary discipline, these chapters add to our understanding of the basic forces that have again come to underlie the working of the foreign exchanges.

Among subjects of recurring present-day interest that are dealt with next are devaluation, the functioning of the British Exchange Equalisation Account, and the genesis and structure of the Sterling Area. The International Monetary Fund receives adequate treatment — possibly one of the most serviceable discussions of this institution, considering the fact that the author does the constitution (with detailed citations from the Articles of Agreement) and actual working of the Fund in just fifty pages. The World Bank and its affiliates are also considered, though rather briefly, because they have much less to do with the main subject-matter of the book.

As European economic problems have centred so largely on foreign exchange difficulties since the last War, Mr. Crump deals with some of the main land-marks in the situation as it has developed since 1945. Thus he discusses the American Loan to England, the British Balance of Payments, Marshall Aid and European economic recovery, the European Payments Union, and the advance of Western Europe to currency convertibility.

Queering the international monetary pitch now and then in these years have been the tidal movements of short-term funds aptly known as "hot money" and an occasional flurry on the London gold market such as happened in October and November 1960. In the concluding chapters of the book Mr. Crump discusses these problems and the measures concerted by the US Federal Reserve and the European central banks to deal with them.

This new edition will keep up the book's standing as a "must" for university students of money and foreign exchange and for bank officials who have to do foreign exchange for their professional examinations. The intelligent citizen who finds it hard to understand some of the things that figure in the commerce and finance columns of his newspaper could also read this book with benefit.

PRODUCTIVITY AND BUSINESS

Productivity and Social Environment: K. Sreenivasan; Asia Publishing House; 35s.

Industrial Labour in India: Revised Edition, Edited by V. B. Singh; Asia Publishing House; 60s.

Government in Business: S. S. Khera; Asia Publishing House; 75s.

Reviewed by JOSSELYN HENNESSY

FOR ONE hundred and fifty years Indians experienced foreign scorn for their institutions. From this emerged schizophrenic attitudes. On the one hand, Indian intellectuals sought to resist change by recalling a vanished mythical golden age; on the other, they insisted that caste and other "evils" were yielding rapidly to western "progress". Since independence, a gargantuan spate of legislation has "abolished" untouchability and "established" universal education, labour laws, "fair shares", steel plants, dams, and all the paraphernalia of a "modern, secular, planned" state. Now, although "Industrial Labour in India" and "Government in Business" contain much that is valuable, they suffer from two handicaps (to offer a sweeping and therefore unfair generalisation): first, much of their analysis is based on Marxism (arising from the affinity between India's leaders and the British Labour party of Laski's generation), so that one constantly encounters views long exploded alike in the West and in the USSR; secondly, readers unfamiliar with India may not see through the universal assumptions that "planning" and accomplishment are identical, and that enactment of a law automatically ends centuries' old institutions and the attitudes of mind that made them work.

Standing out from these two books is that by Mr. K. Sreenivasan, who offers the unusual combination of practical industrial experience with the historical and social insights needed to explain (a) how far contemporary economic theory (in which he is widely read) can be effectively applied in India and (b) how far it is necessary to continue to push, shove, watch, and pray, in efforts to create the social attitudes without which industrial enterprise cannot succeed.

The caste system provided a stable society in which all enjoyed social security. But its satisfactions depended on a static economy and this began to be eroded (a) as the British released a population explosion by reducing war, famine, and pestilence, and (b) with increasing industrialisation which, based on contract and incentives, is incompatible with a hierarchy.

India's dilemma is that while her westernised political leaders have undermined the economic basis of caste (and in so doing have largely created the "evils" so universally condemned), the masses cling to their institutions, and it may take generations to eradicate their traditional attitudes (exemplified in e.g. family feeling, which is today denounced as "nepotism").

This bare summary does scant justice to Mr. Sreenivasan's complex and wide-ranging study, whose combination of historical perspective and down-to-earth observation of the contemporary Indian industrial scene makes it an outstandingly realistic contribution to sociological economics. He also has the gift of writing simply and clearly on a subject only too frequently obscured in polysyllabic abstractions.

5,000; Isopropanol — 1,500; Acetone — 11,000; Liacetone alcohol — 2,800; Methyl isobutyl Ketone — 3,700; Butanol — 8,000; 2-ethyl hexanol — 8,000.

COTTON TEXTILES

M/s. Rajeswari Mills Ltd., Railway Station Road, Gudiyattam (Madras) (Madras State) — 11,000 spindles for manufacture of cotton yarn; M/s. The Pudukotah Textiles Ltd., Namanasamudram P.O., Tiruchy Distt. (Madras State) (Madras State) — 12,540 spindles for the manufacture of cotton yarn; M/s. Muir Mills Company Ltd., Civil Lines Kanpur (Uttar Pradesh) — 50 automatic looms for the manufacture of terry towelling cloth; M/s. Vallabh Textile Mills Ltd., 59, Apollo Street, Fort, Bombay-1 (Maharashtra) — 120 spindles for manufacture of cotton waste yarn.

GYPSUM WALL BOARDS

Shri T. S. Chockalingam, 13, South Street, Santhome, Madras-28 (Vaiyampatti Kuttalai Taluk, Tiruchirapalli Distt., Madras State) — Gypsum Wall Boards — 30 million sq. ft. per annum.

LETTERS OF INTENT

The following statement shows the letters of intent issued during the fortnight ended September 5, 1964 to parties under the Industries (Development and Regulation) Act, 1951.

(During the week ended August 29, 1964)

M/s. Kotecha Agencies, C/o M/s. Overseas Plastic Moulders, Sadhana Industrial Estate, Jogeshwari, Bombay-60 (Bhavnagar, Gujarat) — Portland Cement — 2,00,000 tonnes per annum; M/s. The Associated Companies Limited, 'Cement House', 121, Queen's Road, Fort, Bombay-1 (Durgapur, West Bengal) — Cement Slag cement — 4,00,000 tonnes per annum; Mr. M. L. Maheshwari C/o M/s. Bharat Industries and Commercial Corporation, Chowringhee Square, Tower House, Calcutta-1 (Patna, Bihar) — (i) Mobile self propelled cranes (15/20 tons capacity) 24 Nos.; (ii) Truck Cranes (3-5 tons) — 48 Nos.; (iii) Truck cranes (7/10 tons) — 72 Nos.; (iv) Jib cranes (½ to 5 tons) — 60 Nos. Mr. H. S. B. Shyam, 19/1, Platform Road, Seshadri Puram, Bangalore-20 (Bangalore, Mysore) — Heavy Structural 9,000 tonnes per annum; Electric Overhead Travelling Cranes (3 to 150 tonnes capacity) 1200 tonnes per annum; M/s. Harbilas Baldev Raj, Old Railway Road, Jullundur City, (Sonapat, Punjab) — Threading dies, chasers, million cutters and slitting saws, gear hobs, carbide cutting tools, mine coal drill bits, jigs and fixtures, pressing drawing, cutting bending and straightening tools, arbors and mandrels — capacity to be determined; M/s. Rohit pulp and Paper Mills Ltd., Hassan Chambers, Parsee Bazar Street, Bombay-1 (Khadki, Gujarat) — Ivory and allied boards; Mr. Pritam Singh Sawhney, 44, Pusa Road, New Delhi (Faridabad, Punjab) — Injection moulding machines (up to 250 gms.) 90 Nos.; Extrusion Machines 36 Nos.; Dies for the above 250 Nos.; M/s. Ravindrakumar and Company, 1-2-412/21, Gagan Mahal Road, Hyderabad-29 (Hyderabad, Andhra Pradesh) — EOT Cranes — 120 Nos. per annum; Electric Hoists — 360 Nos. per annum; M/s. Alembic Chemical Works Company Ltd., Alembic Road, Baroda-3 (Gujarat) — Hydroxocephalamin — 20 Kgs. per annum; M/s. Texwell Private Limited, P-21/22, Radhazar Street, Calcutta-1 (Calcutta, West Bengal) — Grooved and Profiled Insert Mail Eyes for wire heads — 12 million pieces per annum; M/s. T. Maneklal Manufacturing Co. Ltd., Vaswani Mansions, Dinshaw Vacha Road, Bombay-1 (Bombay, Maharashtra) — Continuous open with bleaching plant — 6 Nos. per annum, Semi-continuous open with bleaching machines — 3 Nos. per annum.

(During the week ended September 5, 1964)

M/s. Remington Rand of India Ltd., 3, Council House Street, Calcutta-1 (West Bengal) — Standard Typewriters —

36,000 Nos. per annum; M/s. Khemchand Rajkumar, 33, Netaji Subhas Road, Calcutta (Kolkata, Maharashtra) — Tin Plates — 60,000 tonnes per annum; M/s. Secunderabad Tin Industry, Barman Buildings, Gunfoundry, Hyderabad (Andhra Pradesh) — Enamelled wires — 300 tons per annum; Copper wires — 300 tons per annum; M/s. Vulcan Trading Company (Pvt.) Ltd., 4, Sundar Nagar, P.O. Box No. 627, New Delhi (Poona, Maharashtra) — Mud Flush Pumps — 1st Year — 50 Nos.; 2nd Year — 60 Nos.; 3rd Year — 70 Nos. respectively of 40 gallons and 25 gallons per minute at 500 lbs./psi; M/s. Super Seals India Private Ltd., 54, Hanuman Road, New Delhi (Punjab) — Oil seals — 2 million per annum; M/s. The Sasson & Alliance Silk Mill Co. Ltd., Podar Chambers, Parsee Bazar Street, Fort Bombay-1 (Maharashtra) — Nylon filament yarn — 1.5 tons per day; M/s. Kusum Products Ltd., 9, Brabourne Road, Calcutta-1 (Maharashtra) — Cotton Seed Oil — 20,000 tonnes of cotton seed per annum; M/s. A.K. Ranganathan & Sons (P) Ltd., Post Box and Bag No. 614, Madras-4 (Tirumangalam, Madras State) — Wrecut Bricks — 216 lakh Nos. per annum; Ceiling stones — 9.96 lakh Nos. per annum; M/s. Harshdray Private Ltd., Jiji House, Raveline Street, Bombay-1 (Madras) — Vat Dyes — 250 tonnes per annum; M/s. Hindustan Transmission Products, Prop. Madhusudan Ltd., Chandi Vali, Kurlavikar Road, Bombay-70 (Maharashtra) — Impregnating Varnishes — 150 Metric tons; Synthetic Resins (Phenoli Resins, Urea Formaldehyde, Alkyd Resins, Polyester Resins, Melamine Resins) — 250 Metric Tons; Wire Enamels Insulated Varnishes — 300 Metric Tons; M/s. Anil Hardboards Ltd., Laxmi Insurance Building, Sr P.M. Road, Bombay-1 (Maharashtra) — Embedded and century boards — by-products — 12,000 tons per annum.

CHANGE IN NAMES (Owner or Undertakings)

(Information pertains to particular licences only)

(During the week ended August 29, 1964)

From Lala Amar Nath, Verke (Amritsar) to Sarvashri Kidar Nath Grover, Nand Kishore Grover, and Hans Raj Grover, Verke (Amritsar); From M/s. The Central Wvg. & Mig. Co., Bombay to M/s. Macks Hard Private Ltd., Bombay.

(During the week ended September 5, 1964)

From M/s. Chhatrapati Associates, Bombay to M/s. Ahmedabad Advance Mills Ltd., Bombay; From M/s. Asbestos, Magnesia and Friction Materials Ltd., Bombay to M/s. Hindustan Ferodo Ltd., Bombay; From M/s. Modi Sugar Mills Ltd., Modi Nagar to M/s. Modi Industries Ltd., Modinagar; From M/s. Ruby Rubber Works Ltd., Bangalore to M/s. Ruby Rubber Works (Bangalore) Ltd., P.O. Changana Cherry; From M/s. Indan Plywood Manufacturing Co. Ltd., Itarsi to M/s. Central India Board Products, Itarsi.

LICENCES REVOKED OR SURRENDERED

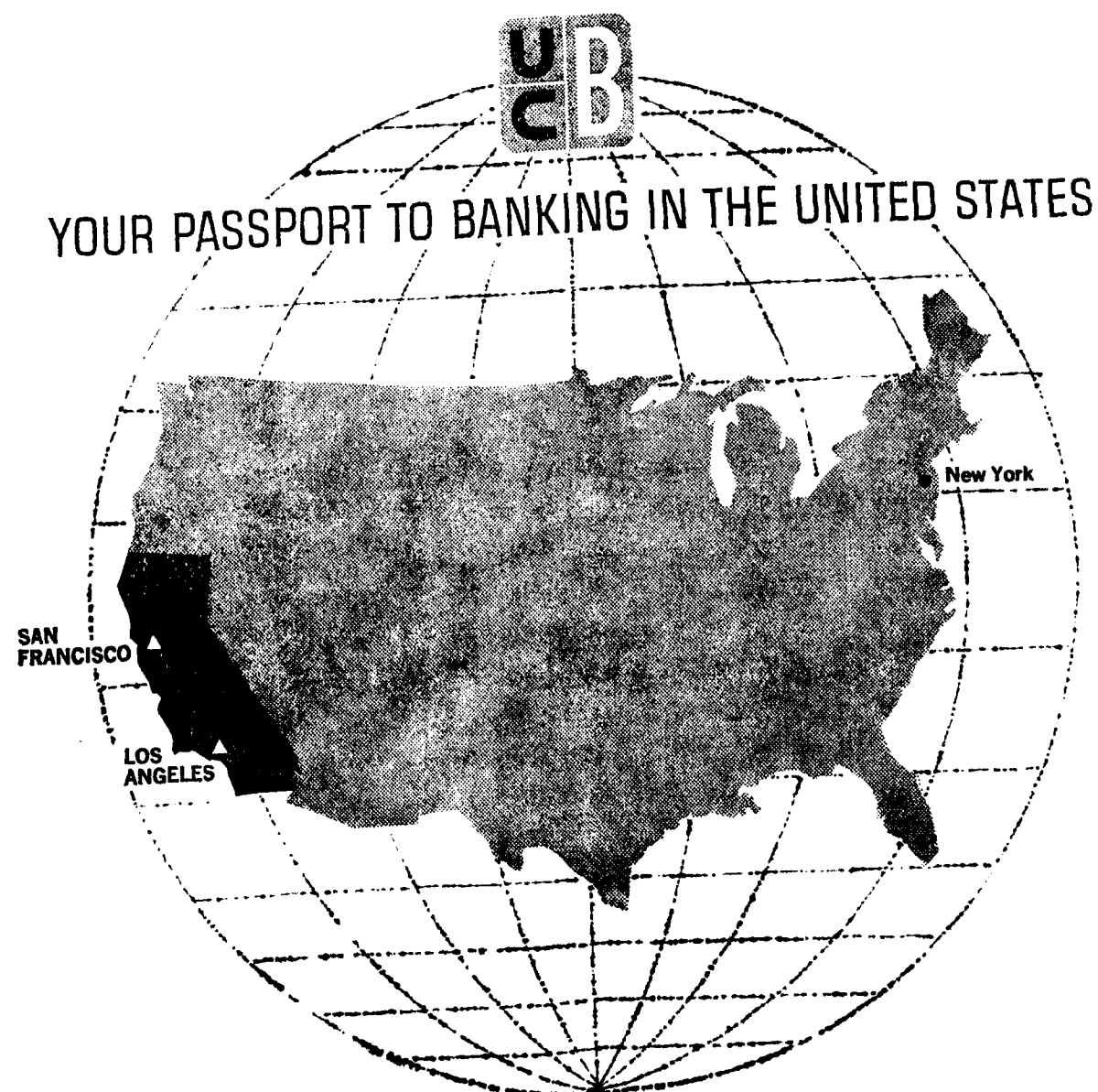
(Information pertains to particular licences only)

(During the week ended August 29, 1964)

M/s. Hindustan Cycle Accessories Mfg. Co., Delhi — Bicycle steel-balls; M/s. Brady Engineering Co. Ltd., Bombay — Centrifugal Pumps; M/s. Indian Hardware Industries Limited New Delhi — Double ended spanners, Ring spanners socket spanners, screw drivers, Pliers and pipe wrenches; M/s. Girdharilal M. Pittie, Poona — Heavy Press Tools, Jigs and Fixtures, Moulds of Heavy and Medium Type, and special purpose machines; M/s. Tirupur Cotton Spinning & Weaving Mills Ltd., Tirupur — Cotton waste yarn; M/s. Kingsley Gola-ghat Assam Tea Co. Ltd., Calcutta — Cotton yarn.

(During the week ended September 5, 1964)

M/s. Structural Engineering Works Ltd., Bombay — C.I. Spun Pipes; M/s. India Tap and Die Company Private Limited, Jhansi — Taps, Dies, Reamers and Milling Cutters.



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example, in India during the first (1951-52 — 1955-56) and second (1956-57 — 1960-61) five-year Plan periods, the growth rate stood at 3.4 and 3.7 per cent respectively; whereas in the first two years of the third five-year Plan (1961-62 — 1962-63), it fell to 2.5 per cent, barely exceeding the increase in population and remaining far short of the 5.4 per cent planned target.

It is too early yet to evaluate the progress achieved in the ECAFE region from the point of view of the goals of the United Nations Development Decade, but even incomplete statistical data for the first two or three years of the decade reveal that the general picture of economic performance in the region is by no means encouraging. Unless a fundamental change in the pace of progress takes place, the objectives of the Development Decade will hardly be achieved.

This immediately poses the question — what factor or factors have been mainly responsible for this serious inability? It is, even at this stage in the decade, generally agreed that much of the answer emerges from an examination of the performance of the agricultural sector. Agriculture's contribution to the gross domestic product ranges from 34 to 56 per cent in the developing ECAFE countries, and it is the main factor determining the overall growth rate of their economies. After recording a substantial increase of 7.7 per cent in 1961, their agricultural output increased by less than 1 per cent in 1962 and again in 1963. In foodstuffs, the deficiency was particularly marked. The region as a whole, once an important food exporter, has become, on balance, an importer of food. In the first three years of the Development Decade, food production registered an average annual increase of 0.5 per cent, as against an annual rate of population growth of 2.4 per cent. Thus the agricultural sector has failed seriously in its attempt to attain the 4.5 per cent growth target called for by the Development Decade.

The poor performance of the lagging agricultural sector exerts and is likely to continue exerting a depressing influence also upon the other sectors of the ECAFE economies. Lack of agricultural raw materials has tended to reduce the volume of current production in certain industries. Balance of payments difficulties, arising from increased imports and/or decreased exports of agricultural products (especially foodstuffs), have reduced the foreign exchange funds available for financing imports of both industrial raw materials and capital goods, thus adversely influencing both the current and future level of industrial activity. It should, however, be pointed out that, as far as some main export commodities were concerned (e.g. rubber), the failure to achieve desirable increases in export proceeds was caused not from within the domestic agricultural sector itself but by external factors on the demand side which were usually beyond the control of the developing ECAFE countries.

The second main contributing factor — lack of foreign exchange for financing imports needed for development — was thus closely connected with the first one, but at the same time stemmed from the general characteristics of the world market for primary products. Deteriorating terms of trade and relative (sometimes even absolute) declines in the physical volumes of the main export primary products were of great concern to the smaller, export-oriented Asian countries. These not only contributed to the slowing down of rates of growth and to increased difficulties in fulfilling the planned targets, but also sometimes forced the governments to revise the substance of their original plans.

A point arises here, in connexion with external trade, that is of importance when consideration is given to the overall measurement of growth. It has already been mentioned that national income is the commonly accepted yardstick, and that this is so because it gives a measure in money terms of the goods and services produced and available for use in an eco-

nomy. The question arises whether this should be expressed in current or constant prices, and again the procedure generally employed is to take constant prices. This is acceptable for closed economies, but its suitability for an economy in which international trade figures large is open to question. The output of the export sector, when use of real resources is the point at issue, is significant only to the extent that it allows the economy to import resources in exchange. Hence the terms of trade determine the final real contribution of the export sector to the supply of goods and services for each country. For example, an improvement in the terms of trade will have the same effect as an increase in productivity within the export sector itself, other things being equal. In this context, it does not matter whether the improvement in terms of trade results from an increase in export prices or from a decline in import prices. In order to measure the growth in "real output" of the export sector, it is necessary to deflate (inflate) the output expressed in terms of constant prices by means of a terms of trade deflator (inflator).

This is of obvious importance in the case of heavily export-oriented economies, for which the rate of growth measured in terms of constant prices may differ quite substantially from that obtained by taking terms of trade changes into account. A striking example in the ECAFE region is provided by the recent experience of the former Federation of Malaya. In the Malayan second five-year Plan, it was expected that the gross output would grow by 4.1 per cent annually and that this would result in an annual increase of 0.8 per cent in 'per capita' income. The plan realistically allowed for a decline in the prices of the main export product (rubber) which was supposed to lower the rate of increase in the real output to 2.7 per cent annually and cause a slight decrease in 'per capita' real income. However, the decline in rubber prices proved to be even sharper than expected and thus, in spite of an annual 4.6 per cent growth in GDP at constant prices in 1961-62 (0.5 per cent above the planned rate), the annual increase in GNP at current prices (reflecting the decline in rubber prices) stood as low as 1 per cent, and 'per capita' real income declined by more than 2 per cent annually. Ceylon provides a similar example. In both these cases, separate calculations taking into account the price movements within the foreign trade sector are given in Table I which shows generally the planned and actual rates of growth in constant prices.

TABLE I
SELECTED ECAFE COUNTRIES:
PLANNED AND ACTUAL ANNUAL RATES OF GROWTH
(Per cent)

Country	Period	Population	National Income	Per Capita Income
Burma	P 1952-53—59-60	1.2	7.4	6.2
	P 1961-62—64-65	2.3	5.9	3.6
Cambodia(e)	A 1950-51—59-60	1.2	4.7	3.5
	A 1960-61—62-63	2.0	3.8	1.3
	P 1959—1964	3.0	5.0	2.0
Ceylon	A 1951—1959	2.5	4.0	1.5
	P 1959—1968	3.0	5.9	2.9
	P 1961-62—63-64	2.8	4.8 (a)	2.0 (a)
China (Taiwan)	A 1950—1959	2.5	3.5	1.0
	A 1959—1963	2.7	3.1 (a)	0.4 (a)
			(-0.7) (b)	
China (Taiwan)	P 1957—1960	3.7	7.4	3.7
	P 1961—1964	3.2	8.0	4.8

(Continued on next page)

SELECTED ECAFE COUNTRIES:
PLANNED AND ACTUAL ANNUAL RATES OF GROWTH — (CONTD.)

(Per Cent)				
Country	Period	Population	National Income	Per Capita Income
India	A 1951—1959	3.5	7.8	4.3
	A 1957—1960	3.3	6.6	3.3
	A 1961—1963	3.4	7.0	3.6
	P 1951-52—55-56	1.2	2.1	0.9
	P 1956-57—60-61	1.3	4.6	3.3
	P 1961-62—65-66	2.2	5.4	3.2
Indonesia (e)	A 1951-52—55-56	1.8	3.4	1.6
	A 1956-57—60-61	2.2	3.7	1.5
	A 1961-62—62-63	2.4	2.5	0.1
	P 1956—1960	1.7	3.0	1.3
	P 1961—1969	2.3	3.7	1.4
Iran (e)	A 1951—1959	2.0	3.6	1.6
	A 1956—1959	2.7	2.1	-0.6
	P 1955-56—61-62	2.6	6.0	3.4
	P 1962-63—66-67	2.5	6.3	3.5
Republic of Korea	A 1955—1959		6.0	
	P 1962—1966	2.8	7.7 (c.f)	4.3 (c)
	A 1953—1960	2.9 (g)	4.7 (c)	1.8 (c)
Malaysia: former Federation of Malaya	A 1960—1962		2.7 (c)	
	P 1961—1965	3.3	4.1	0.8
Pakistan	A 1956—1960	3.1	3.9 (c)	0.8 (c)
	A 1961—1962	3.4	4.6 (a)	1.2 (a)
			(1.0) (d)	(-2.1) (d)
	P 1955-56—59-60	1.4	2.8	1.4
	P 1960-61—64-65	1.9	3.7	1.8

Notes: 'P' stands for 'Plan Targets' and 'A' for 'Actual Performance.'
(a) Gross Domestic Product.
(b) Terms of trade effect, taken into account.
(c) Gross National Product.
(d) Decline in price of rubber taken into account — GNP at market prices.
(e) The rates of growth for the recent years are not available officially. But it is tentatively calculated that, in Iran, the rate of economic growth after the introduction of the stabilization programme has been below the rate of population growth.
(f) In March 1964, this target was revised to 5 per cent per annum for the remaining period of the Plan, 1964-1966.
(g) 1955-1960.
(h) Net National Product at factor cost — prices of 1955.

Foodgrains Prices for 1964-65

IN PURSUANCE of its declared policy to ensure a fair price to the producer and to stabilise consumer prices by keeping the margins at different stages of marketing at reasonable levels, the Government of India has decided to fix the prices of paddy, rice, wheat, gram jowar, bajra and maize for the 1964-65 season.

Pending the setting up of the Agricultural Prices Commission which would recommend the prices of Agricultural produce on a scientific basis, Government had appointed the Foodgrains Prices Committee under the Chairmanship of Mr. L. K. Jha to advise on the determination of prices in respect of the coming season. On the basis of the recommendations of this Committee and in the light of the discussions held with the Chief Ministers and Food Ministers of State Governments, Government has fixed the producer's prices at which it will be prepared to purchase all paddy offered to it at the declared assembling points. These prices are given in tables I and II for standard varieties of paddy. The prices of other varieties of paddy would be determined by the State Governments in relation to the prices of standard varieties. In order to stabilise the paddy prices at reasonable levels, which in turn would impart stability to the rice prices, Government have also determined the maximum statutory prices of paddy at assembling points, including the mills and dealers' premises. These maximum prices will be higher by one rupee per quintal than

the producer's prices. If paddy prices tend to rise above these maximum prices, Government will step in to requisition paddy at these prices.

The paddy prices thus assured to the producer contain an element of incentive. These prices are higher than the average prices received by the producer in the post-harvest period during the past three seasons.

Having fixed reasonable prices of paddy for the producer, Government has decided to evolve a three-tier price structure for rice by fixing statutorily the ex-mill wholesale prices, the wholesale prices at the consuming centres and the retail prices. In determining these prices, Government has allowed reasonable costs and margins for the intermediaries.

The State Governments are being authorised to determine the rice prices at the three stages for different varieties and at different places and enforce them along with the paddy prices from appropriate dates, depending on the arrival of the new crop.

Reasonable costs and margins having been provided for in the price structure, it is hoped that the trade will co-operate in maintaining the prices at different stages within the statutory ceilings. In case the prices show a tendency to rise above the maximum statutory levels, Government would not hesitate to requisition rice at the statutorily fixed prices. The enforce-

RECORDS AND STATISTICS

Development Planning in ECAFE Countries

"TO AN increasing extent, countries in the ECAFE region are gaining experience in economic development planning as a technique for spelling out in more specific terms their national aspirations for progress, and for generating dynamic forces in both the public and private sectors which will induce vigorous economic growth. The degree of emphasis and the priorities determining the actual patterns of growth, the paths to the planned goals and the policies formulated to attain them have, of course, differed according to the political, social and economic conditions in each country", says the paper, entitled "Development Planning in ECAFE countries in the recent past — achievements, problems and policy issues", which was prepared by the ECAFE Secretariat as a preliminary draft for use at the session of Conference of Asian Economic Planners.

However, one thing that some ECAFE countries have had in common has been the difficulty of initiating the policy-oriented process of growth itself. Backwardness in institutional patterns has, for example, been an inhibiting factor in transplantation of modern economic organisation or techniques. Rudimentary infra-structures, inadequate in the extreme for encouraging industrialization, have made economic ventures both costly and risky. High illiteracy and low educational standards have limited the capacity of the economy to absorb these new ideas and techniques, particularly on account of the scarcity of skilled labour or managerial skills. In some countries, political instability or insecurity has negated attempts to map out meaningful economic goals for the nation's growth. In several others, a lack of adequate and reliable statistical data has proved almost fatal.

These are but some of the dire problems facing Asian planners today. In view of all these difficulties, the progress made, in a relatively short time, in terms of experience both in plan formation and in execution, has indeed been impressive.

A Broad Picture

The purpose of this paper is to provide a broad picture of the actual achievements of ECAFE countries over the recent past measured against what they hoped to achieve, as revealed in their economic plans. For one reason or another, actual achievements have usually fallen short of planned goals and this immediately gives rise to the question — just what are those reasons? These are discussed briefly and in this way is opened up the broader field of the problems and bottlenecks faced by Asian planners in attempting to formulate and execute their plans.

Any attempt at evaluating plan achievements immediately raises the problem of devising a satisfactory evaluation procedure; and, in this regard, it may be noted that, while planning techniques themselves have over recent years taken on increasingly sophisticated forms, evaluation procedures have received but scant attention and are still rudimentary. While the main reason for this is probably that the whole question bristles with seemingly intractable theoretical difficulties, the fact remains that evaluation of achievement is one of the most important steps in planning. If carried out thoroughly and soundly, not only does it highlight deficiencies in execution and thus indicate where administrative procedures need improving, but it also highlights the shortcomings of the plan itself and thus leads to improvements in the actual technique of planning.

In order to produce a more sophisticated method of evaluation than merely comparing the results achieved with the target planned, these theoretical issues must be thoroughly

explored and all the possible elements of an economic planning situation examined. For example, one may consider the stated plan in relation to an optimum plan in order to highlight deficiencies in the plan itself. In similar fashion one may isolate the effects of government execution of the plan and the effects of exogenous factors upon the plan. These three types of possible factors contained in a superficial evaluation must somehow be evaluated separately in quantitative terms, which can be done by relating them to ex-post data of the GNP assembled in different ways. The conceptual problems here are severe and need close consideration.

Ideally, this should be done in great detail with the use of a comprehensive macro-economic model, but first steps in this field must make more use of limited and modest analytical techniques for, in the first place, detailed data of the kind needed are not readily available and, secondly, the technique itself may change as it becomes more sophisticated. The methods must also be applied to particular countries, through the use of case studies, in order to give them an empirical content.

Lag in Agriculture

Economic growth in the ECAFE countries has slowed down in recent years and in most countries has fallen considerably short not only of current targets, but also of previous achievements. This has been mainly due to difficulties in the agricultural and export sectors and the effects have spread to other sectors. Structurally, there has been a distinct movement away from agriculture and towards industrialization in most countries, though the specific patterns of structural change have differed greatly throughout the region.

Some of the obstacles and bottlenecks lie beyond the control of the planners; others may be eliminated or modified by better plan administration based upon improved technical competence and fed by more reliable and comprehensive statistics. While these factors vary in intensity from country to country, some broad generalisations may be made which would apply to all the developing ECAFE countries. For instance, by and large, the problem of achieving adequate domestic savings and investment is widespread and is a crucial and continuing one. Likewise the strategic importance of the foreign sector and the problems generated therein have grown apace in recent years. Efficient utilization of manpower resources on all levels demands close investigation. Particularly in the fields of skilled labour and entrepreneurial ability, serious bottlenecks have developed to prevent the efficient utilization even of existing capital resources. Defence expenditures have eaten into meagre resources and held down rates of growth. Sociological factors — habits and conventional attitudes — have inhibited innovation.

The performance of the export sector of the ECAFE countries has also been far from satisfactory. To close the gap between export earnings and import payments, which is financed by the inflow of foreign capital and aid, governments have, with varying degrees of success, pursued programmes of import substitution and export diversification.

Apart from the above problems which emerge as obstacles to the easy realization of plans, the problems which confront the ECAFE countries in particular are those that are connected with the agricultural sector, capital formation, organisational capacity and the supply of labour.

In the sphere of agriculture, the main areas to which policy-makers should concentrate are: improvement of techniques and the material basis of production so as to lessen de-

pendence on natural phenomena; adequate supplies of agricultural inputs from industry, efficient administration down to the farm level of measures designed to increase agricultural productivity; adequate infra-structure development; institutional changes, including reforms of land tenure system and producer-distributor relationship; and a better man-land ratio.

Paucity of capital in general has been a serious problem confronting the developing ECAFE countries in the fulfilment of their plans. The main factors to which the planners should direct attention in this respect are: effective mobilisation and channelisation of domestic saving; transforming commercial capital into industrial capital; eliminating idle capacity in industry; adequate infra-structure development; and intra-regional and international co-operation for wider markets.

Good entrepreneurship and administration are the other two factors which are in short supply. The measures suggested to overcome this bottleneck are: expenditure on education and other social overhead capital; effective reform of the system of administration and management in general and for plan execution and evaluation in particular and development of applied research.

In addition to entrepreneurship and administration and forming part of the reservoir of "human resources" is the supply of labour. Here the emphasis is on quality rather than quantity and policy-makers should pay attention to improving skills by re-orienting general educational system to meet the requirements of the economies and by concentrating attention upon vocational and technical training.

One is also able to appreciate the comprehensive and complex nature of the obstacles confronting the nations of Asia and to appraise their creditable efforts to overcome them. Planning in the ECAFE countries, after all, does not just consist of applying a proved technique to a set of statistical data. It translates into objective terms the subjective responses of a group of planners to the fears, frustrations, hopes and ideals of a vast proportion of the Asian peoples. Apart from technical competence it calls also for courage and vision. The attainment of an ultimate result consonant with the dignity of the human spirit and able to provide the satisfaction of momentous achievement may well depend upon these qualities.

Rates of Growth

In most countries of the ECAFE region, the achievement of a certain rate of economic growth forms the principal objective of the development plans. It has usually been expressed in terms of an annual compound rate of increase in national income (alternatively gross domestic or national product) and per capita income. In the case of some countries (e.g., Nepal and Afghanistan), the absence of such quantified growth targets has been due rather to lack of adequate statistical data at the aggregate level than to strong preferences for any other basic aim. Other objectives such as increase in employment, more equal distribution of income, balance of payments equilibrium, internal financial stability, etc., have been regarded as more or less subordinate to the main one, or as representing side conditions in relation to the overall income growth target.

This is not to say that there have been no differences among national plans as regards the emphasis placed on different objectives. Some countries (e.g. Thailand) have explicitly stated in their plans that internal financial stability must not be sacrificed for the sake of achieving a higher

rate of growth. Some countries with population pressure (i.e. India) have laid more stress on employment objectives than have those countries in which population increases and the need for providing employment opportunities do not as yet present pressing problems (e.g. Burma). Balance of payments considerations have generally been accorded close attention and plans have taken account both of the present situation and of expectations in regard to foreign exchange reserves, export earnings and foreign aid. Some countries (e.g. India) have explicitly given as one of the main objectives in their long-term plans the elimination of the need for foreign aid at a certain future date.

However, in spite of various differences in the sets of objective and the importance accorded them, all countries have tried to use planning as an instrument for accelerating the process of economic development in aggregate terms; thus it seems appropriate, when evaluating the achievements made under development plans, to begin with an analysis of the countries' respective growth rates.

As can be seen from Table I, some countries were more ambitious than others when determining the planned rate of growth for the early sixties. China (Taiwan) at the top of the list planned for an 8 per cent annual rate and Pakistan and Indonesia at the bottom for a 3.7 per cent rate.* If the per capita income growth is taken as a yardstick, rather than national income or gross product, the ranking of countries changes slightly; the former Federation of Malaya goes to the bottom with a planned per capita income increase of less than 1 per cent. It should be noted that, with the exception of Malaya, Indonesia and Pakistan, the Asian countries set their growth targets at, or above, the rate of economic growth which was regarded both as desirable and as a feasible minimum for developing countries in the United Nations Development Decade.

However, the actual rate of growth achieved in the early sixties has so far fallen short of planned targets in most of the Asian countries. Almost all of them planned for an acceleration of economic growth and thus their planned rates for the first half of this decade were generally higher than those actually recorded in the last decade; but only two countries have so far been able to realize their expectations.**

Pakistan, after a 2.0 per cent annual growth rate during the last decade, planned for a 3.7 per cent annual increase in national income for the 1960-61 — 1964-65 period and during the first three years of it achieved a 4.2 per cent rate. This meant quite an important change from an economy which had previously been relatively stationary, in the sense of depressed per capita incomes (which decreased by 0.2 per cent annually in the 1950's), into a growing one. Thailand's rate of growth in 1961-63 (5.8 per cent) was also higher than both that of the fifties (4.7 per cent) and the planned target (5.0 per cent), but the income growth per capita was slightly lower than planned.

In one sense it cannot be said that the planned targets of the developing Asian countries were too ambitious; in fact the planned per capita income growth rates reflected in most cases minimum developmental needs. The cause of the failure to achieve planned targets lies rather in the fact that, in most of the countries, a general slowing down of economic development took place. The growth rates achieved in the early years of this decade generally were, in fact, not only short of the planned rate, but also lower than those of 1950's. Thus for

* Pakistan's growth target was later revised upwards to 4.4 per cent.

** The former Federation of Malaya achieved in 1961-62 a rate of growth in terms of constant prices which was higher than the planned rate. This was also higher than the actual record of growth in 1956-60. But, due to the decline in prices of rubber, the increase in real income was much lower than expected in the plan.

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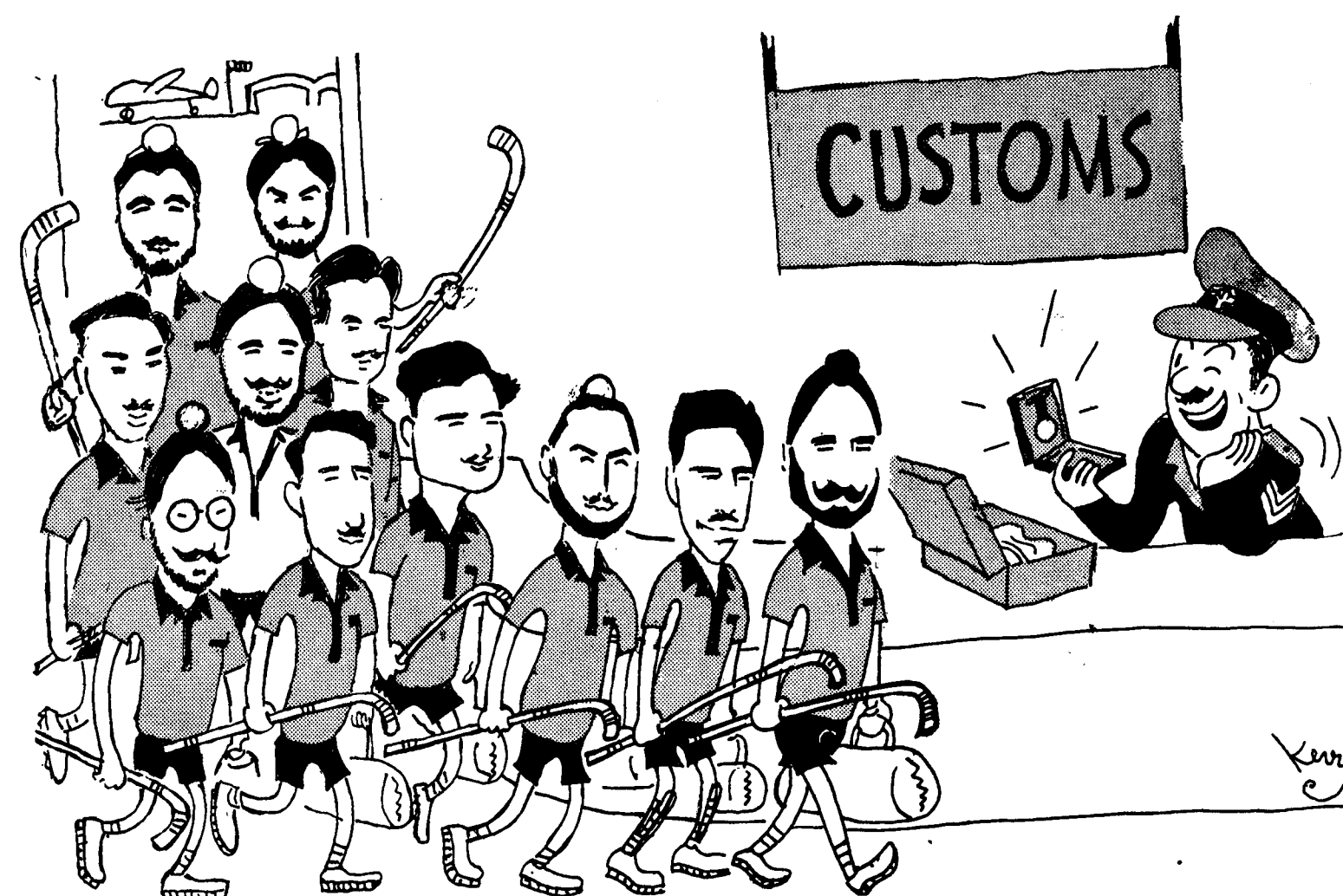
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EASTERN ECONOMIST



"Where's your permit to carry gold?"

ment of this price structure should bring relief to the consumer.

Government has also decided to fix the producer's prices for wheat for the 1964-65 season starting from February-March 1965. These prices are as follows:

	(Rs. per quintal)
Red variety	45.50
Common White Variety	49.50
Superior Variety	53.50

The State Governments are being authorised to announce producer's prices for gram within the range of Rs. 40.00 to Rs. 40.50 per quintal for the 1964-65 crop, which would start arriving some time in February-March 1965. Government will be prepared to purchase all wheat and gram offered to it at these prices at the declared assembling points. The prices at subsequent stages of marketing will be determined before the new harvest.

As regards coarse grains, the State Governments are being authorised to fix prices for jowar, bajra and maize within the range of prices given below:

		(Rs. per quintal)
Jowar	Yellow	38.00 to 38.50 (with suitable discount for red variety and premium for white variety).
Bajra	F.A.Q.	40.00 to 40.50
Maize	F.A.Q.	36.00 to 36.50

The State Governments would be prepared to purchase these grains at the prices fixed by them at the declared assembling points, and, if necessary, to requisition these grains at these prices.

bling points, and, if necessary, to requisition these grains at these prices.

TABLE I.
PRODUCERS' PRICES FOR STANDARD VARIETIES
OF COARSE PADDY AT ASSEMBLING POINTS
(Rs. per quintal)

State	Variety	Producers' Price at Assembling Points
(1)	(2)	(3)
1. Andhra Pradesh	Akkullu	.. 38.00
2. Assam	Winter Sali	.. 34.00
3. Bihar	Coarse	.. 35.00
4. Gujarat	Sathi	.. 39.00
5. Kerala	Palaghat Matta	.. 40.00
6. Madhya Pradesh	Gurmutia	.. 34.00
7. Madras	Kattaisamba	.. 38.50
8. Maharashtra	**	.. **
9. Mysore	Dabbansala	.. 36.50
10. Orissa	Common	.. 34.00
11. Punjab	Begmi	.. 35.00
12. Rajasthan	Suthersaul	.. 35.00
13. Uttar Pradesh	Grade III	.. 35.00
14. West Bengal	Common	.. 37.50

**Maharashtra Government have already announced a price of Rs. 41.00 per quintal of paddy.

TABLE II.
MAXIMUM PRICES OF STANDARD VARIETIES OF PADDY AND RICE

State	Variety	Maximum Statutory price of paddy at assembling points	Ex-mill whole- sale price of bagged rice at assembling points	Name of the consuming centre	Wholesale price of rice at the consuming centre in Col. (5) (Rs. per quintal)	Retail price of rice at the consuming centre in Col. (5) (Paise per kg.)
		(Rs. per quintal)				
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Andhra Pradesh	Akkullu	.. 39.00	64.33	Hyderabad	69.03	71
2. Bihar	Coarse	.. 36.00	59.67	Patna	66.13	68
3. Gujarat	Sathi	.. 40.00	64.10	Ahmedabad	69.56	72
4. Kerala	Palghat Matta	.. 31.00	66.68	Trivandrum	71.76	75
5. Madhya Pradesh	Gurmatia	.. 35.00	56.70	Bhopal	62.95	65
6. Madras	Kattaisamba	.. 39.50	64.45	Madras	67.72	71
7. Maharashtra	Jada	.. *	65.50	Bombay	71.06	73
8. Mysore	Dabbansala	.. 37.50	62.25	Bangalore	67.75	71
9. Orissa	Common	.. 35.00	59.50	Rourkela	63.20	67
10. Punjab	Begmi	.. 36.00	60.00	Chandigarh	65.00	68
11. Rajasthan	Suthersaul	.. 36.00	60.00	Ajmere	65.00	68
12. Uttar Pradesh	Grade III	.. 36.00	60.00	Varanasi	65.00	68
13. West Bengal	Common	.. 38.50	64.00	Calcutta	67.80	70

Note: (1) Prices of rice are inclusive of all taxes payable up to the previous stage.

(2) Prices in columns (4), (6) and (7) have been worked out on the basis of the paddy prices given in column (3) and after allowing for the costs and margins as agreed upon in consultation with the State Governments.

*Maharashtra Government have already announced a price of Rs. 41.00 per quintal for paddy.

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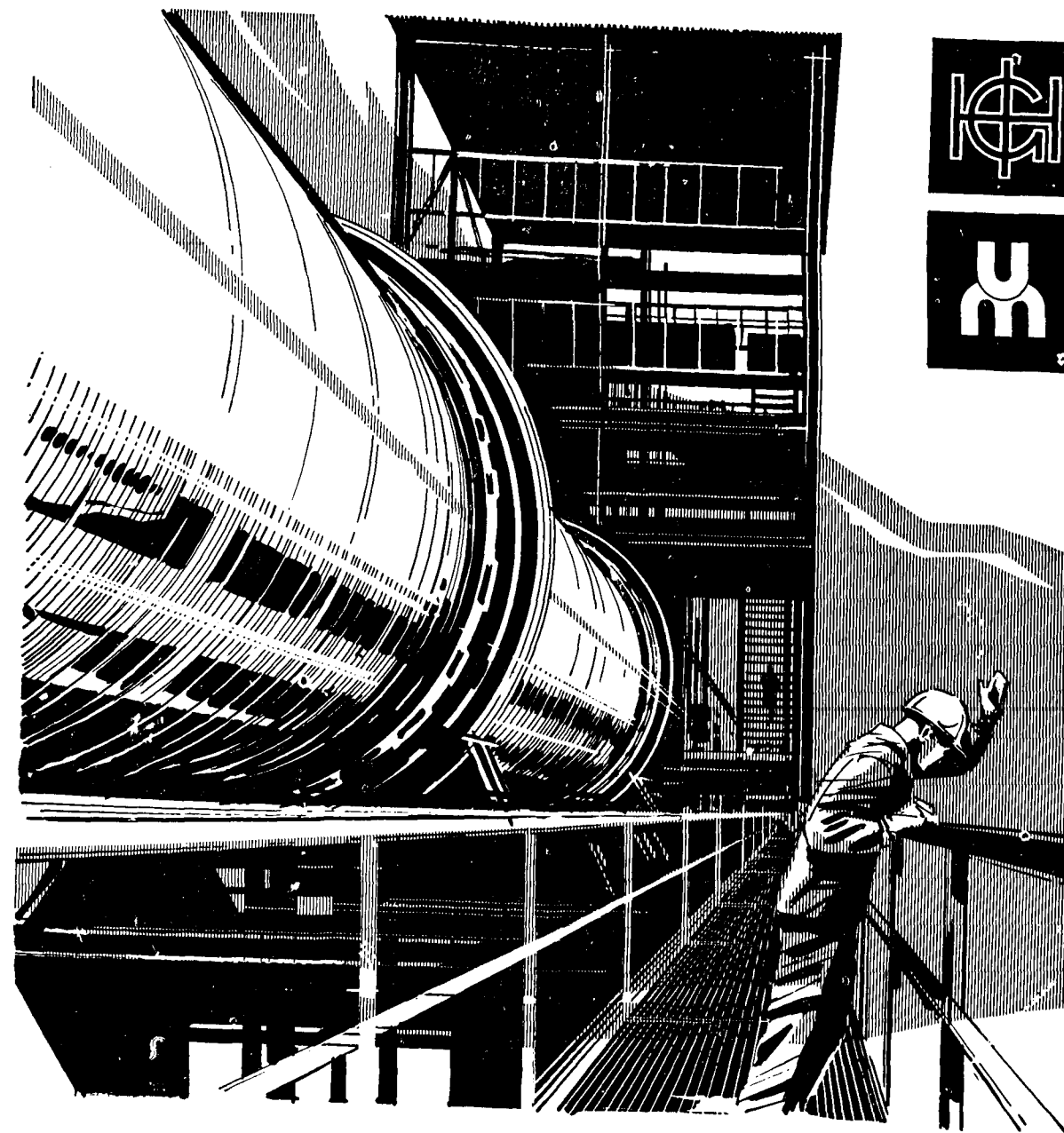
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Not by Regulations Alone

THE PERFORMANCE of India's exports is X-rayed almost every year. Special committees look into the problems of exports and suggest remedies which are supposed to bring about revolutionary changes in the export trade resulting in a substantial boost. Last year did witness a significant rise of nearly Rs. 100 crores in India's exports. The experiments in X-raying the activities of the exporters have been continued even this year and two reports were made available recently, one dealing with the proposals of the Selectivity Committee and the other with the Cost of Export Credit. While the latter report makes a plea that the cost of export credit should be reduced — and nobody will quarrel with this realistic recommendation designed to make Indian exports competitive and to reduce the burdens on Indian exporters — the former on selectivity lays down certain rules and regulations in regard to the organization of the export trade. On the face of it, the recommendations of the Selectivity Committee are designed to encourage the genuine exporter and to eliminate the fair-weather exporter who jumps in for quick gains and leaves the field when resistance shows its face. But there is a danger that the imposition of new hurdles and fresh red-tape will add to the difficulties of the exporters instead of reducing them. The exporters have frequently complained of the labyrinthic procedural delays, especially those relating to the incentive schemes; any further complication without careful thought may cut at the roots of the cause which the Committee wishes to see prosper.

The Selectivity Committee was set up in November last year under the Chairmanship of Mr. A. Ramaswami Mudaliar to evolve a selective approach whereby groups of competent and quality-conscious exporters working in co-operation would specialise in export trade with particular regions. The approach of the Committee was based on the desire to lay down guide lines whereby the export aids are extended selectively only to those exporters who have a genuine interest in export trade and have also the capacity to undertake it. The Committee realised that overseas marketing today is a highly specialised business and only those trading units which can reasonably be expected to deliver the goods and possessed the necessary expertise, capacity and resources, should be encouraged.

Already there is a certain measure of screening of exporters, but it does not seem to be working efficiently. For example, the scheme of recognition of certain business houses as export houses is an attempt in the same direction. As far back as 1958, it was stipulated that a business house would have to satisfy certain rigid criteria before it could be qualified for recognition as an export house. One of the tests for eligibility was "export performance." Even though the record of "export performance" of some of the export houses was not very encouraging, yet they remain on the list of export houses enjoying all the assistance provided for conducting market surveys, undertaking export publicity and the allocation of lumpsum foreign exchange to cover business travel requirements of their representatives.

Again, the Export Promotion Councils in recent years have provided another means of screening the exporters. In order to qualify for grant of benefits under the Export Promotion Scheme, the exporters must be registered with the appropriate authority which is the concerned Export Promotion Council. Any exporter who has a good record and experience is eligible for registration with the Export Promotion Council. But under the existing rules, an exporter of a single product is registered with the Export Promotion Council dealing in dozens of export items. This also

works against the principle of selectivity.

The Committee has suggested that the concept of selectivity should be applied by categorising exporters into a three-tier pattern. The registered exporters should be at the lowest level and they should be grouped into suitable panels. The export houses should form the second level while the third level should consist of consortia of exporters in a product or a group of products. At the first level of registration of exports, care needs to be taken in relation to the export of non-traditional commodities because exports in these cases are associated with grant of incentives which may be misused but which can certainly be employed as a measure of selectivity. The Committee has recommended that the criteria for registration should be "separate and distinct" for each product or group of products. The following five criteria have been suggested by the Committee:

- Installed capacity and actual production if the exporter is a manufacturer; tie-up arrangements with domestic suppliers if the exporter is a merchant;
- Quantum of domestic and export turnover in the product or allied products;
- Quality specifications of the product including inspection and testing facilities available prior to export;
- Record of commercial disputes and their settlement; general standing in trade;
- Overseas channels of trade and customer servicing facilities.

The formulation of the criteria as well as the rules of registration, in the opinion of the Committee, should be left to the Export Promotion Council, though the rules are suggested to be subject to the approval of the Government. It is recommended that omnibus registrations should be eliminated and all applications should be scrutinized in respect of the products for which they are qualified in terms of the rules. It will ensure that exporters with capacity and resources to undertake export trade will receive the incentives provided by the Export Promotion Scheme. It is also suggested by the Committee that all the registered exporters of any product should be formed into a panel within the framework of the concerned Export Promotion Council, and each panel should lay a voluntary convention of trading covering all or any of the following aspects:

- Maximum and minimum prices for different qualities and specifications;
- Quality control;
- Export quotas, global or regional;
- Agreements on delivery schedules, payment terms, commissions, packaging and after sales benefits and other customer services;
- Specification of the range of brands to be handled by each exporter wherever appropriate;

- Reporting and settlement of commercial disputes.

It means that only those transactions which conform to the convention of trading will qualify for the grant of incentives. Any member who does not abide by the convention of trading may be expelled from the panel.

In the case of the traditional exporters which normally do not attract any incentives, the Committee has made the following suggestions:

- Registration of exporters on the basis of well-defined criteria such as previous performance;
- Fixation of maximum and minimum prices;
- Quantity-wise limitation on exports and fixation of quotas;
- Registration of export contracts;
- Pre-shipment inspection and quality control;
- Regulation of trading practices such as prohibition of consignment sales, etc.

In many cases action on these lines has already been taken by the Government or by the trade so as to ensure some sort of regulation. In this category fall commodities as tobacco, coir, mica etc. Since cotton textiles form a part of India's traditional exports but still draw special incentives, the Committee has put forward the vague suggestion that "the procedure suggested by us for non-traditional commodities could be applied wherever circumstances so warrant."

The export houses, in the opinion of the Committee, need to be encouraged but on the condition that "good performance" will be the basic consideration for



"The movement is spreading — Prize Resistance."

continuance of recognition. The whole scheme relating to export houses, the Committee has opined, needs to be revised so as to eliminate partnership firms and proprietary concerns; there should be insistence upon a minimum share capital of a company and recognition should be made only in relation to specific commodities and markets for a period of three years, renewal being dependent upon export performance. Recognition should be granted to those business houses which possess the following qualifications:

- Substantial experience in handling the commodities in question for export generally and preferably to the selected markets.
- Exporters constituting a substantial proportion of production in the case of manufacturing concerns; and export turnover constituting a substantial proportion of total turnover in the case of trading concerns.

The Committee has suggested the formation of consortia of exporters for the sale of identical or complementary products. They are expected to be highly successful where the monopoly purchasers abroad have

Automation Without Tears

COMPUTERS HAVE been in the news lately. Mr. Harold F. Smiddy, a retired Vice-President for Management GEC, US, told a Seminar on "Organisation and Information for Top Management Control", sponsored by the Bombay Management Association and the All-India Management Association in collaboration with the USAID, in Bombay, that computers would play an increasingly vital role in the decision-making functions of future executives. The complexities of modern business, he said, have made it imperative for executives to rely more and more on machine-minded control file systems for taking the right type of decisions. Almost simultaneously, Mr. B. K. Kaul, Chairman of the Life Insurance Corporation of India, was trying to convince his employees that the proposed installation of electronic computers in the Corporation was an imperative need of the LIC. It is not known to what extent he succeeded, but he did make the impressive thesis that computers do not lead to retrenchment, certainly not on the scale apprehended, and that, contrary to popular belief, developing countries stand actually to benefit more from the use of computers.

We may not have gone as far as the other economically advanced countries in introducing automation, but we have certainly gone as far as, if not further than, such countries in opposing automation, to judge from the reactions of the employees of the Life Insurance Corporation to the installation of electronic computers. It is amazing how sensitive and quick trade unions everywhere are in reacting to any innovations that are likely to displace human labour.

to be dealt with. In the case of East Europe, for example, where every country has only one importing organisation for a particular product, competition amongst Indian exporters tends to create chaos through reduced prices and the consequent fall in quality, bringing a bad name to the country. In these cases particularly, the consortia can be of great utility and assistance. It is necessary, however, that the volume of new regulation should be kept at the lowest possible level so that the exporters do not feel hampered in their normal activities which, according to them, are already bedevilled with numerous obstacles. Again, the new frame-work of rules — to be framed by the Councils — should be simple and straight-forward so as not to escape the comprehension of the common exporter. As far as possible, the consent of a majority of exporters engaged in the export of a particular product should be sought. It will, however, be unrealistic to put too much faith in these regulations and the Committee has rightly concluded that all these suggestions alone may not raise exports; they must be supplemented by suitable actions on different planes. Then and then alone can the objective of increased exports be achieved.

When this is the case even in countries where shortage of manpower favours capital-intensive industries, it is but natural that, in developing countries with large populations like India, labour should view with suspicion not only industries that are not labour-intensive but also any new device that may even remotely lead to displacement of labour. But, in the rapidly shrinking and highly competitive sophisticated world that is emerging, where it is the relentless economic law of costs that prevails ultimately, labour-saving or cost-reducing applications are bound to prevail sooner or later. If this is recognised — and it is prudent to do so — the best minds in the country can engage themselves not in resisting automation but in ensuring how best to minimise loss of employment and human suffering to the maximum extent and to bring down unit costs as much as possible so as to enable our goods to meet the competition from any part of the world. In this connection, it is perhaps worth mentioning that labour in the US, which is a force to reckon with, while not going all out to welcome automation, has accepted the inevitability of it in the circumstances obtaining today. Even in the UK, labour's attitude to automation has undergone a refreshing reorientation.

One cannot say that labour's view on automation in India has as yet crystallised, notwithstanding the known opposition, for instance, of textile workers to the installation of automatic looms. But the Government's view has been more or less spelt out by the Planning Commission, and, more than the Planning Commission, by the late Prime Minister. Defining the scope of rationalisation in Indian conditions, Jawaharlal

Nehru said this as early as on May 31, 1955:

"We want higher techniques, greater efficiency, a more rationalised system of work, but we certainly do not want people to be thrown out of work. Therefore, the broad policy the Government have adopted is that, where any rationalisation takes place, the people must be guaranteed work, i.e., no one should be thrown out. Also, broadly speaking, our approach is this: All new plants that we put in must be of the latest techniques, the newest type and, generally speaking, we should throw in our resources on additional employment rather than on improving an old unit which might create unemployment. We do the latter only when we can provide employment for those who might become unemployed. That is the broad approach".

If we apply the above test, it would seem, there should be no opposition to the proposed installation of electronic computers, as outlined by Mr. Kaul. The LIC Chief has given a categorical assurance that "the introduction of computers will not lead to retrenchment of even a single employee." Besides, as he has explained, "a change-over to computer operation is an imperative need for the LIC", which has today reached a size over nine times that of the biggest insurer in pre-nationalisation days.

It should be evident to the meanest intelligence that the mammoth nationalised life insurance organisation has long outgrown either the old manual methods or the later punched card machinery stage. The punched card system has its limitations, as any LIC policyholder will corroborate, and the steady expansion of the Corporation has only made these limitations all the more obvious. Mr. Kaul is surely on unassailable grounds when he complains that these limitations have come to be a hurdle in the way of efforts being put in by the LIC for improving the efficiency of its administrative operations. Those who insist on greater efficiency and improved service to policyholders will, therefore, readily endorse his stand that it is now advisable for the Corporation to pass on to a more sophisticated form of mechanisation such as that offered by electronic computers.

But it is not merely greater efficiency and better service that the public want today. Life insurance cover at a cost considerably lower than today is the growing demand. That is also the desideratum that the LIC must seek to achieve, although Mr. Kaul does not seem to lay equal stress on it. But whether it is lower cost or fair and adequate return to the policyholder, or improvement of benefits to employees, or adoption of more progressive and attractive policy offers, the crux of the matter is costs. It is imperative that the LIC must do everything to secure a more effective utilisation of existing manpower and a greater husbanding of its resources by intensive and extensive control on costs. Here, Mr. Kaul is right in distinguishing between lower unit costs and reduced overall costs. The latter may inhibit growth and if this is not to happen and yet costs must

be controlled to make an input of every rupee yield a vastly improved output, the answer is more effective office systems and better utilisation of manpower. In other words, "the onslaught on rising costs is possible only through modernisation of office system and methods of work." Without this, not all the dedication of the staff, nor its abilities will yield results. To quote the LIC Chief himself, "with all the will on the part of employees to perform their work more efficiently, the limitations of existing office systems must necessarily act as a restraint on output". The remedy lies, therefore, in the instalment of computers, and the following claim is not from any advertisement legend but from a note on the subject by Mr. Kaul:

"Computers provide an efficient tool in the application of the science of information technology to office systems and thus provide a means of modernising them. They offer a system of mechanization which is efficient, accurate and calculated significantly to reduce unit costs."

This note is worth pursuing not only by the LIC employees but by all those who have misgivings about automation, for Mr. Kaul has extensively cited the experience of other countries effectively to establish that, far from being the curse that it is depicted to be, it has turned out to be a great blessing wherever it has been judiciously employed.

Eastern Economist 20 Years Ago

NOVEMBER 3, 1944

Last week-end at Bombay Sir Ardeshtir Dalal presided over the General Policy Committee (Post-War Reconstruction) and also at the first meeting of the Industries Policy Committee of his Department. Full proceedings of the meetings are not yet available to the public, but the opening speeches by Sir Ardeshtir convey some idea of the general trend of governmental thinking at the level of policy making, although they give the public no more than the haziest notions of the extent of useful spadework already done by the various authorities and also how far these several schemes could fall into the coherent patterns of a general plan. For, let it be admitted at once, frankly and fully, that the Government has not yet in all its labours for planning and policy-making taken the public into that measure of confidence which is warranted by the very nature of successful planning, viz., the necessity of eliciting and evolving massive popular support, which would be impossible if the people are conceived merely as passive beneficiaries. It is true that the essential framework of general policy can only be formulated by an expert, but even here, unless the expert discussions are carried out in open, the essential atmosphere of successful planning cannot evolve. Although Sir Ardeshtir himself, who is part author of the Bombay Plan, is the Member-in-Charge, there are already suggestions, no doubt unproven in some quarters, about powerful forces, not always above board, bearing on policy-making decisions and mellowing the enthusiasm of many radicals.

Highlights of the Week

BOOSTING SUGAR OUTPUT

THE SUGAR Prices Enquiry Commission, set up by the Union Ministry of Food and Agriculture a couple of months ago under the chairmanship of Dr. S. R. Sen of the Planning Commission, has expressed itself against partial decontrol of sugar as a measure to stimulate production. This plea of a section of the sugar mill industry rejected early this year by the then Union Minister for Food and Agriculture, Sardar Swaran Singh, on the score that it would create a dual price system in the market, leading to many a complication, has again failed to gain acceptance. The Sen Commission feels that partial decontrol of sugar in the present scarcity conditions will be undesirable as it may result in a spurt in consumption.

But with a view to stepping up sugar output, the Sen Commission has made a number of other useful recommendations besides the two — (i) increase in the minimum cane price; and (ii) grant of 50 per cent rebate of the basic excise duty on October and November production which is in excess of the output in the two corresponding months of 1962 — which have already been accepted by the Government. (The Government's decisions on these two recommendations were reported in "Eastern Economist" dated October 23, 1964).

In addition to the 50 per cent rebate of basic excise duty on excess production in October and November this year compared to the production in these two months two years ago, the Sen Commission has also recommended excise duty rebate to the tune of 20 per cent during the normal season of 1964-65 on additional production of 10 per cent over the output achieved in 1963-64 and 40 per cent if the additional production is over 10 per cent. In the case of new factories, it has been recommended that production in excess of 85 per cent of their capacity should be considered eligible for rebate.

As regards the fixation of ex-factory prices of sugar and re-delineation of zones for fixing ex-factory prices, the Commission has suggested that from the long-term point of view, the advice of the Tariff Commission or the proposed Agricultural Prices Commission should be sought. For the 1964-65 season, the present zones may be re-formed as follows: Zone No. I: U.P. (except Meerut, Muzaffarnagar and Bulandshahr districts), North Bihar, West Bengal and Orissa; Zone No. II: Meerut, Muzaffarnagar and Bulandshahr districts of U.P., Punjab, Rajasthan, Madhya Pradesh and South Bihar; Zone No. III: Maharashtra and Gujarat; Zone No. IV: Mysore, Andhra Pradesh, Madras, Kerala and Pondicherry. The ex-factory prices (per quintal) in the four zones should be fixed as follows: Zone I Rs. 120; Zone II Rs. 125; Zone III Rs. 116.50; Zone IV Rs. 119.50. Assam will not form part of any zone. The ex-factory price in this State should be Rs. 127.50 per quintal.

For curbing the competition offered by the gur and khandsari producers in respect of cane supplies to the sugar mills, the Commission has recommended: (1) licensing of all the existing khandsari and power crusher units and banning of new units in the areas reserved for sugar factories within 15 or 20 kilometres radius of a sugar factory; (2) re-delimi-

tation of the reserved areas so as to make them compact and to exclude existing khandsari and power crusher units completely from the reserved areas or to provide adequate cane supplies for both the sugar factories concerned and such khandsari and power crusher units as exist in the reserved areas; (3) shifting of the existing khandsari and power crusher units from the reserved areas; (4) imposition of excise duty or some other levy on khandsari and power crusher units up to a level which will restrict their ability to pay a higher price for cane than that fixed by the Government for the sugar factories; (5) regulation of cane supplies to khandsari and power crusher units in the reserved areas through co-operatives of cane-growers which should be formed to enable the Government to have control on the production of khandsari and power crusher units; (6) assessment of the cane crop in the reserved areas and judicious allocation of this crop between the sugar factories and gur and khandsari manufacturers — with a view to making such allocation effective, production of gur within the reserved areas should be permitted only after a specified date or be subjected to some other method of regulation; (7) fixation of ceiling prices for gur and khandsari at Rs. 60-65 and Rs. 100-105 per quintal, respectively, on all-India basis. All these measures should prove of great help in raising sugar output, but at least two of them, namely, shifting of the existing power crusher units in the factory reserved areas and prohibition of gur manufacture in the reserved areas up to any specified date, can be expected to entail political as well as legal difficulties.

For putting the sugar industry on a sound footing in the long run, the Commission has recommended creation of a development fund by each factory out of the profits accruing to it as a result of the excise duty rebate, which may be utilized for modernisation and expansion programmes as well as for other development works. In the interest of ensuring carry-over of stocks from one season to another, it has been recommended that every sugar factory should be asked to keep 25 per cent of its normal product on as carry-over stocks. For any additional carry-over stocks, the factory should be provided financial assistance by the Government or on Government account to enable it to build additional storage capacity.

WELCOME MEASURE

THE LABOUR Government in Britain took this week its first major policy decision. In a statement on the country's financial and economic situation issued in London on Monday, the Government announced "emergency plans for dealing with the extremely serious economic situation" which Britain, presently, is facing. The United Kingdom's balance of payments position — a reliable indicator of a country's health — has not been favourable over some years, and according to the latest estimates, the deficit threatens to cross the £700 million figure by the end of the current year. While the forecast for 1965 is slightly encouraging, the position is "wholly unacceptable" to the new Government. The decision of the Wilson Government, therefore, to levy a surcharge of 15 per cent on all imports, with the exception of foodstuffs, unmanufactured tobacco and basic raw materials, was not unexpected. Such a

step ought to invite criticism from abroad and might well result in reprisals. It was only natural, therefore, that both Mr. Harold Wilson and Mr. James Callaghan, Chancellor of the Exchequer, should have been at pains to explain that the measure was only a temporary one and that the surcharge would be abolished as soon as some improvement in the balance of payments position was recorded. There is no reason to doubt the sincerity of the measure, especially when the yawning gap in Britain's balance of payments is an open secret. It has, however, to be admitted that a large number of countries have been seriously hit by this step. It may not make a significant dent in the balances of trade of a country like the USA, and the countries of the ECM and EFTA, but it certainly will upset the razor-thin balances of the developing countries in the Commonwealth.

According to the estimates made by the Commerce Department of the Indian High Commission in London, India's export trade to the United Kingdom in a year will be affected by the new charge to the extent of 30 per cent. Among the more important Indian manufactured goods that come under the purview of the levy are cotton textiles, jute and coir manufactures, carpets and light engineering goods. India is, however, in a happy position since it has already exported its quota of cotton textiles for the current year. Another redeeming feature of the levy for India is that the export of tea, which is a major Indian export to the U.K., is not affected. Similarly, raw cotton, unmanufactured tobacco, oil-cakes and ores will not suffer any shrinkage in their exports.

In addition to the levy on imports, the British Government has decided to introduce a scheme for repayment to exporters of sums broadly equivalent to the amounts of certain indirect taxes which enter into the cost of production of goods meant for export. Both these measures might well be regarded as the first two of the several necessary to invigorate the economy and check inflation. The developing countries will agree with Mr. Wilson that an economically strong Britain will render better and more effective economic assistance to the weaker and poorer nations. Since a great deal of emphasis has been placed on the temporary nature of the import levy, the affected countries can only find solace in the assurance that it will be scrapped as soon as Britain's balance of payments situation permits.

INDEPENDENT ZAMBIA

THE STARS have seldom been so favourably placed for any country at the time of its independence, as, it seems, they are for Northern Rhodesia, which joined the comity of independent nations on October 24 as the Republic of Zambia. An announcement was made just a couple of hours before the country's independence that an agreement had been reached between the UK and Zambia in the dispute over the mineral rights of the British South Africa Company. With this amicable settlement, all possible ties of misunderstanding between the two countries are removed once for all. Furthermore, with a buoyant economy, a favourable balance of payments, the relative absence of racial tensions, and above all, a dynamic leadership, Zambia is, indeed, well set to face with confidence the strains of planned economic development on which it must embark very soon.

Africa's 36th independent State, and the first to acquire the status of a republic in the Commonwealth, Zambia is the ninth British dependency to attain freedom. It marks the

end of over 60 years of British rule. Zambia has had to pass through many a vicissitude during these years. The British Government assumed its administration in 1924 in terms of an agreement arrived at between the Crown and the British South Africa Company. Twentynine years later, in 1953, the territory joined with the Protectorate of Nyasaland (now independent Malawi), and the Colony of Southern Rhodesia to form the Central African Federation. The Federation was formed much against the explicit will of the African masses. Credit must go to Dr. Hastings Banda, now Prime Minister of Malawi, for his unrelenting efforts in the dissolution of the Federation in December, 1963. In Zambia, Dr. Kenneth Kaunda (the first President of the Republic) led his country's freedom struggle since 1953, as Secretary-General of the African National Congress, founded in 1948. Dr. Kaunda has been described as the greatest Gandhian leader of Africa, and Zambia's independence is the reward for his deep faith in the principle of non-violence, his characteristic humility and indefatigable endurance. That he is popular amongst his people is reflected in the overwhelming majority with which he was returned in the elections held earlier this year, and in his becoming the first unopposed President of the Republic.

Zambia is a large country of 290,587 square miles, with a population of 3.5 million, out of which 76,000 are Europeans and some 10,000 Asians and other coloured people. It is one of the richest nations in Africa, with good prospects for development. The share of mining in the gross national product is 47.3 per cent; valued in terms of money it stands at £94 million. Zambia's copper belt contains mineral reserves which are estimated to last for more than 100 years at the current rate of exploitation. On its debit side are resources of coal and electricity for which the country has to depend on Southern Rhodesia. It is a land-locked country, and its only routes to sea run through Southern Rhodesia, Angola and Mozambique.

Dr. Kaunda's deep faith in Gandhism and his strong belief in non-alignment bring Zambia closer to India. It should be our endeavour, therefore, to help Zambia in its economic development. A step in this direction, in fact, has already been taken. The Government of India has given clearance to an Indian entrepreneur to enter into collaboration with its counterpart in Zambia for the establishment of a mill to manufacture enamel wares.

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Africa Goes to E.C.M.

MADAN M. SAULIE

AFRICANS ARE doing some very serious rethinking about seeking association with the European Economic Community. The waves of anti-European sentiments are settling down to make place for realistic thinking. Nigeria, it is interesting to recall, had spurned all ideas of association when eighteen African countries last year signed agreement of association with the 'Six' of the EEC. Ghana and Guinea had described it as a neo-colonialist move to perpetuate unequal relations between Europe and Africa and "making an economic mockery of their political independence and frustrating the Pan-African dream." Tanganyika has constantly been threatening to quit the Commonwealth should Britain join the ECM.

All this seems to be undergoing modifications. The full-scale discussions held some time ago in Brussels between the ECM Council of Ministers and the ambassadors of former British territories in Africa bear an eloquent testimony to this shift in African thinking. The most enthusiastic among the ex-British territories are Nigeria, Tanganyika, Kenya, Uganda and Zanzibar (now a part of the United Republic of Tanganyika-Zanzibar). Less enthusiastic, though equally eager, however, are the countries of the Maghreb — Morocco, Algeria and Tunisia — who were so far content with special protocols protecting their traditional rights in French markets, and who are now anxious for a full-fledged association with the EEC. Dr. Hastings Banda, Prime Minister of recently-freed Malawi, has also expressed his intention to seek association with the ECM for his country on the terms East African countries might agree to with the Six. The chain will thus continue to cover most of Africa in the coming few years.

The Pace Setter

The pace for African association with the ECM was in fact set in July last year by the pact of association signed between the EEC and 18 African States (14 of them ex-French, three ex-Belgian and one ex-Italian territories). The agreement, delayed for over six months by the in-fighting among the Six over Britain's admission, has taken almost a further whole year in being ratified. The pact supersedes the earlier 5-year interim agreement and exceeds it by \$50 million in providing for financial assistance from the Six to the Eighteen to the extent of \$730 million — \$500 million in development capital and \$230 million for diversification of their economies — besides providing for a step-by-step creation of a free trade area. Further, the treaty allows associated members to form customs unions among themselves or with other African countries provided they do not infringe the "principles and provisions of the present convention". This broad-minded approach certainly answers the main African allegation that association with the ECM will be "a bar to internal unity and a dangerous barrier to the growth of inter-African trade." Moreover, the developing countries would be able to draw upon the pooled resources of the ECM for their development plans.

The increasing French influence round the ECM has been noted by West Germany and Roumania, who out of anxiety to counterbalance it have insisted upon keeping open the doors for a second type of association for the Commonwealth countries. The new pattern of association provides for a free trade area without any institutional bindings and development assistance, which form the main thread in relationship of the Eighteen with the Six.

Consequently, Nigeria — a country with the largest population on the African continent — started negotiations with the EEC about association agreement early this year. These negotiations were calculated to be substantially changing the relations between Europe and Africa and boosting up the

concept of Eurafrica which has been taking shape all these years. Nigeria's move more or less shocked Britain and the Commonwealth and imperial preferences seemed to be shrinking to useless privileges. Against this, the image of the ECM looked brightened up, as it dazzled the eyes of still more African countries. The main attraction the ECM offers is the free entry African products can have into Europe as against the European products which may still have to face African tariffs. Moreover, the Common Market being the biggest single importing area, which even the Eighteen may fail to feed adequately with tropical products, the Commonwealth countries might think it worthwhile to step in to fill up the gap. But the Eighteen fear the association of the Nigerian colossus might rob them of their share of aid from and trade with the EEC.

India May be Hit

If Nigeria and East African countries get associated, a vast majority of African countries, would apply for similar association and those already seeking association might step up their efforts. This would bring major part of Africa under the economic and political influence of the EEC; political influence, however, will remain confined to the Eighteen. The Eighteen cover about ¼ of the Continent's population and when Nigeria, Tanganyika, Kenya, Uganda and Zanzibar, become associates over ½ of the population will be within the ECM's fold. Whatever this development means to African countries, it would certainly hit hard the developing non-African members of the Commonwealth like India, Pakistan and Ceylon. Their export trade with Africa will be sharply cut in view of the European imports coming to Africa on preferential terms.

Nigeria, on her part, does not stand to gain much from this association. Already 35 per cent of her exports go to the Six. Moreover, general tariffs on cocoa — Nigeria's main export product — are being reduced from 9 per cent to 5.4 per cent which would remove a serious obstacle from the way of all outsiders, not to speak of Nigeria alone. At Dutch insistence, Nigerian oilseeds are already being imported by the ECM without any duty.

For this little more than the removal of some European tariffs on cocoa or rather reduction of these tariffs, Nigeria will lose link with Britain and might have to give the same import treatment to the Six which she has been giving to Britain. As a result, Britain will feel free to revise Commonwealth preferences on Nigerian cocoa (now at 3 or 4 per cent).

Yet, there can be some point in Nigeria's seeking this association. She will establish a valuable contact with Europe and free of all political ties will reap the benefit of association with the ECM. She would still be able to safeguard her nascent industries and provide revenue for her budgets through tariffs on imports (as most African countries do). Nigeria also hopes that the present European tariff of 10 per cent on refined oils will be reduced.

This Nigerian thinking can also inspire even Ghana — another major cocoa exporter — for seeking association with the ECM. The interest with which the Ghanaian delegate at the last GATT meeting listened to the Nigerian representative without interrupting with attacks points to the line of Ghanaian thinking.

It looks, however, strange that the Organization of African Unity (OAU) has not taken significant note of these economic trends in Africa which would certainly limit the chances of inter-African trade and make the African common market a far-off dream.

WINDOW ON THE WORLD

Economic Growth in France and the UK

JOSSLEYN HENNESSY

LONDON:

EVERYBODY WANTS faster economic growth now-a-days. One way to ascertain how it can be promoted is to try to see how it was achieved in the past. Since the U.K. pioneered the industrial revolution and streaked ahead of all other countries, most theories of growth have been based on examining the U.K.'s record. A solid body of doctrine scattered among many weighty tomes exists. But, if the U.K. led the industrial revolution, France soon took up the running, and Mr. Kindleberger had the idea of bringing together in his newly published "Economic Growth in France and Britain: 1851-1950" (Oxf. Univ. Press 1964. 52sh. 6d.) the theories of growth propounded by British and French economic historians to see if it were possible to build up from them a general theory.

The result of Mr. Kindleberger's wide and exhaustive reading is startling. He demonstrates factually that no general theory of growth exists, since all the leading authorities contradict each other.

Some authorities hold that growth follows an increase in population leading to increased demand, but France experienced vigorous expansion with slow growth of population between 1851 and 1875, and no short-run link between bigger population and greater prosperity can be established in either the U.K. or France. Mr. Kindleberger suspects that population changes in response to other influences which also affect economic growth in the long run, with differential effects in the short.

Rising Exports

The repeal of the corn laws is held to demonstrate the efficacy of free trade, but most of the expansion in the UK exports in 1850-60 came from rising incomes generated by expanding exports and investment, rather than from the decline in tariffs. Tariffs have spurred industries to grow when the capacity to expand in new lines existed (as in the USA and Germany in the 19th century) and they have damped growth when they enabled an economy to refuse to submit to the strains of transformation (as in France before 1850). Vigorous competition does not help when demand is static or declining. Some firms respond to such a situation as some generals attack when their wings and centre crumble; others surrender. Nor is the case for or against monopoly historically clear cut. Small and large firms can be vigorous or torpid. Mr. Kindleberger shows that it is impossible to prove that restraint of competition was a proximate cause of the slow periods of growth, because one cannot explain the changes in a way that would at the same time allow for the periods of expansion.

What about government direction? Some authorities assert that the government should seek economies external to the firm through social-overhead capital — roads, ports, education, public health. French and UK experience is directly opposite in this. The UK launched out into prosperity while canals, roads and railways were being built by private enterprise, but Napoleon III's initiative and spending on canals, railways, town planning, and technology gave France vigorous growth between 1851 and 1875. Yet during exactly the same years the UK achieved its fastest 19th century growth rate under free enterprise. Nationalisation? After World War II, the nationalised industries staggered along in

the UK, without much to show for the vast sums invested in them, while in France they provided much of the stimulus to technological advance.

Family firms come in for criticism in both France and the UK. In France, the critics allege that they slowed growth because in order to retain control within the family, they refrained from maximizing their size. But (1) the average size of French firms tended to be smaller than the British, because it was normally operating in a smaller national market, whereas the proportion of the UK firms operating in world markets was higher, and (2) innumerable French family firms grew into vast enterprises in railways, mines, steel, motors, banks, and department stores. In the UK, the critics allege that family firms lost their pioneering vigour when the succeeding generations preferred to be landowners, M.P.s, statesmen, generals, or ambassadors, rather than business men. The owners either sold out or were content to let their businesses produce enough income to maintain their new status. This may often have been true (although there are plenty of examples to the contrary), but surely the decline in the drive of the old firms should have made it easy for up and coming new men to elbow their way to the front. What stopped them?

Social Transformation

But if the economic theories that Mr. Kindleberger cites remain contradictory and inconclusive, a sociological fact emerges from his analysis, which he does not explain, doubtless because within the present limits of sociological knowledge it is inexplicable, namely, that experience of defeat in World War II effected a social transformation in France. Up to 1939, France was pre-occupied with social stability and safety through redistribution of incomes, tariffs, price supports, and restrictions on competition, intended to ensure that economic and social changes hurt as little as possible — the "Magenot" mentality. After 1945, the French became agreed, in some way that eludes present means of analysis, that whatever their differences on other problems, redistribution, safety, and stability were less important than growth. Before the war the tradition of equality, dating from the revolution of 1789, was aggressively alive, personified in "le Français moyen": the small farmer, the small shop keeper, the artisan, the petty bureaucrat: these were the people whom popular opinion valued as the essence of France. Today, the socially approved type is the skilled worker, the technocrat, the business man, the man with ambitions to "get on". Prestige attaches to performance, to inequality. I suggest that this lies behind the self-confidence, and the sense of excitement in new developments, that one encounters among French industrialists and civil servants. On the other hand, in 1945, the belief in the UK was widespread that the success of financial policy and fair shares in war time was the prescription for post-war recovery, irrespective of hard work and technical ingenuity.

The moral that emerges from Mr. Kindleberger's study is that the will to succeed overcomes the weaknesses of doctrines and the uncertainties of policies. It is, therefore, now up to the sociologists to take over from where Mr. Kindleberger leaves off and to find out how we can rid ourselves of the prevailing national mood, which places the responsibility for progress on the shoulders of a group of fallible men euphemistically called "the government", and turn ourselves into a nation of self-reliant eager beavers. And this applies to India as much as to the UK.

Private Resources for Economic Development

GUY SIMS FITCH

WASHINGTON:

SIGNIFICANT NEW moves are under way to foster an enlarged flow of private capital to the less developed areas of the world. These efforts can help stimulate not only industrial and agricultural progress, but also the indigenous private enterprise and capital markets which are basic to the modernization process. The most ambitious of these private efforts is a recently organized venture to finance economic development in Latin America. It is called Adela Investment Company. Pooling resources to boost private investment in Latin America is a complex of more than 50 major banks and industrial companies from 12 countries. Represented are companies in the United States, Canada, Japan and Western Europe.

Some \$17 million has been subscribed by Adela participants so far, and by the end of this year its directors hope that capital available for investment will reach or exceed \$20 million, as more companies join. Of the total, US companies have contributed the largest share, \$7 million. The very formation of Adela has an added importance of its own. This unique venture represents an outstanding example of effective international co-operation in the private sphere. By establishing a multi-national basis for private enterprise efforts in Latin America, it makes a practical contribution to the unity of free nations on a realistic economic plan. This is in keeping with the growing realization that the responsibilities of economic and social advancement rest with all free nations, whether in the Americas, Europe or elsewhere. There may be a special advantage in starting such an ambitious undertaking in Latin America. That region, after all, has behind it a century and a half of independence, and over the years it has developed some strong national and regional institutions on which to build.

Nevertheless, Adela could set a pattern for joint private action in other developing areas as well. Within the past few weeks, for instance, United States businessmen joined to form an Afro-American Chamber of Commerce to help in

the expansion of commercial and industrial ties with that emerging continent. This is not a joint investment venture in the same sense as Adela, although some such undertaking conceivably could develop from it. Its primary aim is to help stimulate trade and investment by providing a variety of services in some 20 countries of tropical Africa, the area of its chief interest. Membership in this new organization would be limited initially to American companies, and about 50 leading firms have joined it thus far. Among its functions, the organization will be a repository of basic data on trade and investment opportunities, and it will be ready to assist developing African nations with these and other matters. Through the work of this new group, African lands could be put in touch with thousands of American companies capable of assisting them in their development efforts.

Asian Counterpart

Also under study is a Development Bank for Asia, along the lines, perhaps, of the Inter-American Development Bank for Latin America. The feasibility of setting up such an Asian bank could well depend, in the final analysis, on the adequacy, in terms of supply and training, of the kind of skilled manpower needed for its successful operation. As has been noted, private investment can bring not only capital but also the know-how that could help develop this kind of manpower. Contributing to the rising emphasis on private investment, foreign and domestic, is the realization that private enterprise has actual and potential resources at its command that in many instances have barely been tapped. Public — that is, government — assistance programmes now make up the bulk of the more than \$8,000 million a year flowing from the advanced to the developing areas of the world. By and large, private investment has not been keeping pace with the growth of public assistance, and in some parts of the world it actually has been waning for the past several years. Development programmes thus stand to benefit substantially from its encouragement and fruitful use.

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IMPRESSIONS OF AN EAST EUROPEAN TOUR—III

Five Days in Moscow

S. P. CHOPRA

FROM THE vantage position of Lenin's Hill, with the University of Moscow on my back, I had a full glimpse of Moscow with its new multi-storied buildings. One element which stood out conspicuously was the large number of tall and heavy cranes with which the city seemed to be studded. I could not help exclaiming: "Moscow looks to be a city of cranes". There is no exaggeration in this because as I moved through the streets of Moscow for five days, I found construction activity going on at a break-neck speed. I tried to collect some factual data on the rate of construction in the city and was informed that about 350 families moved into new flats every day. I was also told that the construction activity was going ahead in the same feverish manner in other cities as well. May be, the allocation of funds for construction in Moscow has been larger in proportion to the size of population, but one cannot help admiring the speed and efficiency with which these new flats are being put up. The gigantic buildings give an inkling of the utilitarian architecture evolved in the USSR. There is not much attempt at ornamentation and finesse, while all the emphasis is on solidity. I also failed to obtain figures regarding the total national housing programme to make a correct estimate of the speed with which the USSR is catching up with the backlog of the housing problem. All that I could gather was that nearly four years ago, Mr. Khrushchev had promised that a satisfactory solution would be found for the housing problem within the subsequent 20 years which implied that the backlog was, no doubt, very large and from what I saw in Moscow, an impression was created that the Soviet Government was doing its best in order to proceed rapidly on the task of tripling the number of dwelling units in two decades.

Adzhubei and Satyukov

In the afternoon of September 25, I was deeply engrossed in a discussion on monopolies with the incharge of the Asian desk in the office of 'Pravda' when a telephone rang and the message came through that I was invited to the House of Journalists where Mr. Alexei Adzhubei, Editor of 'Izvestia' and son-in-law of Mr. Khrushchev, and Mr. Pavel Satyukov, Editor of 'Pravda', were holding a dinner (Russians do not take lunch; their dinner starts at 3 o'clock) to which were also invited the Indian journalists who had accompanied the President, Dr. S. Radhakrishnan, during his tour of the USSR. On reaching the House of Journalists, I found our Ambassador, Mr. T. N. Kaul, in the company of distinguished editors and the Indian journalists. Toasts were offered to Indo-Soviet friendship and brief speeches were made praising the economic achievements of the USSR and the strengthening of the friendly ties between the two countries. I still have a vivid memory of the small room in the hall of the House of Journalists where we met both the distinguished editors. One could not guess the dramatic changes which were to follow within three weeks, sweeping away in one stroke both these pillars of the Soviet Press.

What are food prices like in Moscow? This was a question which I wanted to investigate and on the last day of

my stay in Moscow, I visited one of the big food stores. The prices which I collected are given on page 827, both in terms of kopecks and Indian rupees. It may be remembered that 90 kopecks make a US dollar, while Rs. 4.76 are equivalent to a dollar; it means that 100 kopecks or a rouble are equivalent to a little more than Rs. 5. The table shows that most of the foodstuffs, especially butter, mutton, chicken, eggs, etc., when converted into rupees look relatively high in prices as compared to New Delhi prices. It may be conceded that conversion of the rouble into Indian rupees at the prevalent rate of exchange is artificial and, therefore, the comparison does not hold. What is more realistic is that the prices of these commodities should be related to the earnings of the people. On enquiries it was found that the minimum monthly wage in the USSR was around 50 roubles which is equivalent to more than Rs. 250. The minimum wage applied to unskilled labour or the old people who were not capable of doing arduous jobs. Earnings, on the average, ruled above 100 roubles per month which is more than Rs. 500. Since both men and women in the USSR go to work, it means that the earnings of a family are much in excess of the comparable average family earnings in this country. If the prices of these foodstuffs are related to the earnings of the people, it will be seen that they are not as expensive as a straight comparison with Indian prices would make us believe. It was found that the economy was suffering from an excess of purchasing power in the hands of the people. The demand for consumer goods was high and despite liberal imports of foodstuffs and consumer goods, people had surplus money left with them and they did not know what to do with it.

The stores in Moscow offered a variety of consumer goods so as to make life comfortable. In one of the new stores in the heart of a new colony in Moscow, I found on display Indian shaving blades which certainly gladdened my heart. A little depressing was the price of leather products, particularly shoes, which were quoted at five times the prices normally prevalent in New Delhi. Even after taking into consideration the artificiality of the exchange rate and the relative earnings of the people, it must be admitted that prices of shoes at 25 to 30 roubles (Rs. 125 to Rs. 150) were excessive.

This takes us on to the pricing policy in the USSR which is rather complex. If the policy were to make the consumer goods cheap and to raise the prices of the luxury goods, one could understand. But the shoes are not a luxury in the USSR and to maintain such a high price for them is something which does not admit of an easy and simple explanation. Again, woollen garments are also very expensive and, in view of the extremely cold climate of the USSR, they are an absolute necessity and cannot be classed as a luxury. Gone are, however, the days when the people had little choice in the matter of purchase and had to run to stores the moment they learnt that certain consumer goods were available. Now they have a plenty of variety to choose from, both of imported and indigenous products. The stores also patronise jewellery of various kinds, from glasswork to amber. The throngs of

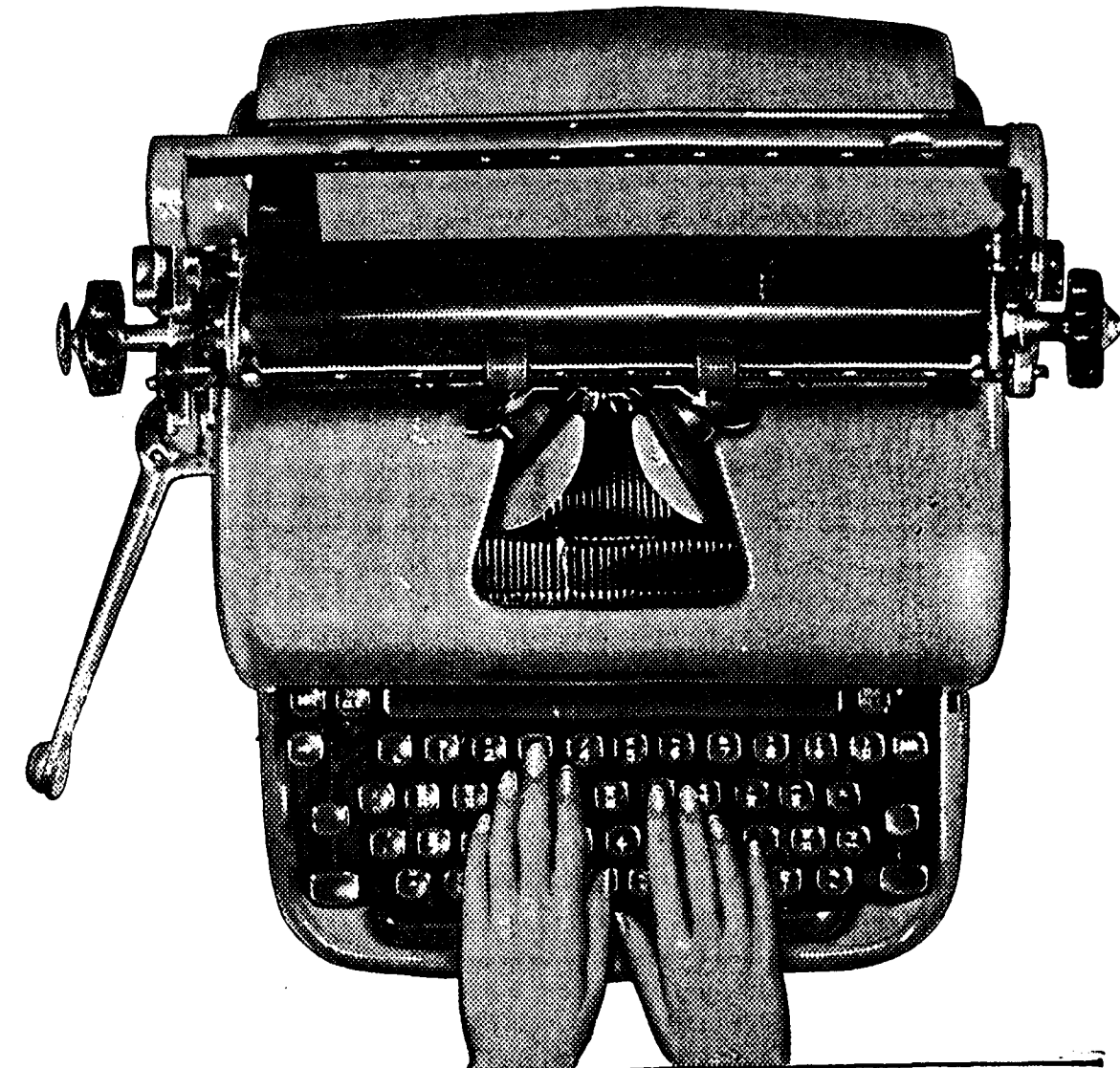
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LISTENING POSTS

Rationing Round the Corner?

By Our Special Correspondent

ADDRESSING THE State Chief Ministers' Conference this Monday, the Prime Minister, Mr. Lal Bahadur, expressed the view that rationing of foodgrains and controls on such items of daily consumption as sugar, vanaspati and vegetable oils, were inevitable for containing the price spiral. With a view to easing the food situation in the country, he called for summary trial of traders who sold foodgrains at prices higher than those fixed by the Government. Deterrent action, he added, should be taken against the offenders. This should include imposition of heavy fines and cancellation of licences.

The Prime Minister deprecated the tendency among the States to think in terms of their own separate interests. This, he feared, might lead to a great deal of chaos in the country.

Dwelling at some length on the proposal of summary trial of traders who sold foodgrains at prices higher than those fixed by the Government, Mr. Lal Bahadur suggested that every district must have one or more judicial magistrates enjoying special powers to try these cases. The cases should be disposed of in one day or at the most two days; there should be no prolonged trials as otherwise no scheme of controls and rationing could succeed.

The two proposals, however, did not find ready and warm acceptance by the State Chief Ministers. The Chief Ministers of Maharashtra, U.P. and Madras were believed to have expressed doubts regarding the need for statutory rationing. The proposal of deterrent punishment to the offending traders, of course, received support, but the support, it is understood, was only lukewarm. The decision on the two steps was postponed till after the two-day deliberations of the National Development Council which were to end on Wednesday.

Inaugurating the National Development Council's meeting on Tuesday, the Prime Minister called for establishment of basic consumer industries in the public sector to meet the needs of the common man. Only then, he said, people would be assured that the shortages they have been experiencing in the recent months would not become chronic.

★★

In a paper entitled "A Strategy for the Fourth Plan", the National Council of Applied Economic Research has called for clamping of rationing of the scarce consumer goods, including foodgrains, on more or less permanent basis in all towns and cities with a population of 50,000 persons and above and launching of an ambitious and continuous rural public works programme. Another important recommendation made by the Council is that the export policy should be more clearly defined and, towards this end, the Industrial Policy Resolution should be amended with a view to giving due importance to industries with export potential. The export target, the Council feels should be commensurate with the magnitude of maintenance imports (estimated at Rs. 5,500 crores for the five years 1966-67 to 1970-71) which, it thinks, should be fully covered by exports.

Stressing the need for rationing in urban areas, the Council has expressed the opinion that in view of the rapidly rising population (at the rate of 2.5 per cent per annum) and the intensive desire to accelerate the growth of the economy, even a 5 per cent rate of growth in agriculture will not be able to ensure plentiful supplies of consumer goods to all who

need them. Shortages are bound to be felt and the only way to ensure minimum supplies to consumers at reasonable prices is rationing. The establishment of the rationing system on a more firm basis, the Council goes on to say, would in time make it more efficient and hence less costly.

In rural areas, the Council opines, a different approach will need to be adopted. Here, there is a large surplus of manpower a good part of which is also poor and ill-fed. This manpower is a potential capital asset inasmuch as it can be utilised for increasing capital formation in rural areas. This has not been done hitherto — at least not adequately. The Council believes that utilisation of the surplus manpower in the rural areas is the most urgent task — a task which will also be rewarding. The urgency rises out of the need to provide employment to the millions who cannot even afford the minimum consumption of food. It is rewarding because if organised properly, it can within a span of five years provide the workers sufficient income to make it possible for them to have a minimum level of consumption. The surplus manpower in rural areas, the Council recommends, should be utilised through a nation-wide rural public works programme which will engage the people whose level of consumption is below the minimum in works which are capital formative in nature. The workers will be paid in foodgrains (about 75 per cent of their wages) as well as in cash. A good part of the foodgrains required for payment would come from the better-off families in the villages who will gain substantially from the capital assets created through the rural works.

Utilising PL 480 Funds

Explaining the role of the rural public works programme in the fourth Plan, the Director-General of the Council, Dr. P. S. Lokanathan, told newsmen last week that PL 480 funds could be profitably utilised in making this programme a success. Much more funds could be available from the United States, if needed, he added.

While the rural works would be conducted essentially at the village and district levels, the Council recommends that the programme itself should be conceived as a national programme and the organisation to handle it must be built on national lines. An ambitious rural public works programme, the Council feels, should help in remedying the serious under-employment situation in the country-side.

The Council does not agree with the governmental thinking in respect of reduction of inequalities. The emphasis on reduction of inequalities between the rich and the moderately rich, the Council thinks, has missed the real issue, which is that there are millions in this country who lack incomes even for a minimum level of food consumption. This is the real cause of poverty and also of disparity.

The Council has pleaded for definite measures to be taken to ensure a 5 per cent rate of growth in agriculture over the fourth Plan period, making full allowance for the weather factor. It has also recommended that services and social overheads should be strengthened further and industrialisation of the country fostered at a rapid rate in the interest of bringing about a self-generating economy in the near future. The Plan, the Council further recommends, itself should con-

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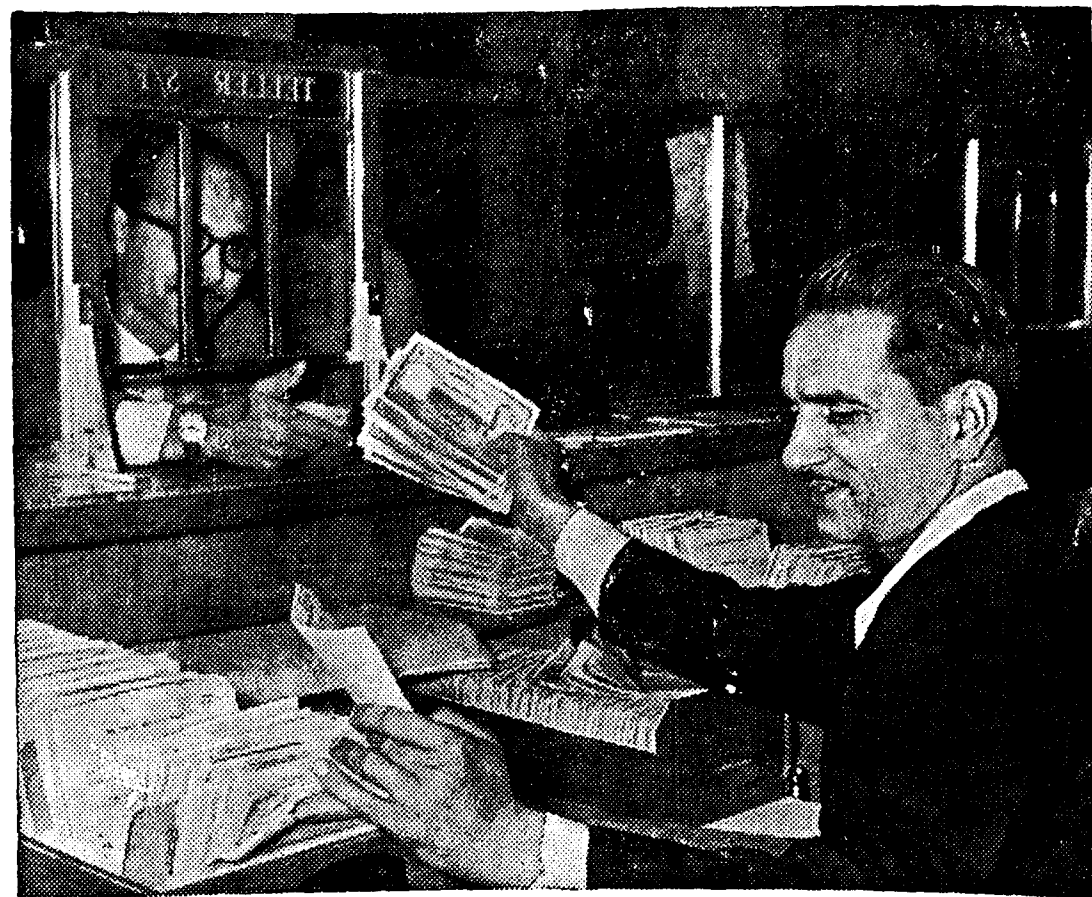
third factory will also produce 3 million cans a month for the rich fruit and vegetable districts of Northern and Eastern India.

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young ladies at the jewellery counters was a clear indicator of the surplus money in the hands of the people.

Moscow is a clean city and the metropol (underground railway) has lent its support in keeping it neat and tidy; it is said to be the best in the world and one cannot help admiring the clean, well-built and well-kept underground stations. Most of them are named after famous Russian writers, artists and political leaders. The solidity of these underground stations along with their neat presentation makes one admire the Russian craftsmanship. Of all the dozen or odd countries which I have visited and where I have seen the underground railways, including some of the West European countries, I found the underground in Moscow the best in every respect. The fare is cheap, costing only 5 kopecks (25 paise) from any station to any destination in Moscow. There are no ticket collectors or checkers. One has only to insert the five kopecks coin to enter any station after which he is free to move in any direction and cover any distance. The shortage of manpower, like that of many other European countries, has forced automation here as well.

The Kremlin

A visitor to Moscow puts the Kremlin on the top of his list amongst the places to be visited. Stalin had kept the Kremlin closed to the common people; Mr. Khrushchev threw its doors open for every one. Particular mention needs to be made of the armoury in the Kremlin where the remnants of the palaces of the Tzars are collected. Old robes, buggies, swords, cutlery and various other things owned by the Tzars, their lieutenants and queens are collected there and the State guides explain to the visitors — many of them are Russians from other parts of the country — the significance of the exhibits. Each and every exhibit fetches detailed explanation, highlighting the fact that the Tzars lived in luxury at the expense of the poor. Lenin's Mausoleum draws heavy crowds every day. Long queues of people march past the dead body of the departed leader in solemn silence. The temperature of the Mausoleum has been kept low and so is the case with the glass box in which the body has been preserved. A 24-hour vigil is kept by the soldiers. The Red Square and the Mausoleum together provide a spectacle with which newspaper readers all over the world have become familiar through pictures.

Mention also needs to be made of an exhibit which has recently been put up in Moscow showing the panorama of the Borodino Battle. When Moscow was attacked by Napoleon, the Russians fought heroically. The panorama makes use of modern technique of creating visions through canvas and light; this spherical panorama gives a realistic picture of the famous battle. Alongside the stands from where the visitors have a look at the panorama, logs of wood and other tattered things are placed while somewhere in between the picture and the real objects, the two combine imparting a superb impression on the onlooker. In the same class is the exhibit on of economic achievements of the people; this is a permanent feature of Moscow to which the visitors are attracted each day of the week. In this exhibition are shown the attainments of the Soviet Union in various branches. The factory workers come to the exhibition to see some of the machines being used by their comrades in similar factories in other parts of the USSR, and they compare notes in order to learn the new methods of production. A separate hall in this exhibition deals with electronics and computers. Last month, the Atomic Energy Commission of India specially deputed a young Indian to study the computers which were exhibited there in order to find out if any one of them would be in a position to solve some of the problems currently being

faced by the researchers. In case the computer was found useful for the work of the Commission, the Government would like to buy one of them.

The Ballet

The ballet has been perfected as a superb art in the USSR. The Bolshoi and the Palace of Congress lend their own charm to this unique art which is ethereal in assimilation and understanding. I had an opportunity to witness the Swan-lake at the Palace of Congress and the Snow Girl by Chaikovsky in another theatre. Not to be missed is the Russian circus which has an excellence of its own. Here, in the midst of high-level technical skill in the presentation of the various feats, is combined humour by some of their renowned clowns. The day I went to see the circus was the 35th anniversary of a well-known short-statured Russian clown named Karandash. It is true that in order to be able to enjoy humour one must know the language, but some of his pieces were in international language in the sense that no commentary was required. The manner in which he juggled with the plastic body of a woman, built up of various parts, showed that he could provoke laughter without even uttering a word. His bewildered attempts at re-making the statue of a woman from the various parts (which were of plastic) threw his audience into peals of laughter; it was real fun.

I had never imagined that de-stalinization in Moscow had been taken to such an extreme that not a single photograph or statue of Stalin was to be seen anywhere. In one of the art galleries which I visited, I saw high up in a corner the painting of someone who looked like Stalin. The moment I uttered the word 'Stalin', the interpreter corrected me at once saying that it was not Stalin's painting but of a certain General who had fought heroically during World War II.

CONSUMER PRICES IN NO. 1 STORE IN MOSCOW

Item and Unit	Price in Kopecks	Price in Rupees
White Bread (Kg.)	28	1.48
Butter (Kg.)	340	17.99
Milk (Litre)	15	0.81
Eggs (10 in number)	109	5.76
Cheese (Kg.)	260	13.76
Apples (Kg.)	50	2.67
Grapes (Big Bulgarians) (Kg.)	70	3.71
Sausage (Kg.)	340	17.99
Cigarettes (20)	7 to 14	0.38 to 0.76
Cabbage (Kg.)	8	0.43
Onions (Kg.)	50	2.67
Mutton (Kg.)	160	8.47
Chicken (Kg.)	200	10.57

(Concluded)

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tain a method by which, if there is shortfall in the rate of growth in the agricultural sector, proper co-ordination measures can be taken to ensure that the injury to the rest of the economy is minimised.

The Council has also laid a good deal of emphasis on containing the price spiral. To ensure that prices do not get out of hand, the Council recommends that anticipatory action should be taken in fiscal, monetary and other areas. All expenditure should be properly controlled.

The Council's estimate of the total investment required during the fourth Plan period for achieving a rate of growth of 6.3 per cent per annum (overall) and 5 per cent in agriculture, is Rs. 20,765 crores at 1960-61 prices -- Rs. 14,335 crores in the public sector and the rest in the private sector. This broadly corresponds to the outlay proposed by the Planning Commission in its preliminary memorandum i.e. Rs. 21,500 crores. The Council agrees with the role proposed to be assigned by the Planning Commission to the private sector. The physical targets proposed by the Council for the fourth Plan are more or less the same as those of the Planning Commission. But, in certain fields, such as steel and cement, the Council favours slightly lower targets -- 15 million tonnes of steel ingots and 20 million tonnes of cement as against the Planning Commission's target of 16.5 million tonnes and 24 million tonnes, respectively.

★★

A recent assessment made by the Union Ministry of Steel reveals that none of the pig iron manufacturing plants licensed in the public or the private sector since the launching of the third Plan is likely to be commissioned into production by 1965-66. The first of these new plants, that of Orissa Government's Baroil 100,000 tonnes unit, may go on stream in the latter half of 1966. Another public sector plant, that of Punjab Government, may go into production by the beginning of 1967. All the private sector units are likely to yield results only after 1968.

Disappointed at the performance of the new licensees for

pig iron manufacture, the Union Ministry of Steel has asked them to send monthly progress reports indicating the steps taken by them for the implementation of their schemes. These reports, it is hoped, would enable the Ministry to help the licensees in resolving their difficulties. Periodical meetings have also been proposed with the licensees with a view to maintain a close official contact with them.

The third Plan envisages production of 1.5 million tonnes of salable pig iron by 1965-66. Out of this, nearly one million tonnes output was planned from the integrated steel works of Hindustan Steel Ltd., and the remaining 0.5 million tonnes from the different plants in the private sector. The demand for pig iron is expected to grow to about 2 million tonnes by 1965-66. The new capacity licensed during the past 3½ years has been of the order of 2 million tonnes.

Indo-Soviet Agreement

With a view to mitigating the shortage of pig iron, the Government of India has entered into an agreement with the Soviet Union for importing 150,000 tonnes per annum. Steps have also been taken for augmenting pig iron production through installation of the fifth blast furnace at Durgapur and the sixth blast furnace at Bhilai in anticipation of the fourth Plan expansion programmes of these steelworks. In view of the none-too-encouraging performance of the private sector, the Government has further decided to set up at least three more blast furnaces in the public sector outside the integrated steel plants out of the twelve for which feasibility reports were commissioned a few months ago.

★★

The U.S. Aid authorities have been approached for a loan to cover foreign exchange component of four coal mining projects, namely Singrauli I, Umrer, Singrauli III and West Bokaro, and that of the Ramgarh colliery-cum-washery scheme.

Four other countries are assisting India at present in the development of coal mines. Poland has extended a credit for the development of nine deep mines by the National Coal



FOOD MUDDLE

Development Corporation in various parts of the country. Work on two of these at Sudamdih and Monidih has already begun. The Sudamdih mine is expected to go into production by the end of the current Plan. The Monidih mine is expected to be commissioned early in the fourth Plan period. A blendable coal washery with a capacity of 2.8 million tonnes of raw coal per annum is also being set up at Gidi (Karanpura) with Polish collaboration.

The USSR is assisting in the development of the Banki, Surrakchar and Manikpur coal mines. Coal has already been touched and production started at the Banki mine. It will be in operation fully by the end of December, 1965.

A project agreement has been signed between India and France for the exploration of thick coal seams in the Karanpura coalfields of Bihar. Under this agreement, the NCDC will carry out working of the thick highly inclined Sirka seam at the Gidi colliery by adopting the French long wall mining method.

The fourth country assisting India in the development of its coal industry at present is the United Kingdom which is rendering technical assistance to the NCDC by way of planning and development of the Jarandih coal mines in the east Bokaro coalfields of Bihar.

★★
The completion of two coal washery projects of the National Coal Development Corporation is understood to have been postponed to the fourth Plan period. These are the 1.5 million tonnes Ramgarh washery and the 2.16 million tonnes Sudamdih washery. While the former was originally expected to be fully commissioned into production during the current Plan, the latter was to be commissioned during this

period to a capacity of 0.5 million tonnes. Negotiations are still going on with AID for financial assistance for setting up the Ramgarh washery. The delay in the setting up of the Sudamdih washery has been caused mainly by the fact that it forms an integral part of the Sudamdih colliery project, the development of which is now not expected to be completed by 1965-66.

The other four coal washery projects of the NCDC, however, are expected to be completed by the end of the third Plan. These are expansion of the Kargali washery from 2.22 million tonnes to 2.72 million tonnes and the establishment of 3 million tonnes, 0.75 million tonnes and 2.84 million tonnes washeries at Kathara, Sawang and Gidi. The equipment for the expansion of the Kargali washery and the setting up of the Sawang washery is to be supplied by three West German firms. The Kathara washery is to be established with Russian collaboration. Poland will be assisting in the establishment of the Gidi washery.

★★
A 21-member delegation of American business men and industrialists has arrived in New Delhi to explore investment possibilities. Sponsored by the Action Committee of International Development (ACID), which represents over 2,000 American houses, the delegation will remain here up to November 6. During their stay, the members of the delegation will call on the Minister for Commerce, Mr. Manubhai Shah. They will also meet the secretaries of the Economic Ministries of the Union Government and representatives of trade, industry and bankers' associations. The delegation is being led by Mr. N. D. Abbey, Jr. President of Abbey Etna Machines Co., which is already collaborating with M/s. Bharat Steel Tubes Ltd., for setting up a 36,000-ton capacity tube mill near Delhi.

Public Sector in Orissa

From Our Correspondent

CALCUTTA:

NOT MANY State Governments have undertaken as rapid an expansion of their industrial and commercial activity as the present Congress regime in Orissa. On March 31 last year, there were as many as 51 companies either wholly owned or managed by the State Government, in addition to the three statutory corporations such as the Orissa State Financial Corporation, the Orissa State Warehousing Corporation and the Orissa State Electricity Board. The 51 companies included three fairly large-sized State Government undertakings, namely, the Industrial Development Corporation of Orissa, the Orissa Mining Corporation and the Orissa Construction Corporation. Most of the remaining have been started under the pilot project scheme meant to accelerate the growth of small-scale industries, as part of the campaign to speed up industrialisation in the State. It was perhaps inevitable that in such a mood to industrialise in a hurry, there should have been a few early casualties due to bad planning, faulty assessment of prospects, wrong reading of the market potential or some other causes. Of the 51 companies existing on March 31, five have since gone into liquidation; four because they could not withstand market competition in fruit products which was their line of manufacture and another, meant to make hardboards out of saw dust, could not just get off the ground. In the latter case the promoters had not been able to calculate the costs and benefits correctly.

Wasteful Expenditure

Even in the case of major companies like the Industrial Development Corporation, a fairly large part of the initial expenditure was wasteful. When the company was started it obtained a licence to start a cement factory with a daily production capacity of 1,200 tonnes. But in their enthusiasm to start the project as quickly as they wished, the sponsors chose a wrong site initially, which was later abandoned but not until several lakhs of rupees had been spent on "development work". The Corporation is now running a few other undertakings also, including the low-shaft furnace iron plant which it has purchased from Mrs. B. Patnaik, wife of the former Chief Minister. It is, however, working at a profit. The Orissa Mining Corporation, first started as a joint venture of the Union and State Governments and now wholly owned by the latter, is not working satisfactorily. Its cost of extracting iron ore still continues to be higher than what the selling price is. The position will remain uneconomic until the mining operations are fully mechanised. The Orissa Construction Corporation is however faring better. Started with the object of undertaking the construction of big projects including bridges on a competitive tender basis, it made a profit in the very first year of its operation.

In addition to these, there are 10 more undertakings which are departmentally run. They cover a variety of enterprises including shoe-making, tannery and leather goods manufacture, transport services, and trading by the Government in foodgrains, cloth and iron ore. Some of these enterprises are running at a loss and some at a profit. The State Government has also recently started two more corporations for fisheries and forest products. These are commercial ventures, but it is now too early to judge their efficiency. It is almost certain that many more ventures will be started during the next five-year Plan.

During the latest session of the State legislature, which concluded recently, concern was expressed about the manner in which some of the State undertakings are run and the consensus of the House desired that there must be a special committee of the Assembly to scrutinise the working of these concerns. At present the Public Accounts Committee of the Legislature examines the working results and annual reports of these concerns, but it has been felt there are now too many of them to be tackled by the P.A.C. easily. Moreover, a certain amount of professional and technical knowledge is required to judge the working of commercial and industrial ventures properly which it may not always be possible for the PAC to provide. Accordingly, the State Legislature has appointed a special committee which will act as a watch-dog of the House as far as the activities of the Government's undertakings are concerned. It is not expected that the new committee will have an adequate number of experts serving on it from the very start, but it can be expected that with years of working, the committee will acquire the necessary understanding and knowledge of scrutinising the results of the State concerns competently, and may even be able to suggest improvements in their operations whenever considered necessary.

★★
Another important socio-economic measure which the State Legislature could not enact during its latest session and which it is likely to take up during the next, is Orissa's land reform programme. Land reform legislation in the State has not had a smooth course. This was among the first States where a land revenue and tenure committee was set up under Mr. N. K. Chaudhury, a former Chief Minister, but the successive Governments were not able to act on the recommendations of that committee due to a variety of reasons. Only the Congress-Ganatantra Parishad coalition Government could enact legislation under which a ceiling of 25 standard acres was the maximum that a person or a joint Hindu family could hold. But as the coalition collapsed soon after, the Government

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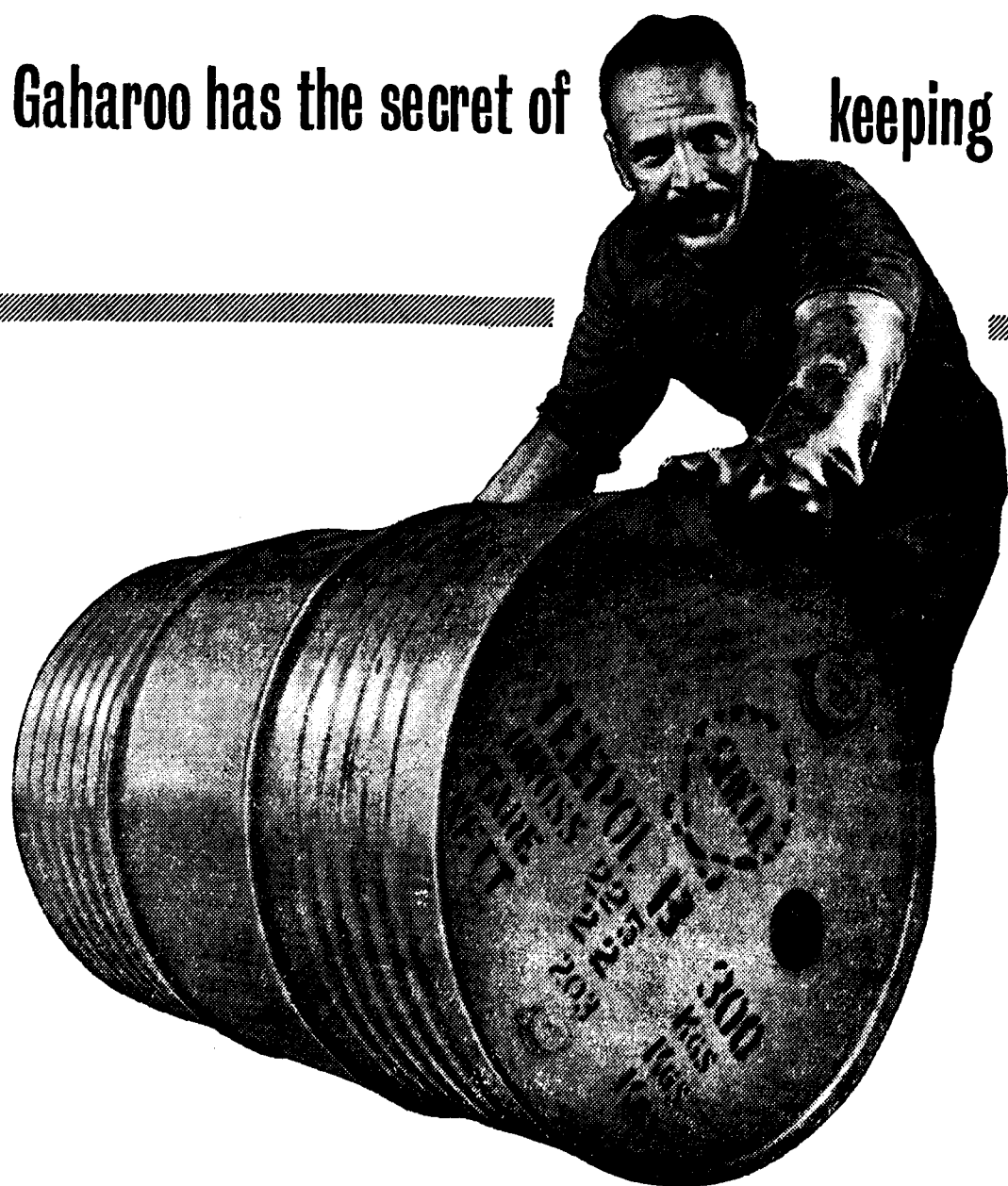
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Gaharoo Kaloo used to be the champion wrestler in his village. Today, no one would guess that he is fifty...and a grandfather. Dumb-bells. Ten press-ups every morning. Regular sessions at the gym. This is how Gaharoo keeps fit, young and on top of the job. His personal philosophy: 'Keep to the straight path. Never quarrel. Put your whole self into your work...'

THE RIGHT ATTITUDE

It is just this attitude which has won Gaharoo the respect of his work-mates and which makes him good at his job in the Benzine Installation, Sewree, Bombay. He attends to the blending of Chemicals and the filling of containers. Accuracy matters. If too much were to go in...the Company would lose. If too little...the customer would complain. A careful check on the dips and meters is a must. Gaharoo is careful.

TODAY, AS EVER, PEOPLE LIKE GAHAROO ARE WORKING FOR YOU

To understand Gaharoo one must know that he comes of farming stock—yet, even as a little boy he felt the city's pull. And to the city he migrated when still only a youth. The adjustment was made long ago. Gaharoo spends his holidays on a farmstead at Pratapgarh...which he has added to with his own savings. His working life with Burmah-Shell is equally active and rewarding. After 22 years with the Company, Gaharoo says, quite sincerely, 'This is a job I like.'

Gaharoo 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

had no time to implement its programme. The next Government led by Mr. B. Patnaik considered the measure regressive and half-hearted, and wanted to amend it according to its own norms of social justice. But for some reason or other it could not bring forward any legislation of its own until the last session of the Legislature when the Orissa Land Reforms (Amendment) Bill, 1964, was introduced. Under this amending Bill, the maximum for individual holdings has been reduced to 20 standard acres from 25 standard acres permitted under the original Act, and the rules relating to the disposal of surplus land have been considerably simplified. Of course, like the original Act, the proposed measure exempts from the scope of the ceiling certain classes of land like orchards, plantations, efficiently managed farms situated in compact blocks where heavy investments or permanent structural improvements have been made and whose break-up is likely to lead to a fall in agricultural and industrial production. Compensation which is proposed to be paid to owners for the loss of surplus land is fixed at 15 times the fair and equitable rent. The surplus land acquired will be distributed among landless agricultural labourers and poor peasants. Surprisingly, the amending Bill places no emphasis on co-operative farming societies as the Original Act did.

Fierce Controversy

This amending legislation has produced a fierce controversy — one school of thought holding it to be regressive and considering the revised ceiling figure as still too high, whereas the opposite school thinks that the Government is going too far with land reforms which would only lead to chaos. But the real danger at the moment is not whether the revised ceiling is too high or low, but the uncertainty which has pervaded the rural scene ever since the Government started talking about "revolutionising" the land tenure system. This

uncertainty has done much harm to agricultural production. Neither the landholder nor the tenant has shown much initiative in raising the productivity of land. This is what Mr. Asoka Mehta noticed when he was last in Orissa discussing the future programme of development with the State Government and advised the latter to end the uncertainty by either going ahead with its measure or postponing it until more propitious times.

★★

An aspect of State enterprise in Assam worth noticing is the huge waste in Government fisheries. The Estimates Committee of the Assam State Legislature has unearthed shocking cases of waste of public money by State fisheries running into lakhs of rupees. The Government runs about 30 fisheries and fish farms, all of which were found to be working at a loss. As against an expenditure of Rs. 64.72 lakhs on administration and non-recurring items in 1961-62, the receipt amounted to only Rs. 3.32 lakhs. Going into the activities of the State Fisheries Department as thoroughly as it could, which included visits to a number of fish farms, the Committee found that scheme after scheme had been launched without any prior examination of their possible utility and production potential. The Department did not prepare any project report as should have been done in the case of such undertakings. Consequently, expenditure was being incurred most haphazardly, with reclamation cost varying between Rs. 1,000 in some cases and Rs. 15,000 in others. The Committee has felt that the poor result of the fisheries may be due to bad management, unsound and inefficient techniques of seed production and faulty accounting, or a combination of all of them. In the meanwhile, of course, the Fisheries Department has expanded itself considerably in accordance with Parkinson's Law. For example, the annual recurring expenditure was only a mere Rs. 47,000

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in 1957-58; it steadily went up to Rs. 5.21 lakhs in 1961-62.

★★

Such States as may rely on co-operatives for the procurement of paddy or foodgrains will do well to heed the lesson which Assam has learnt. In this State, monopoly procurement of paddy was given over to apex co-operative societies and rice millers were banned from purchasing paddy direct from the cultivators. The mills had, therefore, to depend on the co-operatives to get their supplies. (There are 425 mills in Assam which require about 1 million tons of rice for working round the year on a one-shift basis). But the co-operatives failed miserably in their procurement drive and their total collect on was barely one quarter of what their target was. The people of Assam had, therefore, to go through the paradox of an acute rice scarcity in the market in a year when the paddy crop was supposed to be good. Needless to say it caused much

distress as not many had the capacity to purchase their requirements from the black market. Finding that the co-operatives had made a thorough mess of the job, the Government revised its earlier decision of prohibiting mills to procure paddy direct from the cultivators and allowed them to buy the cereal side by side with the co-operatives. Since the mills resumed their purchasing operations, they have been able to procure a substantial quantity of paddy, comfortable for their operations and comfortable for the consumers who are now able to get rice at the price they can afford. The State Government had admitted that its earlier procurement policy was wrong and also the fact that the supply in the market has considerably improved since the mills were allowed to resume buying direct from the cultivator. The co-operatives apparently did not pay an attractive price, while they were busy making the operation attractive only for them.

Madras Government's Discomfiture

From Our Correspondent

MADRAS:

THE MADRAS Government is having an uncomfortable time and it has been obliged for the first time in the past decade to explain in great detail the difficulties experienced by it in tackling the food situation and in pushing through the Salem Steel Project. The food situation, in particular, has assumed ugly proportions and the complacency showed by the State Government for a time gave rise to considerable criticism from the Opposition parties and even from members within the Congress Party. It was assumed, perhaps with some justification, that there were enough stocks in the State and that it would not be necessary to issue large quantities through fair price shops and co-operative societies. But the calculations in regard to availability were rudely upset by the suspension of despatches from Andhra Pradesh and the unwillingness of traders to carry on business in rice on account of the difficulties experienced in maintaining stocks and the impossibility of carrying on other transactions while rice was being distributed. In the midst of the confusion and clamour for rice in the principal cities in the State, Madras, Coimbatore, Madurai, Pollachi and other places, there were reports from Tanjore and Tiruchi districts that a bumper crop had been harvested and that the growers were finding it difficult to market their surpluses on account of the delay in moving stocks by the co-operative societies and the unwillingness of traders to enter into any commitments. Indeed, the movement of rice by road and rail was found unsafe because of the bad mood of the population and the fear of looting while in transit.

Accumulation of Stocks

The reports about the accumulation of stocks in the two principal rice growing districts, when there were long unsatisfied queues before the co-operative societies in cities and towns, were rather incongruous and it was felt necessary by the former Chief Minister and the present Congress President, Mr. K. Kamaraj, to advise the Government to take urgent measures and relieve the sufferings of the consumers of rice. Several measures have been adopted on an emergency basis in the past few days and large stocks of boiled rice from Thanjavur and Tiruchirappalli have been moved by road and rail to the big cities in the State. The movement of rice to areas outside the State has been temporarily banned as there is anxiety to take stock of the situation before allowing exports and before ensuring adequate supplies from Andhra Pradesh. It is complained that earlier exports of rice to Kerala, without corresponding imports from Andhra Pradesh, queered the pitch. The larger yield of Kuruvai, which is normally

exported to Kerala, has come in handy and in the past few days large supplies had been made available to the co-operative societies. The liberal issue of rice through these shops has allayed panic to some extent but there are still fears that the critical situation may not be easily got over until buffer stocks had been built and some method of informal minimum rationing had been introduced.

Meanwhile, efforts are being made to rush supplies from Andhra Pradesh, though the State's Chief Minister has been adopting an extremely cautious policy as there is a feeling that the recent floods have caused heavy damage to the standing crop and it would not be advisable to permit exports on the previous basis. While some stocks will be released by Andhra Pradesh and about 30,000 tons might be received in the next few weeks, it is feared that, in the absence of larger releases of wheat and rice from Central stocks, the period between now and the next crop cannot be satisfactorily got over. Actually, from the Central stocks at Avadi about 10,000 tons of rice have been released while wheat supplies have been augmented. It is not clear, however, whether the cut in wheat quota recently imposed would be restored. It is needless to say that, in the present context, easier availability of wheat would have a reassuring effect. It is also encouraging to note that the Orissa Government had agreed to provide 10,000 tons of rice. However, even with all these arrangements, there is no guarantee that rice and wheat would continue to be sold at the same rate without interruption. It has, therefore, been decided to eliminate buyers in queues who were trying to exploit the situation, with the issue of family cards. Arrangements in this regard are being finalised and the cards will be introduced in Madras in the first instance and extended to other cities and towns later in the light of the developing situation. Every effort would be made to use available stocks effectively. It will not be surprising if a decision was taken to raise prices of rice issued through the fair price shops as the opinion has been expressed that the pressure on these shops is due to the cheapness of rice issued by them.

Whatever might be the arrangements that would be completed in the coming weeks to issue rice and wheat, the recent developments have rudely shaken the State Governments in the Southern Zone. It had been proudly claimed earlier that the rice crop in the country and particularly in this area constituted a record for all time and that the problem related mainly to the availability of wheat. Thanks to the heavy imports and huge sales, the wheat situation has been brought under control to a certain extent though the Central Govern-

ment is afraid that it may not be possible to maintain sales at the previous levels in the absence of corresponding imports. In regard to rice, the estimates might have been affected to a certain extent by the loss sustained by Andhra Pradesh during the recent floods. However, out of the increase of over four million tons in the last season, the loss of four lakh tons cannot have upset calculations to such an extent as has happened now. The caution displayed by Andhra Pradesh is understandable but if the difficulty now being faced by the Madras Government is due to its policy of permitting liberal exports to Kerala without Andhra Pradesh fulfilling its commitments, the Centre has a special obligation to make good the loss sustained by the State Government on account of the shortfall in arrivals from Andhra Pradesh. The Centre has no doubt been prompt in releasing stocks from its own sources but the problem has to be tackled on a more energetic and sustained basis as a repetition of the happenings of the past fortnight will damage heavily the prestige of the State Government and give a greater handle to Opposition parties for maligning the Ministers.

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The Madras Industries Minister had naturally to adopt a defensive attitude when he faced the legislature during the food debate. The members of the Communist and DMK parties have tried to make political capital out of the present situation and criticised the Government for not being assertive enough in regard to the Salem project. Unfortunately, a serious controversy has arisen over the location of the fifth steel plant in the South and the remarks of the Union Minister for Steel and Heavy Industry have been taken to mean that he is not favourably disposed towards the Salem project, if not hostile. The case of the Madras Government is strong as all the preliminary work in respect of the Salem project has been completed and it would be possible to finish the construction work in a period of 4½ years from the date of signing the agreement. The technical consultants have proved clearly that steel can be made profitably from Salem ore and Neyveli lignite and that the capital cost would be the lowest among all the steel plants in the public sector. The Anglo-American consortium, which will be financing the construction of the fifth steel plant, has, however, been asked to study the relative merits of the three projects, Hospet, Bailadilla and Salem. It has been suggested that the Hospet and Bailadilla schemes are more easily feasible as ample high-grade iron ore reserves are available and a capacity of 1.5 million tonnes can be initially created without difficulty. In the case of the Salem project, it has been suggested that the initial capacity should be 5 lakh tonnes. There is no doubt that iron ore reserves in the Hospet and Bailadilla areas are ample and the quality of ore is superior. But there will be a problem, in both cases, of securing coal from outside sources. It would have to be closely examined, therefore, whether the cost of production can be kept down at a level which would compare favourably with those of other public sector steel plants. In the case of Salem, raw material supplies can be had from nearby sources though the quality of ore is definitely inferior and Neyveli lignite cannot be used for all processes. But it is felt that the lower transportation costs and some special qualities of these raw materials will enable special steels and alloy steels to be manufactured on a profitable basis. There is, therefore, room for the fifth major plant at either Hospet or Bailadilla while the Salem project should be included in the fourth Plan on its merits, if need be, as an alloy steel plant. There cannot be any upset in plan estimates on this score. In any case, it should be ensured that there is no bitterness between the three States on account of the present controversy and that every effort would be made to avoid an emotional approach to the problems at issue and to adopt policies which would encourage national and regional integration.

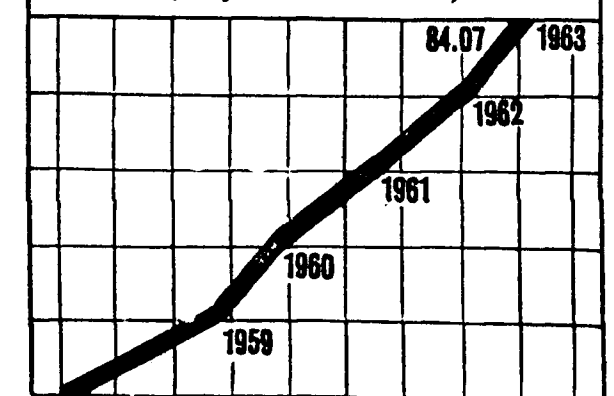


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Trade Winds

DUSSELDORF INVESTMENT CENTRE

THE INDIAN Investment Centre's first European office was opened in Dusseldorf on October 29, 1964. The official inauguration was performed by His Excellency Kurt Schmucker, Minister for Economic Affairs of the Federal Republic of Germany. The new office, which is the Investment Centre's second office abroad (the first one being in New York), is headed by the Resident Director, Mr. N. G. Swami. It is located in "India Dugal House", Karlstr 76, Dusseldorf-4.

During the past one month or so, since Mr. Swamy started organising the new branch office of IIC, some 15 proposals were received from German industrialists for collaboration with Indian entrepreneurs. All these proposals were from small and medium-sized industries which are expected to play a greater role in Indo-German co-operation in future. The proposals included schemes for the manufacture of steel and malleable castings, welding machines and graphite crucibles. Of considerable significance is the fact that the influential Deutsche Bank with 150 branches in Germany is co-operating with the Indian Investment Centre in establishing contacts with German entrepreneurs. Such co-operation is sure to lead to fruitful results.

The German private capital investments in India at the end of 1963 were estimated at DM 80 million (about Rs. 100 million). The "Siemens" alone has investments of DM 50 million and the German associates in Utmal at Kansbahal near Rourkela, account for nearly DM 20 million. These investments, however, stand in no comparison to those made in India by the UK or the USA. It is, nevertheless, encouraging to note that the West German interest in India has continuously grown in recent years and till the end of June, 1964, as many as 319 joint ventures were sanctioned. Another 19 were approved during the quarter July to September 1964. Of the 319 collaborations sanctioned till the end of June 1964, 175 have already materialised. Of these 175, about 40 per cent are financial collaborations and 60 per cent technical collaborations. In 10 per cent of the cases the majority participation is of German investors.

The agreement signed on October 15, 1964, between the Government of India and the Federal Republic of Germany regarding protection of German capital investment in India is likely to give further impetus to German industry to invest in India. As to how far the 15th October Indo-German investment guarantee agreement will encourage the German industrialists to associate themselves with Indian development is yet difficult to say. There is an influential section of the German industry which doubts whether, with all these facilities, the medium and small industries can really afford to take the risk of moving out to India. The main handicap, in the opinion of this section, is that these types of firms have language difficulty and that they do not have sufficient technical personnel to send out to man their ventures abroad. This need not, however, be taken as the general view of the German industry because many industrialists are quite enthusiastic about the opportunities that India offers and feel that the German entrepreneurs should not miss the bus particularly when businessmen from the USA and other countries are trying to take due advantage of the situation. As a matter of fact there is a shortage of technical personnel and labour in West Germany which employs about a million foreigners. It is precisely for this reason that some of the German firms which have shown readiness to enter into collaborations with Indians are prepared to train Indian technicians in their factories in Germany so that the demand on their own technical personnel

will be limited. India will, therefore, have to get more and more of its technicians trained in such German units if the problem of shortage of technical personnel which West Germany faces is not to prove a handicap in future Indo-German collaborations.

The German industrialists also stress the need of finding proper Indian partners for the joint ventures contemplated by them. It is complained that approaches are often made by Indian businessmen for collaborations without adequate knowledge of the market for the items to be produced. The job of finding proper Indian partners will have to be handled by the Dusseldorf branch of the Indian Investment Centre. There are also other problems, such as relating to taxation, rules and procedures and controls prevalent in India. But many of these may be sorted out when the proposed West German delegation of businessmen and industrialists visits India, probably by January, 1965.

GERMAN CREDIT FOR ICICI

According to an announcement made by the Industrial Credit and Investment Corporation of India, a further line of credit of DM 5 million from the Kreditanstalt fur Wiederaufbau (KfW) of the Federal Republic of Germany has been made available to ICICI. This is a part of the amount which the Federal Republic agreed to advance to the Government of India for the fourth year (1964-65) of the third Plan. With this loan the ICICI would have obtained through KfW a total amount of DM 40 million. Of the loans so far obtained by it from KfW, the ICICI has already sanctioned sub-loans exceeding DM 25 million. The ICICI has lines of credit in foreign currencies from the World Bank (aggregating US \$90 million), from the Agency for International Development (US \$5 million) and from KfW (DM 40 million). The lines of credit from KfW have, in fact, been an important supplementary source of finance which the ICICI has used for providing sub-loans to small projects and to companies in the cotton textile industry. The sub-loans have so far been provided to more than 35 companies.

DUTY ON RAYON YARN

The special duty on viscose rayon filament yarns has been reduced with effect from October 16, 1964, varying from 50 paise to Real per kilogram depending on the denier of the yarn. This follows representations from the indigenous rayon industry saying that it was faced with serious accumulation of stocks and that some reduction in excise duty on these products was essential to ease the situation. The duty on cellulosic staple fibres is also being reduced, but yarns spun out of such staple fibres, with or without the addition of cotton, will be required to pay duty at the same rates as cotton yarns (other than in straight hands) except that such yarns up to 14 "New French Counts" will be exempt from this yarn duty. Yarn spun out of non-cellulosic staple fibres such as "terylene", nylon etc., which were hitherto exempt from yarn duty, will also have to bear some duty. All these changes will take effect from October 16, 1964.

DUTY-FREE IMPORT OF RELIEF SUPPLIES

An agreement signed between India and the United Kingdom in New Delhi on October 20, 1964, provides for the duty-free entry into India of relief supplies and drugs donated by specified relief agencies in Britain to voluntary relief and rehabilitation organisations approved by the Government of India. Before the signing of this agreement all British donors of relief supplies had to meet the cost of paying import duties initially and then claim a refund. Arrangements have now been made for the relief supplies to be cleared free of duty

on arrival in India. The cost of freight and insurance of these supplies will be met by the donors up to the point of entry into India. Thereafter the costs of internal transportation from the point of entry to the destination will be defrayed by the Government of India. Such supplies will be confined to foodgrains and other foodstuffs including milk powder, processed foodstuffs and multipurpose foods, drugs and medicines, multi-vitamin tablets, hospital equipment and supplies, agricultural implements and any other donations agreed to by the signatory Governments. All foodstuffs and drugs exported from Britain under these arrangements will be certified by the British authorities as meeting the prescribed food and drugs standards. These foodstuffs will also have to conform to the standards prescribed under the Indian Prevention of Food Adulteration Act and Rules.

F.A.O. RECOMMENDATIONS

After a ten-day examination of the world commodity situation and allied matters at its meeting in Rome last month, the 24-man Committee of the Food and Agriculture Organisation of the UNO has reported that the recent increase in agricultural production, trade and prices had benefited the developing countries only to a limited extent. According to the findings of the Committee, most of the price increases in 1963 had occurred in respect of such commodities as wheat, wool, butter and meat. The Committee points out that the prices of some commodities which were important to the developing countries — such as rice, rubber, tea, cotton and jute — were actually lower in 1963 than in 1962, or showed little change. Sugar and coffee were, however, among the exceptions. The Committee has further observed that the immediate outlook holds no promise of early recovery in prices. As regards recommendations concerning specific commodities, the Committee has asked the Food and Agriculture Organisation to conduct studies on the comparative nutritive values of rice and other foodgrains and consider means to increase trade in rice among developing countries. It has also asked for a comprehensive study for analysing the economic effects of dairy development in economically backward countries and for the bringing out of an annual publication giving data on the consumption of natural and man-made fibres in different countries.

U.S. LOCOS FOR INDIA

India has placed a \$12,400,000 order for 54 diesel-electric locomotives with "ALCO Products Incorporated" of the USA. The US Agency for International Development is financing the purchase of the new order. The delivery, scheduled to begin shortly, will be completed by the first quarter of 1965. The heavy duty, mainline locomotives, known as model DL-560 will be used for hauling freight on the broad-gauge railway system of India. The 2600-horsepower DL-560 is the most powerful diesel-electric locomotive exported from the United States. Completion of delivery will bring to 357 the number of diesel-electric locomotives that ALCO has shipped to India. The US firm is also engaged in a 10-year collaboration agreement with the Indian Government under which it provides technical assistance for manufacturing facilities at Varanasi to build ALCO locomotives and diesel engines.

P & T GLOBAL TENDER

Global tender has been called by the Posts & Telegraphs Department for buying equipment for Delhi - Alwar - Jaipur micro-wave link. The new connection is expected to be built during the next 18 months. It will provide the first modern alternative tele-communication route between Delhi and Jaipur which are already connected by coaxial cable going via Agra. Coaxial and microwave links represent the latest and most modern advance in tele-communications. Following the laying of coaxial cables, a subscriber-to-subscriber trunk dialling between Delhi - Agra and Delhi - Jaipur have been introduced.

This system enables subscribers in any of these cities to call a telephone subscriber in any of the two other cities without going through the trunk exchange. The micro-wave link, on the other hand, uses wireless waves of extremely short-wave length giving several hundred telephone channels on one radio beam. The Delhi - Alwar - Jaipur micro-wave connection will comprise 960 channels. To direct the radio beams and strengthen the signals along the route, there will be six relay stations between Delhi and Jaipur. Tall towers will be built at these relay stations for mounting special aerials for receiving and sending out the radio beams. These towers are being specially designed to withstand Indian weather conditions, including gales raging at a velocity of 100 miles per hour. The new link is estimated to cost about Rs. 30 lakhs. The foreign exchange component of the equipment to be imported from abroad will be met out of the International Development Association's credit.

CANADIAN LOAN FOR STEEL PLANT

The Indian High Commissioner in Canada and the President of the Canadian Export Credits Insurance Corporation, signed on October 6, 1964 at Ottawa an agreement under which Canada will provide India with a credit of about two million dollars. The loan will be made available to the Hindustan Steel Limited, for purchase, from the Canadian firm of Amco Furnace Contractors Limited, of reheating and heat treating furnaces for the mills at Durgapur. This is the seventh agreement signed by the Canadian Export Credit Insurance Corporation with India.

GOAT HAIR EXPORTS TO U.S.A.

The Government of India and the 'Foreign Assets Control' of the US Treasury Department have agreed on the procedure for the issue of certificates of origin for export of goat-hair from India to the USA. Goat hair will not be allowed entry into the USA unless the consignments are certified by the Agricultural Marketing Adviser, Government of India, that the goat hair was processed in India from goat skins of Indian origin. Under this procedure the exporters of goat hair to the USA have to register themselves with the Directorate of Marketing and Inspection, Union Ministry of Food and Agriculture, and maintain registers showing details prescribed in the procedure such as purchases of goat hair and skins, production of goat hair, stocks and sales. An official representative of the Directorate will visit the premises of the registered exporters and inspect records maintained, at least once in every three months. When the exporter applies for a certificate of origin to the Directorate for the export of goat hair to the USA a representative of the Directorate will inspect the goat hair to be exported, and if satisfied, will seal the parcels containing the goat hair after packing is done in his presence. The Directorate will then issue a certificate of origin to the exporter covering the sealed parcels specified in the application for a certificate of origin. Shipments of the certified parcels of goat hair to the USA will have to be made by direct carrier from India to the USA or through bills of lading.

AMERICAN LOANS

The United States Government has extended credits totalling nearly Rs. 2 crores (\$4.2 million) to seven Indian firms, all of which have American equity participation.

These credits will help increase the production of fluorescent and mercury-vapour lights, steel forgings, gears, electric motors, power tools, a r-blast cleaning equipment, and lifts and escalators. The loans are being extended to the firms under the Cooley Amendment to the United States Public Law 480.

By manufacturing in India products several of which are

currently imported, considerable foreign exchange will be saved. In some instances, part of the output will be exported, earning additional foreign exchange.

The firms receiving the loans are Sylvania and Laxman Ltd. (Rs. 50 lakhs), the Shama Forge Co. Ltd. (Rs. 47.5 lakhs), Napco Bevel Gear of India Ltd. (Rs. 40 lakhs), American Universal Electric (India) Ltd. (Rs. 21 lakhs), Rockwell India Ltd. (Rs. 16.9 lakhs), Indabrador Ltd. (Rs. 14.3 lakhs) and the Otis Elevator Co. India Ltd. (Rs. 10 lakhs).

EXPORT OF PROCESSED FOODS

The export of various processed foods during the first four months of the current year (April to July 1964) was worth Rs. 99.04 lakhs compared to Rs. 92.00 lakhs during the corresponding period of last year. The increase was of the order of 7.61 per cent despite a steep fall in the export of wheat bran from Rs. 20.35 lakhs to Rs. 6.57 lakhs. Significant increases have been recorded in the exports of pickles and chutney, canned and bottled fruits, biscuits and confectionery and cocoa-cocoa concentrates.

METALS INVESTIGATION

The Indian Bureau of Mines has stepped up field investigation work concerning important metals. Since January last, it has taken up 17 new investigations in copper, limestone, iron ore, gold, salt and tungsten. Eight more investigations are likely to be undertaken shortly.

Of the 17 investigations taken up since January last, six investigations in copper, limestone and iron ore are likely to be completed by the end of this year. These are: Madhan Kudhan and Kolhan sections of the Khetri copper project; Niwar and Bela limestone projects and Bailadila and Chikmagalur iron ore investigations. Work on the other 11 investigations is likely to go beyond the current year. These are: Akwali and Bhagani sections of the Khetri copper project; Rakha Mines and Roam Sideswar blocks and Agnigundela copper investigations in the Rakha copper project; Drang and Guma sections of the Mandi salt investigations; Ramagiri gold investigations; Degana tungsten project and Bailadila and Bellary-Hospet iron ore investigations.

With the transfer of the entire coal prospecting work to the National Coal Development Corporation in April, 1964, more drills have been made available to the Indian Bureau of Mines. The total number of workable drills with the Bureau has increased from 29 to 63. It will go up further by 30 when some more new drills and the drills being reconditioned are received.

The Bureau expects that a preliminary assessment report on the Bellary-Hospet iron ore investigations will be available by the end of this year. Efforts are being made to complete this investigation by the middle of the next year. The limestone investigations are likely to be completed well within the scheduled time. Necessary steps are being taken to ensure this.

DOUBLE TAXATION AVOIDANCE AGREEMENT

An Indian Tax Delegation has returned after negotiations with the Governments of the United Arab Republic and France for agreements for the avoidance of double taxation of incomes with these countries. The delegation was led by Mr. V. T. Dehejia, Secretary, Union Ministry of Finance, and included Mr. J. P. Singh, Chairman, Central Board of Direct Taxes.

In Cairo, the Indian and the UAR delegations drew up a comprehensive draft agreement covering all the possible sources and types of incomes. It is based on the principles followed by India in similar agreements with other countries,

subject to necessary modifications to suit the conditions prevailing in the UAR. The agreement will come into force after the draft is approved by the two Governments and Instruments of Ratification are exchanged.

In Paris, the Indian delegation completed the pending negotiations for an agreement with a tax delegation of the French Government. The discussions resulted in a settlement of the outstanding points relating to an earlier draft agreement for the avoidance of double taxation of incomes between the two countries on a comprehensive basis. This draft also embodies the principles which have been followed by India with other countries. A formal agreement is now expected to be concluded shortly.

HEAVY DUTY BRICKS

The National Buildings Organisation of the Union Ministry of Works and Housing is going to establish an integrated plant for the production of facing bricks, heavy duty bricks and vitreous clay tiles. The proposed plant will have a capacity of producing 2.5 million facing bricks, 2 million heavy duty bricks and 0.5 million sq. ft. vitreous clay tiles per year from clays of the Indo-Gangetic plain. The capital investment required will be Rs. 8,50,000, the foreign exchange component of which will be about Rs. 50,000 only. The heavy duty bricks, called engineering bricks, are known for their high strength and can be used in multistoreyed construction for load bearing purpose. Facing bricks for external cladding are likely to be in good demand in big cities because they do away with plastering. Paving and flooring bricks can replace the concrete and other special floors which are resistant to heat and chemical attack.

The vitreous clay tiles provide a permanent floor finish and are cheaper than conventional flooring material. The use of these products will result in saving of cement and a reduction in the cost of construction. A pavement constructed with paving bricks will save about 0.16 tons of cement per 100 sq. ft. The vitreous clay tiles will be cheaper and are estimated to cost Rs. 24 as against the cost of cement and "terrazzo" tiles which ranges from Rs. 55 to Rs. 155 per 100 sq. ft.

THE MYSORE KIRLOSKAR LTD.,

Yantrapur P.O. Harihar (India)

NOTICE

NOTICE is hereby given that the 23rd Annual General Meeting of the Company will be held on Saturday the 28th November, 1964, at 3-30 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 shareholders separately by notice sent them individually.

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 of the Company.

The Share Transfer Books of the Company will remain closed from the 20th November, 1964 to 28th November, 1964 (both days inclusive).

By Order of the Board,
for THE MYSORE KIRLOSKAR LTD.,
V. K. BODAS,
Secretary.

P.O. Yantrapur
Harihar

Date: 23rd September, 1964.



LET A LATHE MAKE HIS LIFE

Ramlat: Abdul, I have brought my son Narayan to show him your workshop.

Abdul: With pleasure, Ramlat. Narayan, now that you have finished your studies what you wish to do for the future?

Narayan: Uncle, we came here to seek your advice in this matter.

Abdul: I shall gladly give it. Let us go on our round of the workshop.

Ramlat: Abdul, I am seeing your workshop after some years and I am glad to observe that you have very much increased your operations.

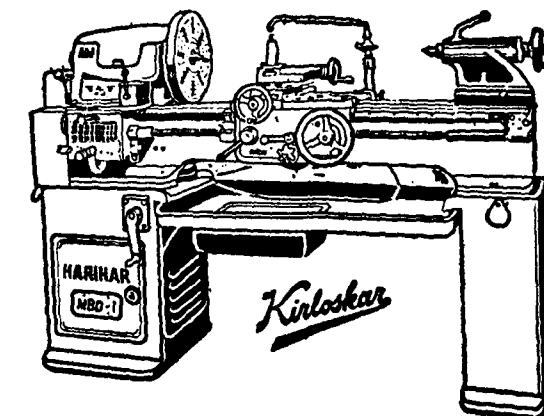
Abdul: You are right. I had only one Harihar Lathe when I started. I have built up by intelligent and hard work a reputation for good workmanship and my business is growing every year. We insist here on always doing a thorough job.

Ramlat: I am very happy about your progress. But tell me, Abdul, why you have all Mysore Kirloskar Lathes only installed here?

Abdul: Ramlat, the first lathe gave me such satisfactory work that I bought another of the same model. I then made a rule that we should have only Mysore Kirloskar Lathes in this workshop. Made by a pioneer manufacturer, these Lathes are dependable, sturdy, always up-to-date in design and construction. They are economical and need practically no servicing.

Ramlat: Now turning back to the question of Narayan's future what do you suggest?

Abdul: Well, seeing my workshop is an advice in itself. I suggest that you get him started as I did with a Kirloskar Lathe and lead him to a life of independence. If he wants I shall arrange for his training in my workshop where he will learn to operate these various lathes made by Kirloskar.



Kirloskar Lathes - Pilots of Progress

MANUFACTURERS:

THE MYSORE KIRLOSKAR LTD.

Regd. Office: YANTRAPUR P.O., HARIHAR, (MYSORE STATE)

Please Contact: **BATLIBOI & COMPANY PRIVATE LIMITED** | 55/5, G.B. ROAD, DELHI.

Company Affairs

TATA CHEMICALS

THE DIRECTORS of Tata Chemicals Limited have recommended the payment of dividend at the rate of 14 per cent for the year ended June 30, 1964 as against 10 per cent paid last year. The increase in distribution includes a bonus element of 1.50 per cent. The sales of the company have touched the new high of Rs. 756.41 lakhs and gross profit also was higher at Rs. 174.09 lakhs as against Rs. 134.06 lakhs last year. The provision for depreciation has been raised from Rs. 44.18 lakhs to Rs. 69.50 lakhs — a part of the increase being due to the provision for third shift working. After a provision of Rs. 35.25 lakhs for taxation there is a net profit of Rs. 69.34 lakhs. A sum of Rs. 10.88 lakhs is provided for development rebate reserve and Rs. 11.85 lakhs for general reserve.

The increase in profit was due to several favourable factors which include a higher production and sale of light and heavy soda ash — a record harvest of salt altogether eliminating the need to purchase salt during the year which has been a regular feature during the recent years. It also meant lower cost of production and higher realisation from the sales of the soda ash. Mr. J. R. D. Tata, Chairman, in a statement to the shareholders has stated that the company had attained the stage of self-sustained growth and that barring unforeseen circumstances, the investment would yield increasing returns. He added that production of soda ash exceeded the rated capacity of 400 tonnes per day. The company has decided to increase the rated capacity of the plant from 400 to 600 tonnes per day which can be achieved quickly and financed from the company's internal resources.

DECCAN SUGAR

The directors of the Deccan Sugar and Abkari Company Limited has recommended a final dividend of 11.5 per cent for the year ended May 30, 1964, making a total of 18 per cent for the year. Considering the facts that this distribution is on the increased capital, this maintenance of dividend is a reflection of improved results. A sum of Rs. 18.55 lakhs is provided for taxation, Rs. 1.35 lakhs for development rebate reserve and Rs. 5.30 lakhs for rehabilitation reserve. The proposed dividend absorbs Rs. 7.93 lakhs.

RUBY MILLS

The Ruby Mills Limited has shown substantial improvement in its working for the year ended March 31, 1964 and consequently the directors have proposed the payment of dividend at the rate of 10 per cent as against 8 per cent last year. The gross profit has gone up from Rs. 13.75 lakhs to Rs. 16.30 lakhs. The provision for depreciation has been raised from Rs. 6.33 lakhs to Rs. 9.43 lakhs and taxation from Rs. 1.15 lakhs to Rs. 3 lakhs. The net profit is slightly lower at Rs. 3.19 lakhs as against Rs. 5.53 lakhs last year. A sum of Rs. 1.51 lakhs is provided for development rebate reserve as against Rs. 3.70 lakhs last year. The total sales of cloth, yarn and waste amounted to Rs. 1.42 crores against Rs. 1.27 crores last year.

VALLABH GLASS

The working of Shree Vallabh Glass Works Limited for 1964-65 is expected to improve considerably because its sales for the first half of the current year have amounted to Rs. 50 lakhs. In other words it expects to reach a sales target of Rs. 1 crore in 1964-65 as against the sale proceed of Rs. 45 lakhs in 1963-64. The company is at present producing about 1,500 tons of sheet glass per month against the licensed capacity of 1,200 tons. The position with regard to figured glass is, however, not satisfactory because of over-production on the part of several manufacturers in the country. The com-

pany has been able to sell only 50 per cent of its production of figured glass. At present it produces 950 tons of such glass which is its licensed capacity.

The mirror plant with a capacity of 6,000 sq. feet of mirror glass per day is expected to go into production by the middle of 1965. For this plant the company has secured the technical collaboration of an American firm. Good demand is expected for mirror from consumers like the railways and steel furniture manufacturers. It has also finalised the technical collaboration arrangement with a leading American firm for its polished plate glass project, which will involve a capital outlay of about Rs. 2 crores.

JAYA SHREE TEXTILES

The Jaya Shree Textile Industries Limited has extended the time limit to November 15 for submitting applications for right equity shares, subject to payment of interest at 9 per cent per annum from September 1 to the date of receipt of application by the company along with full payment thereof.

BANK OF RAJASTHAN

With the opening of a branch at Newai, the Bank of Rajasthan claims to have 49 branches, which is considerably good progress in its working during the last 21 years. Mr. Har mao Upadhyaya, Minister for Education in Rajasthan State Government, while inaugurating the branch expressed satisfaction over the fact that the bank of Rajasthan was spreading its activity in the rural areas and was serving the interests of the community. The Bank of Rajasthan has 14 of its branches located in towns with less than 25,000 population. The Bank has taken into consideration the fact that it should spread its activity at places where no adequate banking facilities exist already. In this way it has been helping in the process of savings. The secretary of the board of directors indicated that the Bank had persuaded the Reserve Bank of India to permit the Bank to open its branches in Calcutta, Ahmedabad and Indore so that it can operate more efficiently.

SOUTH INDIA SHIPPING CORPN.

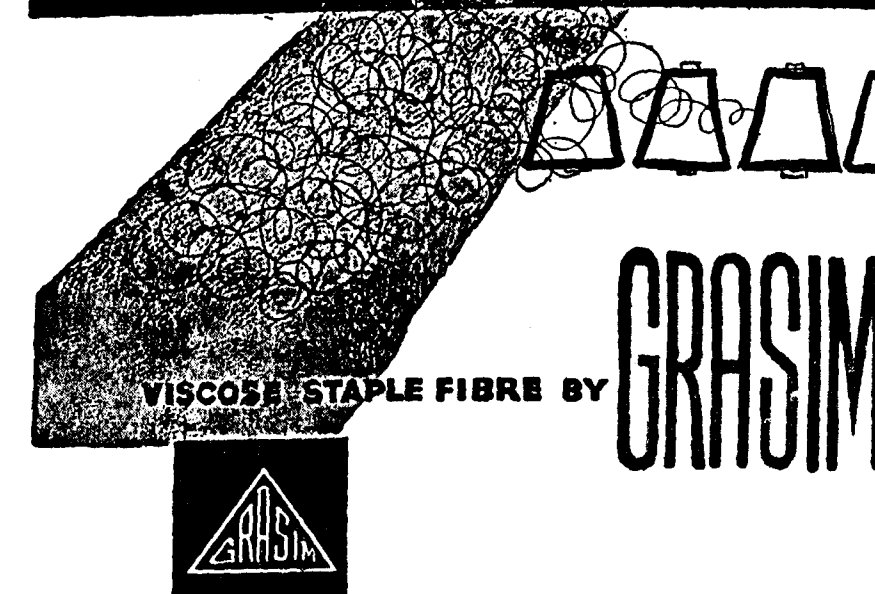
The P. & O. Steam Navigation Company and the Anglo-Norness Shipping Company, who are associated in the business of bulk carrying, have accepted an invitation to take up a 35 per cent and a five per cent share respectively of the initial issued capital of Rs. two crores (£1.5 million) of a new Indian shipping company, the South India Shipping Corporation Limited. The project has been approved by the Shipping Development Fund Committee of the Government of India.

The South India Shipping Corporation Limited has placed an order with the Bremen Vulkan Shipyard, Bremen, for five bulk carriers, each of 38,000 tons deadweight, designed for the carriage of ore, grain and other bulk cargoes. Mr. A. D. Shroff is the Chairman of the South India Shipping Corporation. The P. and O. Steam Navigation Company will be represented on the South India Shipping Corporation Board by Mr K. M. Campbell, London, and Mr. J. W. Anson, Bombay. Lord Inchcape, who has large industrial interests in India, has also agreed to join the Board of Directors.

SHREE KRISHNA ISSUE

Shree Krishna Rajendra Mills Limited, Mysore proposes to issue right shares in the proportion of one for one. The company has recently changed hands and modernisation has been initiated to achieve efficiency and economy in production. The finance realised from the issue of right shares will be utilised for the modernisation programme. The authorised capital of the company is Rs. 1 crore divided into 20,000 tax free redeemable cumulative preference shares (95 per cent) of Rs. 100 each and 160,000 equity shares of Rs. 50

PROGRESS THROUGH
CHEMISTRY



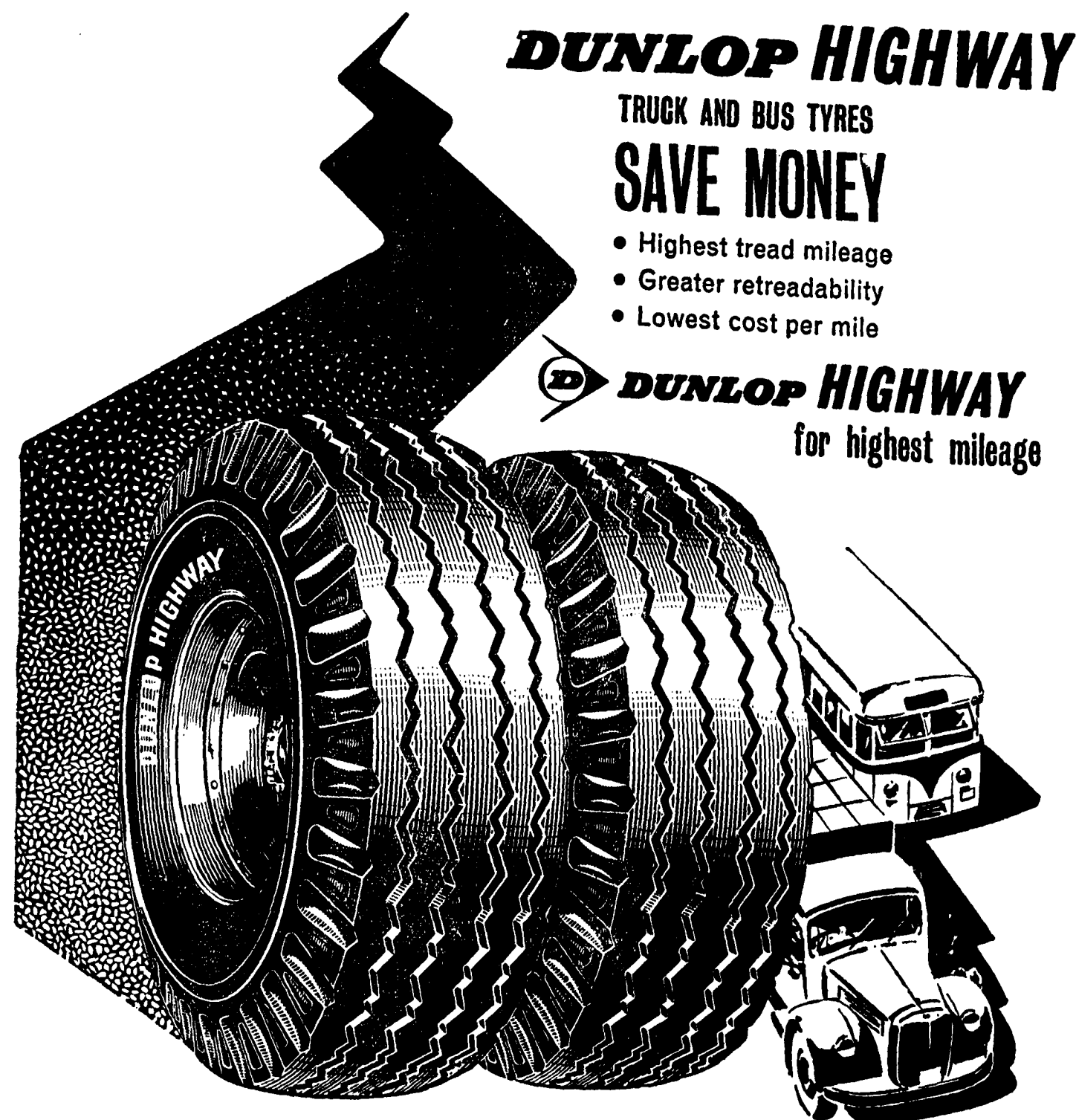
FOR
COTTON OR WOOLLEN SYSTEM
MOST VERSATILE OF MAN-MADE FIBRE
SPIN
COTTON/STAPLE BLEND or WOOL/STAPLE BLEND
AND IMPROVE
YOUR PRODUCT AND MILL EFFICIENCY

PLEASE CONTACT
THE GWALIOR RAYON SILK MFG (WVG)
COMPANY LIMITED
(Staple Fibre Division)

P.O. Birlagram, Nagda (W. Rly) M.P.

Gram : GRASIM

Phone : Ratlam : 88



each. The issued capital is Rs. 39.84 lakhs divided into 79,683 equity shares of Rs. 50 each out of which 72,394 equity shares of Rs. 50 are fully paid-up.

DALMIA CEMENT

Dalmia Cement (Bharat) Limited proposes to take over Hind Ceramics Ltd. by acquiring all its preference and equity capital. It will purchase 1,250 equity shares of Rs. 100 each at Rs. 125 per share and 5,000 (6 per cent tax free) cumulative preference shares of Rs. 100 each at par.

Hind Ceramics Ltd. is currently engaged in the manufacture of sanitary wares and stone-ware pipes. It has incurred losses during the years 1960, 1962 and 1963 and is finding it increasingly difficult to run its plant due to inadequacy of funds and lack of proper supervision and technical expertise. Its assets as on December 31, 1962 are valued at Rs. 23.80 lakhs against the written down value of Rs. 15.05 lakhs. The directors of Dalmia Cement feel that with proper management and technical improvements it will be able to earn reasonable profit.

HINDUSTAN LEVER

Hindustan Lever has decided to pay, in respect of 1964, an interim dividend of 60 paise per share, subject to deduction of tax. The dividend is to be payable on November 16, 1964 to shareholders registered in the books of the company at the close of business on November 4, 1964. The transfer books and the register of members of the company will remain closed from November 6 to 18, 1964 (both days inclusive).

CAPITAL ISSUES

Eight companies have been authorised to raise capital exceeding Rs. 8.82 crores. The consent of the Controller of Capital Issues is valid for 12 months in all the cases.

Khare & Tarkunde Private Limited, Nagpur, is to issue a capital of Rs. 98,600 divided into 986 equity shares of Rs. 100 each, to be allotted as bonus shares to the existing shareholders of the company, on capitalisation of the company's reserves to a like extent.

Dunlop Rubber Co. (India) Limited is to issue capital of Rs. 3 crores, being 15,00,000 equity shares of Rs. 10 each at a premium of Rs. 10 per share. The capital will be issued to the existing shareholders in the ratio of one to three. The money will be utilised for the expansion projects of the company at Sahagunj and Ambatur estimated to cost Rs. 340 lakhs.

Grindwell Abrasives Limited, Army and Navy building, Mahatma Gandhi Road, Bombay, will be issuing Rs. 6 lakhs bonus capital in shares of Rs. 100 each to be allotted to the existing shareholders.

Ghaziabad Engineering Company (Pvt.) Limited, Ghaziabad, engaged in the manufacture of harrows and trailers and household electrical implements, will be issuing bonus shares of the value of Rs. 1.75 lakhs on capitalisation of reserves.

Ahmedabad Advance Mills Ltd., Bombay, is to issue capital of Rs. 95 lakhs consisting of (i) Rs. 70 lakhs in 7,000-5½ per cent mortgage debentures of Rs. 1,000 each for cash at par; (ii) Rs. 10 lakhs in ordinary shares of Rs. 100 each to be issued as bonus shares in the ratio of one share for every 5 shares held on capitalisation of the share premium account; and (iii) Rs. 15 lakhs in ordinary shares of Rs. 100 each for cash at par to the existing shareholders in the ratio of one share for every 4 shares held. The capital from the debentures and rights cash issue will be utilised for modernisa-

tion and renovation of the mills engaged in the production of cloth.

Hindustan Ferodo Limited, Bombay, is to issue capital of Rs. 2,68,01,330 in equity shares of Rs. 10 each. Of this capital, Rs. 145.00 lakhs will be issued to Asbestos, Magnesia and Friction Materials Ltd., for taking over their existing assets and Rs. 53,33,330 to their parent company of Turner & Newall Ltd., U.K. for cash at par. The rest of the capital of Rs. 69.68 lakhs will be offered to the Indian public by prospectus at a premium of Rs. 17 per share. The money will be utilised for expansion and manufacture of new articles.

Modi Spg. & Wvg. Mills Company, Limited, Modinagar, is to issue further capital of Rs. 86,50,320 in equity shares of Rs. 10 each as rights shares for cash at par. The capital will be utilised for financing the installation of 25,000 spindles for the manufacture of sewing thread, hosiery, etc.

Indian Copper Corporation Limited, Calcutta, will be issuing capital of Rs. 125 lakhs in 12,500-7 per cent registered debentures of Rs. 1,000 each for cash at par. The debentures will be issued to the Indian public by prospectus. The money will be utilised for financing the expansion of mine ore production and the setting up of a sulphuric acid plant.

LICENCES ISSUED

The following licences have been issued under the Industries (Development and Regulation) Act, 1951 — during the fortnight ended 19th September, 1964. The list contains the names and addresses of the licensees, the articles of manufacture and annual installed capacity.

INORGANIC HEAVY CHEMICALS

The Anil Starch Products Ltd., Anil Road, P. B. No. 1062, Ahmedabad-2 (Ahmedabad, Gujarat) — Sulphuric Acid 12,600 tonnes per annum.

EXPLOSIVES INCLUDING GUN POWDER

Shri M. Krishnaswami, 20-C, St. John's Road, Secunderabad (Dn.) (Hyderabad, Andhra Pradesh) — Safety fuse 12,00,000 coils per annum.

COTTON TEXTILES

Sundaram Spinning Mills, Komarapalayam, P.O. Via Erode (Madras) — 100 automatic looms for the manufacture of cotton cloth. The Tamil Nadu Cottage Industries Ltd., 16, Anbu Nilayam, Royapuram Extension, Tirupur (Madras) — 12,000 spindles. Tirupur Textiles Pvt. Ltd., P.B.No. 108, Avanasni Road, Tirupur (Madras) — 13,000 spindles. Nutan Mills Ltd., Anil Road, Ahmedabad-2 (Gujarat) — 2,800 spindles.

OTHER PRODUCTS OF IRON & STEEL

Khemchand Rajkumar, 33, Netaji Subhas Road, Calcutta-1 (Kolkata, Thana, Maharashtra) — Electrolytic Tinplates 60,000 tonnes.

JUTE MACHINERY

Texwell Private Ltd., P-21/22, Radha Bazar Street, Calcutta-1 (Calcutta, West Bengal) — Felt Friction Bobs for Jute Industry — 84 lakh pieces.

ORGANIC HEAVY CHEMICALS

Indian Vegetable Products Ltd., Forbes Building, Home Street, Bombay-1 (Bombay, Maharashtra) — 1. Esters — 250 tonnes; 2. Fatty acid chlorides — 100 tonnes 3. Lauroyl Peroxide — 50 tonnes 4. Benzoyl Peroxide — 50 tonnes.

SYNTHETIC RESINS AND PLASTICS

Polyolefins Industries Ltd., Mafatlal House, Backbay Re-

clamation, Bombay (Thana, Maharashtra) — High density polyethylene 20,000 tonnes. Processed polyethylene products 5,600 tonnes. Ziegler catalysts 320 tonnes.

DRUGS AND PHARMACEUTICALS

Standard Pharmaceutical Limited, 67, Dr. Suresh Sarkar Road, Calcutta-14 (Calcutta, West Bengal) — (a) Tetracycline Capsules (250 mg.) — 24,00,000. (b) Tetracycline — chloramphenicol capsules (125 mg. each) — 12,00,000. (c) Chloramphenicol di-hydrostreptomycin capsules (216.25 mg.) 125.00 mg. — 12,00,000. Standard Pharmaceuticals Ltd., 67, Dr. Suresh Sarkar Road, Calcutta-14 (Calcutta, West Bengal) — (a) Tetracycline Pediatric drops — 18,000 kg. (b) Chloramphenicol — dihydrostrepto syrup — 6,000 kg. (c) Chloramphenicol pediatric syrup — 6,000 kg. Glaxo Laboratories (India) Private Ltd., Dr. Annie Besant Road, Worli, Bombay-18 (Bombay, Maharashtra) — Capramin tablets — 120 lakh tablets. Macraben injection (Injection of Vitamin B₁₂ — vitamin B₁₂ - 5Ml — 12 lakh vials. Wyeth Laboratories Ltd., Steelcrete House, Dinshaw Wachha Road, Bombay-1 (Bombay, Maharashtra)—1. Norethisterone B.P. tablets 4 mg, 2 mg, and 2.5 mg. — 5,00,000 tablets. 2. Noreth sterone Acetate tablets 4 mg, 2 mg, and 2.5 mg. — 5,00,000 tablets. 3. Methylprednisolone tablets 4 mg, 2 mg. — 35,00,000 tablets. 4. Methylprednisolone injections 40 mg. — 5,00,000 vials. 5. Fluoxymesterone B.P. tablets 2 mg, and 5 mg. — 10,00,000 tablets. 6. Nandrolone Phenyl propionate B.P. 2 mg. tablets — 12,50,000 tablets. 7. Nandrolone Phenyl propionate injections 50 mg. — 5,00,000 vials. 8. Norethandrolone B.P. tablets 10 mg. — 1,00,000 tablets. 9. Norethandrolone B.P. injections 25 mg. — 50,000 vials. 10. Norethandrolone B.P. drops 0.25 mg. — 5 litres. 11. Hydroxyprogesterone capronate tablets 2 mg. — 10,00,000 tablets. 12. Hydroxyprogesterone capronate injections 250 mg. — 12,000 vials.

COTTON TEXTILES

Smt. Parvathi Arjunan, M.L.A., Palayakottai Post, Dharpuram Taluk, (via) Erode (Kolar Gold Field Area, Mysore) — 24,000 spindles for manufacture of cotton yarn.

FLOUR

Andhra Roller Flour Mills, Mustafa Building, Jawaharlal Nehru Road, Berbun, Hyderabad-8 (Hyderabad, Andhra Pradesh) — Wheat products, Atta, Maida, Suji and Bran, 2,625 million tonnes per month. Shri Ratnakar Umanath Hattikudur, Empresa Industrial Krishna Ltd., Sanvordem — Curcho-rem (proposed name: Empresa Industrial Krishna Ltd.) (Sanvordemurchorem, Goa) — Wheat products, (Atta, Maida, Suji and Bran), 1,260 million tonnes per annum.

LETTERS OF INTENT

The following letters of intent have been issued during the fortnight ended 19th September, 1964, to parties who have applied for licences under the Industries (Development and Regulation) Act, 1951.

M/s. Machinery Manufacturers Corporation Limited, P. 61-B, Circular Garden Reach, Road, Calcutta-43 (Calcutta, West Bengal) — Crosrol-varga web Purifier, Crosrol-varga High Production Units, Crosrol-varga Tandem Carding System, Semi High Production Unit, Cotton Waste Web Purifier, Woolen Web Purifier — 2,000 units. M/s. Bhai Sunder Dass Sardar Singh Pvt. Ltd., 4/23-B, Asaf Ali Road, New Delhi-1 (Punjab) — Hot asphalt plants crushers and concrete pumps. M/s. Sen & Pandit Industries Ltd., Mercantile Buildings, Lall Bazar, Calcutta-1 (West Bengal) — Bicycle Tube valves 1.2 million nos. M/s. J. K. Synthetics Ltd., Kamla Tower, Kan-

pur (Kota, Rajasthan) — Nylon yarn — 11 lakh kgs. M/s. Ashok Ramanlal, Kasurchand Mills Estate, Dadar, Bombay-28 (Thana, Maharashtra) — Nylon yarn — 7.2 lakh kgs. M/s. Elpro International Ltd., 20, Graham Road, Ballard Estate, Bombay-1 (Maharashtra) — (1) High Pressure sterilizers — 189. (2) Boiling type sterilizers — 390. (3) Water stills — 90. (4) Operation tables — 170. (5) Operation theatre lights — 410. (6) Suction pumps — 250. M/s. Siemens Engg. & Mfg. Co. of India Ltd., 81/33, Veer Nariman Road, Church Gate, Bombay-1 (Maharashtra) — X-Ray Equipment. M/s. J. K. Synthetics Ltd. Kamla Tower Kanpur (Rajasthan) — Nylon staple fibre 18 lakh kgs. M/s. Universal Radiators, Mettupalayam Road, Coimbatore-11 (Madras) — Inter coolers and after coolers — 18,000 Nos. M/s. Bombay Company Private Limited, 9, Wallace Street, Fort, Bombay-1 (Maharashtra) — Foundry equipment, Rs. 1.5 crores worth a year.

M/s. Shakti Insulated Wires Private Limited, Bansilal Motilal Mansion, 22, Apollo Street, Bombay-1 (Maharashtra) — Enamelled wires 1,200 tons. Shri Madan Gopal Todi, 177B, Chitranjan Avenue, Calcutta-7 (West Bengal) — 1. L.T. Circuit Breakers — 1,000 nos. 2. L.T. Control Boards — 100 nos. 3. L.T. Switch Boards — 300 nos. M/s. The Ahmedabad Manufacturing and Calico Printing Co. Ltd., (Chemicals and Plastics Division), Anik, Chambur, Bombay-71 (Maharashtra) — Trichloroethylene and related solvents — from 1980 to 3000 tons. M/s. Indo-American Electricals Limited, 21, Old Court House Street, Calcutta-1 (West Bengal) — Enamelled copper strips, 780 tons. M/s. The Hindustan Machine Tools Ltd., P.O. Jalahalli, Bangalore-13 (Sanatnagar, Andhra Pradesh) — 1. Special purpose machines. 2. Gear-shaping machines. 3. Gear hobbing machines. 4. Metal forming machines. 5. Boring machines — 1,008 machines. M/s. Mather Greaves Ltd., Forbes Street, Post Box No. 91, Bombay-1 (Maharashtra) — Centrifugal pumps up to 30" (including spare parts therefor) 600 nos. M/s. Biological Evans Private Ltd., Cooks Building, 324, Dr. D. Naoroji Road, Bombay-1 (Andhra Pradesh) — Surgical sutures (2.16 million tubes). M/s. Podar Mills Limited, 'Podar Chambers' Parsi Bazar Street, Fort, Bombay-1 (Rajasthan) — Vee Belts and Fan Belts — 5,00,000 nos.

LICENCES REVOKED OR SURRENDERED

During the fortnight ended 19th September, 1964.

(The particulars refer to specific licences)

M/s. B. K. Khanna & Co., Private Limited, New Delhi. Name of the Undertaking: M/s. Shama Bearings Ltd. — Thin-walled bearings. M/s. Jhelum Spinning and Weaving Mills Ltd., Azadpur, Delhi — Cotton yarn.

M/s. Purshottamlal Jhunjhunwala, Bombay — Potassium Chloride and Magnesium Sulphate. M/s. Indian Drugs and Pharmaceuticals Ltd. New Delhi — Drugs from medical plants.

CHANGE IN NAMES (Owners or Undertakings)

During the fortnight ended 19th September, 1964.

(The particulars refer to specific licences)

From M/s. The Standard Vacuum Oil Company, Bombay to M/s. Esso Standard Eastern Inc., Bombay. From M/s. Murgappa Chigateri and Sons, Davengere to M/s. Chigateri Bros. Davengere.

From Shri N. J. Patel, Baroda to M/s. N. J. Matal Screens Manufacturers Private Limited, Baroda. From Shri P.V.P. Naidu, Madras to M/s. Micro Tools Limited, Madras. From M/s. Indo-Burma Trading Corporation, Madras to M/s. East Coast Oil Corporation, Madras.

BOOKS BRIEFLY

Demand Theory Analysed

Demand Theory and Economic Calculation in a Mixed Economy: By Dr. H. K. Manmohan Singh; George Allen and Unwin; Pp. 135; Price 21s.

Reviewed by SATISH C. MEHTA

THE BOOK under review deals with a subject seldom treated in detail by economists in India. It is a treatise on the "logical theory of demand" with an attempt at demonstrating the role of the theory as an aid to a policy of economic development in underdeveloped countries. The validity of the assumptions of the theory is examined in the context of an economic model of a planned mixed economy moving away from capitalism and towards socialism in the process of economic development. The book is divided into two parts of unequal lengths comprising seven chapters. Part I gives a systematic non-mathematical exposition of the three sources of the micro theory of demand, viz., (i) the Marshallian marginal utility hypothesis, (ii) the Hicks-Allen indifference-preference hypothesis, and (iii) the Samuelsonian revealed preference hypothesis. Appended to an analysis of these hypotheses is a discussion on the "Development and Use of Indifference Curves" and "Neumann-Morgenstern Method of Measuring Utility."

After conducting a very competent and comprehensive survey of the roots of micro theory of demand in Part I of the book the author proceeds to examine, in Part II, its usefulness in a planned mixed economy (like that of India) which has adopted State-directed planning as a policy for economic development. Finally, the subject of the extent to which the assumptions of the Law of Demand hold good for such an economy, is examined in the last chapter.

The author first examines the role of demand in a free enterprise economy in order to demonstrate that it plays a definite and positive functional role in a planned mixed economy. In a free enterprise economy, consumer's demand helps the disposition of productive resources amongst alternative uses and the given output gets distributed amongst individuals according to demand prices. The faults in the working of this system are that (i) it takes cognizance of only those goods which are in existence and does not take into account those goods which may be produced in future, (ii) production is based on expected demand and (iii) it only applies to the production and distribution of "private goods" and excludes the analysis of production and distribution of "public goods."

Underdeveloped countries are likely to follow the Soviet method of planning because of its remarkable achievements. But the Soviet method assigns no role to price mechanism and depends on "direct co-ordination of physical magnitudes." The author believes that "in a system that does not make use of demand prices there must be a large element of arbitrariness". Such a system is bound to be susceptible to gross divergences from the "ideal distribution of resources". He further adds that "in the absence of the market mechanism further adds that "in the absence of the market mechanism the clash between the planner's and consumer's preference schedules seems to be ineluctable". Prof. Oscar Lange, while commenting on the 'New Economic Model' of Poland, argues that "The fixing of prices should be the basic means of linking these socialist enterprises to one another, as well as of linking these enterprises to the consumers and private producers (peasants and artisans). In other words these links should be based on and artisans). In other words these links should be based on the functioning of the law of value". The under-developed countries (like India) are following the Polish and not the Soviet method of central planning.

The applicability of the demand theory to underdeveloped countries is discussed in the last chapter by analysing the "implicit" and "explicit" assumptions of the theory. The implicit assumptions are the abstraction of the theory from price controls and drawing of inferences from individual preferences alone. Price controls are a reality both in underdeveloped and developed countries and they have come to stay due to various reasons. In under-developed countries they become a necessity for securing planned increase in investment, for checking price inflation fostered by increased demand for essential goods and for checking violent price fluctuations due to inelastic demand and supply conditions of essential goods. Though price controls are responsible for causing malfunctioning of the economy, they cannot be avoided and must be taken as "a datum internal to the system". The deductions of the theory based solely on individual preferences do not recognize preferences of the State, based on its own values, and expressed in terms of a large variety and quantity of public goods.

The author concludes that some of the limitations of the micro theory of demand can be lifted and it can be extended so as to cover the field of the problem of "primary planning", i.e., allocation of productive resources amongst alternative uses and the distribution of turnover amongst different individuals, in a mixed planned economy. This reviewer wholeheartedly recommends the book — a product of first-rate scholarship and years of sustained labour — to advanced students of Economic Theory and fellow-economists interested in the subject.

THE CORPORATE SECTOR

The Investor's India Year-Book: Compiled by Place, Sidons & Gough Private Limited and Published by Orient Longmans; Pp. 470; Price Rs. 25.

The Madras Stock Exchange Official Year-Book, 1962-63: Compiled and published by Madras Stock Exchange Limited, Madras; Pp. 1112; Price Rs. 12.50

THE FIFTIETH edition of the Investor's India Year-Book presents a detailed picture of the corporate sector for the last ten years. The balance sheets of almost all the joint stock companies have been analysed to give the comparative figures of sales, profits, depreciation, reserve funds, dividends and the share prices up to the year 1963. It also contains a list of the prices of important shares quoted at all the stock markets as at the beginning and at the end of 1963, as also towards the middle of 1964. It also contains a list of important new issues offered to the public from September, 1963 to July, 1964. It has been brought up to date to make it a reliable reference book for those who are interested in the economics of the corporate sector.

The Madras Stock Exchange Official Year-Book, in the eleventh edition, maintains all its usual features and information and has been brought up-to-date wherever necessary. Particulars regarding all the companies officially listed on the Madras Exchange and those of a large number of important companies listed on other recognised stock exchanges have been included. Details have been given of the companies which raised capital in the market during the last three years. It also contains information relating to Central and other State loans, schedule of income-tax, rates of estate duty and other taxes.

RECORDS AND STATISTICS

Industrial Growth Key To Prosperity

INCREASES in industrial output were registered during 1963. The index of industrial production, which stood at 163.3, recorded an increase of 9.2 per cent over 1962. This rate of growth was higher than what was registered in the previous year (8.0 per cent).

All the groups constituting the index, except food manufacturing industries and tobacco industries, showed an upward trend. Even in the case of tobacco industries the decline, being less than one per cent, was negligible. The small decline of 4 per cent in food manufacturing industries was mainly accounted for by a fall of 5 per cent in the output of sugar. The remaining items in this group like wheat flour, vanaspati, coffee and salt recorded increases in output.

In the textile group, the highest increase of 20 per cent occurred in the woollen textiles group. The production of woollen/worsted fabrics rose from 18 million metres to 20 million metres and of woollen/worsted yarn rose from 18 million kgs. to 23 million kgs. This was mainly because this industry, being one of the defence-oriented industries, received special encouragement. Cotton textiles and jute textiles recorded much lower increases of 6 per cent. The increase in silk and synthetic fibres, being 10 per cent, was however much more appreciable.

A substantial increase of 38 per cent was noticed in aluminium manufacturing. The production of aluminium rose from 35 thousand tonnes to 53 thousand tonnes. The increase was mainly due to the coming into full production of a new unit which had commenced operations in the previous year. There was a sizable increase of 14 per cent in iron and steel basic industries also. These two together raised the index for the basic metals group by a further 14 per cent.

Chemicals to the Fore

Among the other groups which registered appreciable increases were chemicals and chemical products (22.6 per cent) and machinery, other than electrical machines (25.1 per cent). The increase in chemicals was on account of substantial increases in the output of almost all the constituent items such as sulphuric acid, caustic soda, soda ash, superphosphates and ammonium sulphate. In some of these industries, like sulphuric acid, caustic soda, superphosphates and ammonium sulphate new units and expansion projects of existing units came into production, which added to the installed capacity.

The increase in the index for machinery (other than electrical) was mainly due to increased output in diesel engines, ring spinning frames, machine tools, power driven pumps and ball bearings.

Substantial increases of 19 per cent to 20 per cent was also noticed in footwear, wood and cork, paper and paper products and leather and fur products.

Industrial expansion was considerably facilitated by an increase in the output of coal (9 per cent) and electricity (15 per cent).

The upward trend in production noticed in 1963 continued in the first half of the current year, although the rate of growth was lower. The index of industrial production for January - June 1964 (seasonally adjusted), at 170.6, was higher than the index for the corresponding period of last year by 6.8 per cent.

A larger number of constituent groups recorded a decline. These included mining and quarrying, woollen textiles, footwear, leather and fur products, basic metals including iron

and steel basic industries, copper smelting and brass manufacture. The decline in basic metals at 1.4 per cent was, however, small. The production of woollen/worsted fabrics at 6 million metres declined appreciably. There was a decline, although somewhat smaller, in woollen/worsted yarn also. A tapering off in the defence demand and shortage of foreign exchange for production of these goods for civilian consumption were mainly responsible for this decline. As in past years, there was a further conspicuous increase (18 per cent) in the output of electricity.

All the remaining groups registered increases. The most conspicuous increase, at 29.6 per cent, occurred in transport equipment. All the items in this group namely, automobiles, motor cycles, scooters, three wheelers, railway wagons and bicycles recorded sizable increases. In the case of automobiles, the increase was due mainly to higher production of jeeps and trucks. Increases in the output of railway wagons, was, in part, due to some additions to installed capacity which had taken place in 1963.

Increase in Textiles

Although there was a decline in woollen textiles, the overall index for textiles registered an increase of 6 per cent. This was due to a substantial increase (28 per cent) in silk and synthetic fibres. A small increase (5 per cent) in cotton textiles was also a contributory factor, since it carries a substantial weightage in the index.

The other groups which recorded increases of over 10 per cent were food manufacturing industries (14 per cent), paper and paper products (11.6 per cent), petroleum products (13.6 per cent), metal products (12.9 per cent), machinery except electrical etc. (11.1 per cent) and electrical machinery etc. (10.6 per cent). The increase in food manufacturing industries was due to higher production of sugar, which had shown a declining trend in 1963, and also of salt. Increased output of several items such as screws, razor blades, oil pressure lamps, crown cork and thermos flasks pulled up the index for the metal products group.

Higher output of items such as ring spinning frames, carding engines, machine tools, ball bearings and twist drills contributed to an increase in the machinery group index. Besides some new items, such as sugar mill machinery, also showed some improvement. Increases in output were also registered in power transformers, storage batteries, house service meters, domestic refrigerators, air conditioners, conduit pipes and some types of cables and wires. In some of these items such as machine tools, storage batteries, transformers, house service meters and ball bearings, additions to installed capacity had been made in 1963, which was partly responsible for the increased output in the first half of 1964.

The output of petroleum products recorded a substantial increase by about 5 lakh tonnes. This was mainly due to additions to refining capacity in the preceding period.

The increase in the output of paper and paper board was partly due to the fact that several new units which had started production in 1963, came into full operation during the first first half of the current year.

Table I gives the indices of production; and Table II, production statistics for important industries.

The rate of industrial growth during the last one and a half years has not been unsatisfactory; but it is clear that it is significantly lower than what was envisaged in the Plan.

On present indications, in several important industries such as steel, alloy steels, aluminium, copper, zinc, pig iron, cast iron pipes, steel castings and forgings, nitrogenous and phosphate fertilizers, sulphuric acid, synthetic rubber, newsprint, cement, rayon and cotton yarn the planned targets are not likely to be reached in time. In a few of these industries, however, the shortfalls are not substantial and in many of them the entire capacity required to achieve the targets has already been licensed. In some cases the requisite foreign exchange has also been made available.

Shortage of foreign exchange has been one of the major factors inhibiting industrial growth. It has also come in the way of a fuller utilisation of existing capacity. The need to provide larger foreign exchange for meeting the requirements of raw materials and components is fully recognised. The choice, however, between using the limited foreign exchange for increasing current production or for strengthening the industrial structure is a very difficult one. The long-term solution to the problem of foreign exchange must necessarily lie in increasing exports sufficiently so that it would pay for the required raw materials, components and specialised equipment. The need for imports will tend to grow, rather than diminish, in the near future. It would be necessary to import increasing quantities of raw materials and components in years to come, although imports of complete machinery may diminish with the increase in domestic machinery output.

A growing recognition by foreign countries of the foreign exchange problems of this country has been evident. An instance in point is the credit of \$90 million sanctioned recently by the International Development Association, which is an affiliate of the World Bank. This credit should help in attaining higher levels of utilisation of capacity in major fields such as commercial vehicles, construction equipment, machine tools, cutting tools, electric motors, transformers and switch-gear. It is expected that the IDA credit together with other foreign exchange resources will be able to meet in full the require-

ments of foreign exchange of these sectors for raw materials, components, etc.

Every endeavour is made to meet to the fullest possible extent the requirements of industry from available foreign exchange resources including credits from friendly countries. Nevertheless in sectors other than those covered by the IDA credit the foreign exchange shortage continues to be a serious limitation on the growth of production. Partly because of traditional business connections and partly because of a certain amount of inertia, manufacturers tend to restrict themselves to certain traditional sources of supply. In recent years, valuable assistance has been available from several countries in Western Europe and large and growing trade connections with East European countries have also been built up. The task of meeting the foreign exchange problem would become relatively easier if in keeping with the new sources and types of credits, industry could explore more fully these new avenues for meeting its foreign exchange requirements.

There were frequent complaints that procedural difficulties came in the way of a fuller utilisation of external assistance. The whole position was examined by a Committee under the Chairmanship of Dr. V. K. R. V. Rao which made certain suggestions for streamlining procedures. Government have accepted most of its recommendations and follow-up action is being taken to implement them.

Similarly another Committee examined in detail the drill laid down for obtaining the various clearances from Government for establishing industrial projects. Almost all the recommendations of this Committee have been accepted by Government and are being implemented.

A Committee, with Dr. P. S. Lokanathan as Chairman, has been recently appointed to examine the allotment and distribution of scarce raw materials to the various sectors of industry.

INDEX OF INDUSTRIAL PRODUCTION: 1960-64

(Base : 1956 = 100)

Groups and Sub-groups	Weights	1960	1961	1962	1963	Percentage increase(+) or decrease (—) in '63 over '62	Jan.-June		Percentage increase(+) or decrease (—) Jan-June '64 over Jan-June '63	
							1963	1964		
MINING AND QUARRYING	..	7.47	137.2	147.3	161.3	175.9	+ 9.1	178.3	171.5	— 3.8
MANUFACTURING	..	88.85	127.6	135.2	145.5	158.4	+ 8.9	153.2	163.9	+ 7.0
Food mfg. industries	..	13.99	117.4	129.3	127.3	122.3	— 3.9	109.7	125.1	+14.0
Beverage & tobacco industries (Cigarettes)	..	1.49	140.6	150.0	155.7	154.9	— 0.5	154.5	168.1	+ 8.8
Manufacture of textiles	..	41.76	104.8	108.4	113.5	120.9	+ 6.5	118.1	125.4	+ 6.2
Spinning, weaving & finishing of cotton textiles	..	32.10	103.0	108.5	109.4	115.6	+ 5.7	112.9	118.7	+ 5.1
Spinning, weaving & finishing of woollen textiles	..	1.10	101.3	107.3	138.5	165.6	+19.6	161.6	129.8	—19.7
Spinning, Weaving & finishing of textiles from silk and synthetic fibres	..	2.94	135.1	144.9	153.9	169.8	+10.3	162.0	206.8	+27.7
Spinning, Weaving and finishing of jute manufactures	..	5.62	99.3	89.6	110.4	117.2	+ 6.2	116.2	120.0	+ 3.3
Footwear, other wearing apparel & made-up textile goods	..	0.28	144.0	166.0	180.4	214.4	+18.8	213.5	198.4	— 7.1
Wood and cork except manufacture of furniture	..	0.24	147.8	150.2	162.4	194.8	+20.0	193.4	194.0	+ 0.3

INDEX OF INDUSTRIAL PRODUCTION: 1960-64 (Contd)

(Base: 1956=100)									
Groups and Sub-groups	Weights	1960	1961	1962	1963	Percentage increase(+) or decrease (—) in '63 over '62	Jan.-June		Percentage increase(+) or decrease (—) Jan-June '64 over June '63
							1963	1964	
Paper and paper products	1.39	173.4	181.9	190.6	226.8	+19.0	212.9	237.5	+11.6
Leather & fur products	0.18	167.1	115.6	125.2	149.1	+19.1	152.0	138.1	— 9.1
Rubber products	3.04	141.3	157.4	169.4	186.9	+10.3	181.6	192.9	+ 6.2
Chemical & chemical products ..	3.56	149.1	173.6	183.9	225.4	+22.6	210.5	213.3	+ 1.3
Petroleum products	3.79	147.7	156.5	169.2	196.6	+16.2	188.8	214.5	+13.6
Non-metallic mineral products ..	2.47	168.1	180.8	191.1	204.6	+ 7.1	203.2	212.8	+ 4.7
Basic metal:	9.25	183.1	181.6	227.1	259.1	+14.1	258.5	255.0	— 1.4
i) Iron & steel basic industries ..	7.48	192.1	188.0	236.1	269.5	+14.1	268.7	264.5	— 1.6
ii) Copper smelting and rolling mill products	0.23	134.8	149.4	148.4	150.5	+ 1.4	136.1	133.0	— 2.3
iii) Aluminium manufacturing ..	0.61	177.7	206.3	277.0	382.5	+38.1	388.3	389.1	+ 0.2
iv) Brass manufacture	0.36	196.4	184.7	183.4	187.5	+ 2.2	185.6	183.1	— 2.3
Metal products	0.99	105.9	152.3	179.1	198.1	+10.6	189.5	213.9	+12.9
Machinery except electrical machines	1.10	236.7	268.7	290.5	363.5	+25.1	347.0	385.4	+11.1
Electrical machinery, apparatus, ap- pliances and supplies	2.41	175.9	183.2	211.3	237.7	+12.5	237.2	262.4	+10.6
Transport equipment	2.86	119.4	130.8	144.7	151.1	+ 4.4	146.2	189.5	+29.6
ELECTRICITY, GAS & STEAM (Electricity generated)	3.68	171.0	198.3	223.4	257.9	+15.4	246.8	292.2	+18.4
GENERAL INDEX	100.0	129.9	138.5	149.6	163.3	+ 9.2	159.8	170.6	+ 6.8
							158.5	169.2	+ 6.8
								(Crude)	

TABLE II.
PRODUCTION TRENDS: 1960-64

Industry/Unit	Production				Jan.-June	
	1960	1961	1962	1963	1963	1964
I. MINING AND QUARRYING						
Coal (Th. Tonnes) ..						
Iron Ore (Th. Tonnes) ..	52604	56100	61548	66924	33966	32566
	10683	12270	13188	14784	7391	7287
II. FOOD MANUFACTURING INDUSTRIES						
Wheat flour (Th. Tonnes) ..						
Sugar (Th. Tonnes) ..	995	1001	1202	1322	625	893
(Figures from 1957 to 1963 are for the crop year (Nov. - Oct.))	2485	2983	2281	2160	1459	1721
Vanaspatti (Th. Tonnes) ..						
Tea processing (Mill. Kgs.) ..	338	339	369	384	197	213@
Coffee curing (Th. Tonnes) ..	315	348	343	343	93	97
Salt (Th. Tonnes) ..	51.7	66.7	47.5	58.4	45.0	53.0
	3436	3466	3860	4578	3503	3926
III. TOBACCO INDUSTRIES						
Cigarettes (Mill. Nos.) ..						
	36971	39466	41124	40736	20312	22106
IV. MANUFACTURE OF TEXTILES						
Cotton yarn (Mill. Kgs.) ..						
Cotton, cloth —	788	862	860	893	429	462
(i) Mill Sector (Mill. Metres) ..						
(ii) Decentralised Sector (Mill. Metres) ..	4616	4694	4480	4423	2184	2262
Art Silk fabrics (Mill. Metres) ..	2016	2376	2412	2880	1380	1458
	544	570	600	648	309	400@
Rayon: i) Viscose yarn (Th. Tonnes) ..						
	19.2	21.5	26.2	31.3	14.9	18.1

PRODUCTION TRENDS: 1960-64 (Contd)

Industry/Unit	Production				Jan.-June	
	1960	1961	1962	1963	1963	1964
ii) Staple fibre (Th. Tonnes) ..	21.8	26.0	32.4	32.2	15.8	18.4
iii) Acetate yarn (Th. Tonnes) ..	11.9	2.0	1.4	2.0	0.92	0.95
JUTE MANUFACTURES (Th. Tonnes) ..	1086	969	1181	1236	613	625
WOOLLEN MANUFACTURES:						
(i) Woollen/worsted fabrics (Th. Metres) ..	13956	13200	18288	20400	9594	6000
(ii) Woollen/worsted yarn (Th. Kgs.) ..	12696	14760	18012	22728	11385	10861
V. FOOTWEAR & OTHER WEARING APPAREL						
Leather footwear —						
(i) Western type (Th. Pairs) ..	5419	6224	6514	8288	3974	3672
(ii) Indigenous type (Th. Pairs) ..	3777	4407	5286	5185	2888	2729
VI. MANUFACTURE OF WOOD & CORK						
Plywood (i) Tea-chest (Th. Sq. Mtrs.) ..	9120	9039	9790	9924	4907	4611
(ii) Commercial (Th. Sq. Mtrs.) ..	6024	6309	7460	9648	4747	5089
VII. PAPER & PAPER BOARD (Th. Tonnes) ..	345	364	388	463	217	243
VIII. LEATHER AND FUR PRODUCTS						
Tanned hides (Th. hides) ..	3486	3491	3828	4432	2249	2119
Leather cloth (Kilo Metres) ..	5846	7010	6063	6235	3006	4246
IX. RUBBER PRODUCTS						
Footwear (Rubber) (Mill. Pairs) ..	44.6	45.1	49.8	46.6	24.2	22.5
Tyres: (i) Automobile (Th. Nos.) ..	1361	1562	1710	1926	939	1017
(ii) Bicycles (Th. Nos.) ..	10830	11346	11940	14186	6709	7842
Tubes: (i) Automobiles (Th. Nos.) ..	1281	1484	1643	2029	1001	1166
(ii) Bicycle (Th. Nos.) ..	12675	12848	11562	13343	6519	7128
X. CHEMICAL PRODUCTS						
Sulphuric acid (Th. Tonnes) ..	354	422	469	568	265	326
Caustic Soda (Th. Tonnes) ..	98	120	124	152	70	87
Soda Ash (Th. Tonnes) ..	145	177	223	267	133	138
Chlorine Liquid (Th. Tonnes) ..	31.7	33.9	37.9	44.2	19.3	24.6
Bleaching Powder (Th. Tonnes) ..	5.9	7.1	6.3	7.3	3.5	3.3
Bichromates (Th. Tonnes) ..	5.0	5.2	7.0	6.9	3.2	3.4
Superphosphates (Th. Tonnes) ..	318	372	448	580	266	316
Ammonium Sulphate (Th. Tonnes) ..	384	395	418	443	222	208
Alum (Ammonia) (Th. Tonnes) ..	4.5	4.5	4.1	3.7	2.1	1.3
Copper Sulphate (Th. Tonnes) ..	3.8	4.3	3.9	3.7	1.5	2.5
Glycerine (Refined) (Th. Tonnes) ..	5.8	6.1	7.3	7.2	3.8	3.8
Glue (Th. Tonnes) ..	1.9	1.9	2.2	1.99	0.99	1.1
Soap (Th. Tonnes) ..	143	149	152	159	80	86
Matches (Mill. Boxes) ..	5808	3858**	3950**	4138	2068	2101
Paints (Th. Tonnes) ..	52	59	65	69	31	38
Power Alcohol (Mill. litres) ..	49	54	51	25	24	0.4
Industrial Alcohol (Mill. litres) ..	41	51	62	87	43	77
(Rectified spirits)						
Welding gases						
(i) Oxygen Gas (Mill. Cu. Mtrs.) ..	21.3	16.2*	18.2*	20.6*	10.0*	12.2*
(ii) Acetylene Gas (Mill. Cu. Mtrs.) ..	2.5	2.9	3.3	3.9	1.9	2.1
Liver Extracts						
(i) Injection (Mill. C.C.) ..	40.9	45.4	43.8	43.0	24.1	18.8
(ii) Oral (Tonnes) ..	161	155	166	166	81	78
XI. MANUFACTURE OF PETROLEUM PRODUCTS						
Petroleum Products (Th. Tonnes) ..	5758	6101	6574	7650	3673	4200

PRODUCTION TRENDS: 1960-64 (Contd)

Industry/Unit	Production				Jan.-June	
	1960	1961	1962	1963	1963	1964
XII. MANUFACTURE OF NON-METALLIC MINERAL PRODUCTS						
Refractories (Th. Tonnes)	551	627	671	659	343	324
Insulators (i) H.T. (Tonnes)	2334	2958	4102	3846	1948	2424
(ii) L.T. (Tonnes)	3916	4258	5470	4313	2215	2619
Cement (Th. Tonnes)	7850	8250	8587	9355	4730	4790
Asbestos Cement Sheets (Th. Tonnes)	211	213	234	308	142	169
Grinding Wheels (Tonnes)	1952	2050	2269	2791	1328	1495
Coated abrasives (Th. Reams)	132	149	197	184	89	83
XIII. BASIC METAL INDUSTRIES						
Pig Iron (Th. Tonnes)	4150	4960	5764	6602	3381	3165
Finished Steel (Th. Tonnes)	2208	2851	3799	4277	2096	2145
Copper (Tonnes)	8933	8725	9781	9593	4573	4593
Aluminium (Tonnes)	18243	18381	35211	53386	26514	27625
Lead (Tonnes)	3747	3664	2849	3536	1664	1638
XIV. MANUFACTURE OF METAL PRODUCTS						
Screws (i) Wood (Mill. Nos.)	1434	1500	1477	1373	673	688
(ii) Machine (Mill. Nos.)	237	381	425	391	191	229
Razor Blades (Mill. Nos.)	565	770	625	827	349	418
Hurricane Lanterns (Th. Nos.)	5196	5540	5674	5071	2547	2664
Oil Pressure Lamps (Th. Nos.)	133	145	135	116	57	70
Crown Corks (Mill. Nos.)	769	873	698	769	496	516
Thermos Flasks (Th. Nos.)	1510	1550	1510	1939	877	930
XV. MANUFACTURE OF MACHINERY EXCEPT ELECTRICAL						
Diesel Engines						
(i) Stationary type (Th. Nos.)	42	44	43	56	27	32
(ii) Vehicular type (Th. Nos.)	10.6	9.8	7.6	8.8	4.0	4.2
Looms (Calco, Semi-Automatic & Automatic (Nos.))	5556	7572	5856	5196	2924	2380
Complete Ring Spg. Frames (Nos.)	1128	1414	1572	1980	967	1070
Carding Engines (Nos.)	1073	1320	1500	1596	848	923
Machinery Tools (Including Portable Tools and accessories) (Rs. lakhs)	669	852	1182	1799	782	983
Power driven pumps (Th. Nos.)	104	127	129	150	73	78
Ball bearings (Th. Nos.)	2699	3216	3906	4954	2285	3356
Sewing machines (Th. Nos.)	297	317	343	337	181	68
Typewriters (Th. Nos.)	23.5	31.1	36.3	42.4	19.6	22.3
Twist drills (Th. Nos.)	1536	2742	3785	4680	2017	3000
Sugar mill machinery (Rs. lakhs)	419	467	643	574	237	303
Tea processing machinery (Rs. lakhs)	121	177	165	165	77	53
XVI. MANUFACTURE OF ELECTRICAL MACHINERY						
Power transformers (Th. KVA)	1281	1796	2307	2639	1330	1548
Electric motors (Th. H.P.)	750	897	983	1182	1592	589
Dry batteries (Mill. Nos.)	208	214	239	276	137	128
Storage batteries (Th. Nos.)	507	511	566	689	340	379
Electric lamps (i) GLS & others (Mill. Nos.)	40	45	55	67	33	35
(ii) Fluorescent lamps (Th. Nos.)	1527	2090	3180	3638	1828	1854
Electric fans (Th. Nos.)	1012	1073	1129	1144	640	455
Radio Receivers (Th. Nos.)	268	326	343	419	198	211
House Service meters (Th. Nos.)	480	633	878	1194	552	665
Domestic refrigerators (Nos.)	11384	9725	13020	21192	11633	14761
Room air conditioners (Nos.)	10740	12471	13447	10476	5112	5941
Conduit pipes (Th. Metres)	4210	2620	3250	3055	1421	1936
CABLES AND WIRES						
(i) Bare copper conductors (Tonnes)	9900	7632	4944	4392	1781	3306
(ii) A.C.S.R. (Th. Tonnes)	23.3	24.8	24.9	32.4	16.4	21.3
(iii) Winding wires (Tonnes)	4217	5652	6799	7932	3713	4640

*Exclusive of quantity meant for steel processing.

**Relate only to 6 class 'A' factories, the previous figures are in respect of 66 factories including Small Scale factories.

PRODUCTION TRENDS: 1960-64 (Contd)

Industry/Unit	Production				Jan.-June	
	1960	1961	1962	1963	1963	1964
(iv) VIR & PVC (Mill. Metres)	245	263	274	314	158	152
XVII. TRANSPORT EQUIPMENT						
Automobiles (Nos.)	52116	54312	57816	52200	24951	32508
Motor Cycles (Nos.)	3998	8636	8790	9036	3893	5419
Scooters (Nos.)	12880	15451	14318	15432	6979	8841
Three wheelers (Nos.)	496	1267	1426	1704	661	1108
Railway wagons (Nos.)	9876	11052	13932	18960	9359	12459
Bicycles (complete) (Th. Nos.)	1050	1049	1116	1187	571	697
XVIII. ELECTRICITY GENERATED (Mill. KWH)	16433	19111	21473	24791	11862	14041

SELECTED ECONOMIC INDICATORS

					1955-56	1960-61	1963-64
					Over		
					1950-51	1955-56	1960-61
	1960-61	1961-62	1962-63	1963-64	% change		
1. National Income							
1. 1. Net National Output (Rs. abja = 100 crores)							
(i) at current prices	141	148	154a	..	+ 5	+ 42	
(ii) at 1948-49 prices	127	131	134a	139b	+18	+21	+10
1. 2. Per Capita Net Output (in Rs.)							
(i) at current prices	326	334	339a	..	— 4	+28	
(ii) at 1948-49 prices	293	294	295a	300b	+ 8	+ 9	+ 2
2. Production							
2.1 Industrial Production c (1956=100)	130	139	150	163	+25	+41	+26
2.2 Pig-iron and ferro-alloys c ('000 metric tons)	4264	5101	5884	6740	+13	+121	+58
2.3 Finished Steel c ('000 metric tons)	2222	2798	3799	4277	+25	+74	+92
2.4 Electricity Generated (Mill. kwh)	17037	19823	22094	25944	+67	+93	+52
2.5 Agricultural Production d (crop year ending June 1950 = 100)	140	141	137	..	+22	+20	
3. Trade and Balance of Payments							
3.1 TRANSPORT							
3.1.1 Merchant Shipping (In thousand tons)							
(i) Tonnage cleared	11332	12151	11414	10895	+13	+30	— 4
(ii) Tonnage entered	15054	15709	16119	15796	+13	+54	+ 5
3.1.2 Railway Traffic—Total Wagons Loaded (in thousands)							
(i) Broad gauge	6164	6334	7050	7570	+22	+26	+23
(ii) Metre gauge	3593	3536	3578	3784	+22	+22	+ 5
3.2 FOREIGN TRADE							
3.2.1 Value of Imports† (Rs. in crores)	1122	1092	1131	1144	+19	+45	+ 2
3.2.2 Value of Exports† (Rs. in crores)	642	660	685	767	+ 1	+ 5	+19
3.2.3 Import Volume Index (1958=100)	128	121	131	135	+ 9	+54	+ 5
3.2.4 Export Volume Index (1958=100)	100	105	112	126	+ 1	— 6	+26
3.2.5 Imports Price Index (1958=100)	96	98	94	97	—43	+ 1	+ 1
3.2.6 Export Price Index (1958=100)	110	109	106	105	— 7	+13	— 5
3.3 EXPORTS (Rs. in crores)							
3.3.1 Jute manufactures	135	145	148	157	+ 3	+16	+16
3.3.2 Tea (Black)	123	121	128	122	+37	+12	—
3.3.3 Cotton Textiles	58	48	46	50	—50	—17	—14
3.3.4 Metalliferous Ores & Metal Scrap	39	37	32	51	+194	+37	+30
3.3.5 Leather and Leather Manufactures	25	25	23	26	— 9	+ 6	+ 6
3.3.6 Vegetable Oils, Seeds and Oil cakes	28	28	49	59	+ 3	—36	+112
3.3.7 Cashew Kernels	19	18	19	21	+53	+45	+13
3.3.8 Tobacco (Unmanufactured)	15	14	18	21	—10	+15	+44
3.4 IMPORTS (Rs. in crores)							
3.4.1 Machinery and Transport Equipment	333	368	387	422	+79	+41	+27

SELECTED ECONOMIC INDICATORS (Contd)

					1955-56	1960-61	1963-64
	1960-61	1961-62	1962-63	1963-64	Over		
					1950-51	1955-56	1960-61
					% change		
3.42 Base Metals	170	157	144	145	+116	+106	-15
3.43 Mineral Oils (Petroleum & Petroleum products)	69	96	88	104	+48	-15	+50
3.44 Cereals	181	117	144	130	-77	+714	-28
3.45 Chemicals	86	90	101	88	+67	+47	+3
3.46 Cotton, Raw and Waste	82	63	57	49	-43	+42	-40
3.51 BALANCE OF PAYMENTS (Rs. in crores)							
3.51 Balance of Payments on Current Account (net)	-392	-306	-346	-335			
3.52 Commercial Banks' Foreign Assets (Gross) f g	16	18	19	28	+44	-9	+71
4. Public Finance (Rs. in crores)							
4.1 Government Revenues h	1729	1955	2396	2830	+27	+75	+64
Of which							
(i) Tax revenue	1354	1543	1865	2241	+23	+76	+65
(1) Direct taxes	404	449	560	661	+12	+56	+64
(2) Indirect taxes	950	1094	1305	1580	+28	+87	+60
(ii) Non-tax revenue	369	401	514	572	+43	+71	+55
4.2 Government Expenditure h	1653	1876	2260	2699	+36	+67	+63
Of which							
(i) Defence services (Gross)	271	312	445	714	+4	+44	+164
(ii) Development services	766	896	967	1053	+75	+94	+38
4.3 Total Outstanding Debt fh	7046	7798	8579	9673	+31	+98	+37
5. Currency and Banking (Rs. in crores)							
(Last Friday figures)							
5.1 Money Supply with the public (a+b)	2869	3046	3310	3752	+10	+32	+31
(a) Currency with the public	2098	2201	2379	2606	+12	+34	+24
(b) Deposit money with the public	771	845	931	1147	+6	+27	+49
5.2 Foreign exchange reserves fi	304	297	295	306	-13	-63	+1
Of which Reserve Bank j	254	247	234	244	-15	-68	-4
5.3 Bank Credit	1376	1593	1791	2033	+38	+77	+48
5.4 Savings deposits with Scheduled Banks	282	334	393	477	+66	+66	+69
5.5 Small Savings — Outstanding f	786	873	948	1065	+204	+105	+36
5.6 Cheque Clearances k (Number (In thousands)	54809	59946	63112	66789	+43	+47	+22
(Amount (Rs. in crores)	12551	13602	14989	16809	+20	+58	+34
5.7 No. of Commercial Bank offices f	4993	5141	5280	5608	+9	+22	+12
6. Prices and Exchange Rate							
6.1 Wholesale Price Index l (1952-53=100)	125	125	128	135	-17	+35	+8
6.2 Consumer Price Index l All-India (1949=100)	124	127	131	137	-5	+29	+10
6.3 Security Price Index m (Variable Dividend Industrial Securities — 1952-53=100)	172	184	180	167			-3
6.4 Exchange rate n (Rs. = 100 U.S. Dollars)	477	477	477	478			
7. Joint Stock Companies p							
7.1 Government (Number	142	154	160	178	+69	+133	+25
(Paid-up capital (Rs. in crores)	546	628	786	896	+151	+728	+64
(Number (Private	19344	18768	19412	19916)	+5	-13	+3
(Public	6663	5930	5952	5908)			-11
(Paid-up capital (Private	356	364	340	398)	+28	+32	+12
([Rs. in crores] (Public	912	982	1060	1096)			+20
7.3 Index Numbers of Industrial profits q	161	172			+50*	+61	
(profits before tax) (1955-56=100)	229	273				+129	
8. Employment Exchanges c (In thousands)							
8.1 No. of Registrations	2733	3230	3845	4152	+31	+73	+52
8.2 No. of Applicants placed in Employment	306	404	458	536	-49	+80	+76
8.3 No. on Live Registers	1606	1833	2380	2518	+109	+132	+57

a Preliminary. b Relates to quick estimates. c Relates to calendar year. d Relates to crop year ending June. e Including re-exports. f End of period. g Covers both foreign currency assets and rupee overdrafts to non-resident banks. h Figures for 1963-64 are revised. i Including gold valued at Rs. 21.24 per tola up to October 5, 1956 and Rs. 62.50 per tola thereafter. j Relates to last Friday. k During the year. l Average of month. m Average of weeks. n Average of working days. p Relate to year July-June. q Relates to non-Government, non-financial companies. r Exclude treasure. * Re-lates to 1950-51 = 100.

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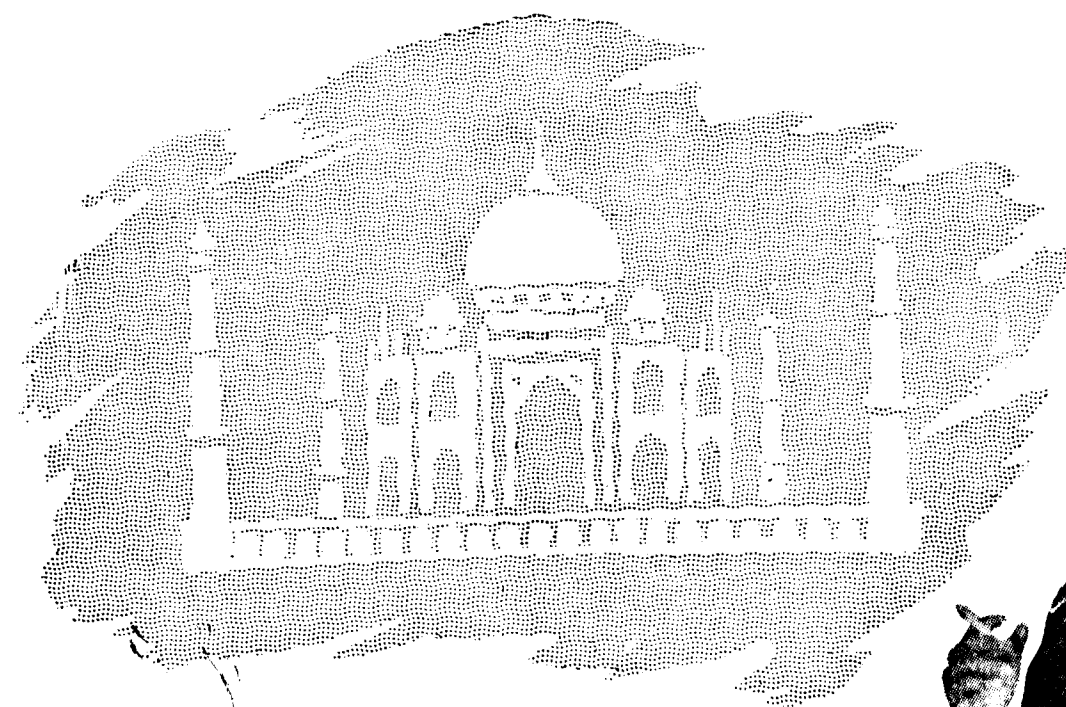
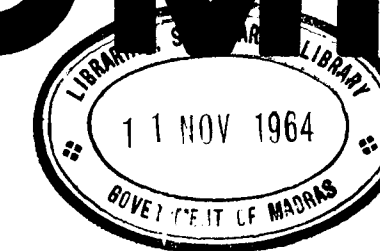
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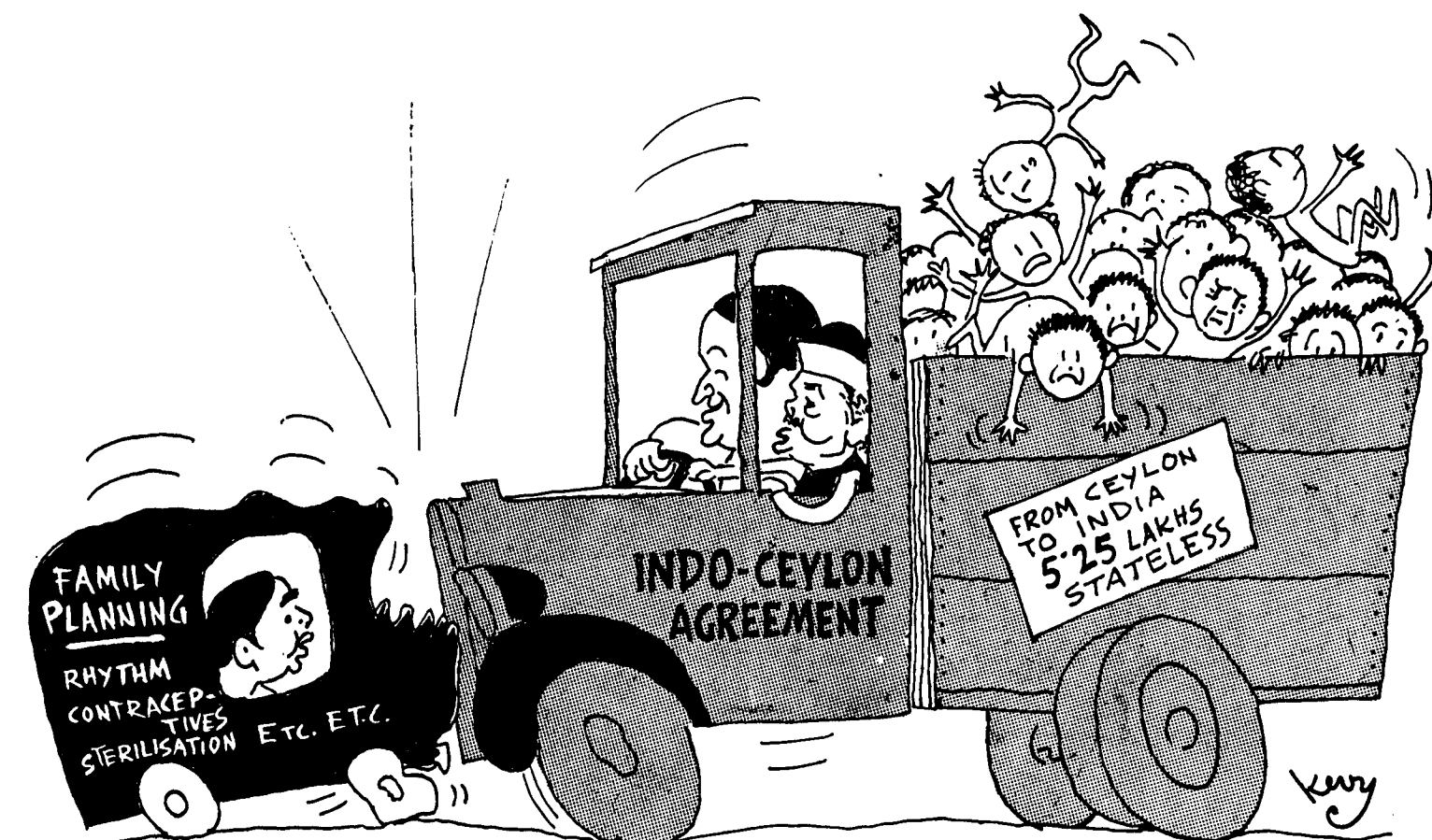
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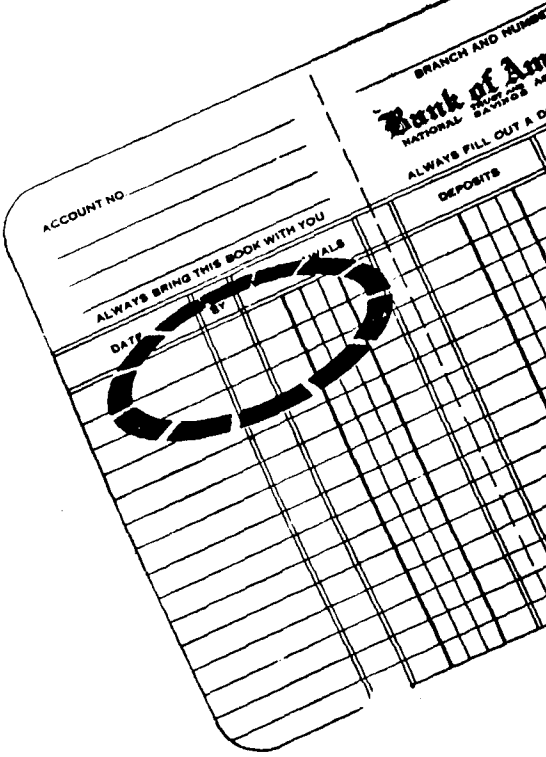


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President in His Own Right

THE SIZE of the vote, both popular and electoral, for President Johnson suggests that the American people, by a clear majority, were as concerned about keeping the Republican candidate out as they were about keeping the Democratic candidate in. The world-wide uneasiness stirred up by the Goldwater candidature was not that it would succeed, but that it could at all have been possible. The fact that one of the two main political parties in the most powerful, prosperous and progressive country in the world should have chosen to gamble on extremism in the conduct of national affairs and policies simply seemed too bad to be true to the many nations of the world which had learned to hope from that country a continuing, constructive leadership for human freedom, world peace and economic growth. By disowning this Republican aberration so decisively the American electorate has certainly mended the damage done to the image of the United States in the eyes of the world.

It is true, of course, that although President Johnson secured a record total of about 42 million in popular vote, his rival did manage to have a little over 26 million recorded in his own favour. This, however, cannot be taken to mean that the great American nation is divided over Goldwaterism in the proportion indicated by the two totals. The two-party system is a basic institution of American democracy and a single false step on the part of the Republican Party surely cannot suffice to destroy it as a major and effective political force in the nation. Party loyalties have always been firm and strong in the American people and it is indeed highly probable that the greater part of the 26 million, whose votes technically belong to Mr. Goldwater, were really voting for the Republican Party as a historic tradition rather than for the Republican candidate of the moment. It should not be forgotten after all that the Republican Presidential candidate in 1960 had polled in a popular vote only fractionally smaller than that of his successful rival. Since the Republican Party had not exactly taken to its bosom, for all his 219 electoral votes, Mr. Richard Nixon in his defeat, it is extremely unlikely that it will be providing any fatted calf for Mr. Goldwater with his 52 electoral votes. Had Mr. Goldwater won, which was always unlikely, he might have succeeded in destroying the Republican Party; by getting defeated so decisively he has now destroyed himself politically and, what is more important, he has also isolated and exposed to the nation's conscience, in all their frightened feebleness, the grey forces of racial intolerance or communal selfishness lurking in the murky corners of the body politic.

President Johnson, returning to the White House in his own right, has thus been gifted a great opportunity. While it has been the privilege of the American people to elect him as their Chief Executive, a far wider world community, cutting even across the barriers of ideological geography, had been wanting them to do so because of its faith that with *him* rather than the other one as the President of the United States, the peace of the world would be more secure and the economic progress of the world more sure. In the tragic days following the late President Kennedy's assassination, his successor had won the admiration and respect of all by the dignity of his personal conduct and the sureness of his political instincts in dealing with a very grave emergency in national affairs. In the months since, his reputation as a positive President, alive to and active in good causes, has been steadily growing. The United States and the world, therefore, expect much of President Johnson.

British Levy Will Hit India's Exports

ALTHOUGH THE chief spokesmen of the new Labour Government in Britain, including the Prime Minister, Mr. Harold Wilson, have been at pains to make out that Britain's new economic measures "would be less likely to freeze patterns of trade and less damaging to the interests of Commonwealth," they have failed to carry conviction, to judge from the reactions to these measures, in particular to the 15 per cent surcharge on imports, from the Commonwealth countries as well as others. Even the assurances of the Chancellor of the Exchequer — Mr. James Callaghan — and the Minister for Economic Affairs — Mr. George Brown — that "every attempt had been made to give other Governments as much notice as possible of what was intended in an 'urgent situation'" have fallen flat, as witness the reactions of the members of EFTA. As a matter of fact, Mr. Maurice Brasseur, the Belgian Trade Minister, has openly accused the British Government of having failed to consult others before taking the decision. All this may be true and, also, it is on the cards that Britain will have to do a lot of explaining to the GATT meeting currently being held in Geneva and the meeting of the EFTA Ministerial Council to be held shortly to discuss these measures, not to speak of the IMF. It is further evident that Britain has probably lesser justification than Canada which imposed a similar surcharge in June 1962, only to withdraw it in April of the following year, due to pressure of adverse international opinion. Even so, it is difficult for any one not to appreciate Britain's "profoundly unsatisfactory" economic situation at present or not to accept as *bona fide* the declaration of the British Chancellor of the Exchequer that "Britain has no intention of becoming protectionist and no desire to be protectionist."

On the eve of the announcement of the new measures, it was disclosed at a Press Conference in London that, on the present pattern of trade, 13 per cent of Commonwealth exports to Britain would be liable to the new surcharge, as compared to 57 per cent of Common Market exports, 48 per cent of US exports and 36 per cent of EFTA exports. At the same Press Conference, it was also made clear — and this is very important — that the impact of the new surcharge would not necessarily be in the same proportion. In the case of Belgium, for instance, although the percentage of Britain's imports from Common Market countries may be 57, the proportion of imports from Belgium that would be affected comes to as much as 95 per cent, it is stated. Similarly, although the percentage of Commonwealth exports to Britain estimated to be hit is only 13 per cent of the total, India will be affected to a relatively greater extent, inasmuch as Britain is still the single largest consumer of Indian goods, accounting for about 20 per cent of India's exports, the current annual rate of exports to the UK being around Rs. 160 crores.

In a situation such as that in which Britain finds herself today, and especially with a new Government in power intent on making the change of Government felt, it is unrealistic to ask Britain to do away with the surcharge, however irksome it may be. However, there are three items of India's exports on which we could reasonably prevail upon Britain not to impose the surcharge. These are our cotton textiles, jute goods and handmade products, such as coir goods, carpets and handloom fabrics. In regard to each of these, there is an irrefutable case for exemption from the new British surcharge.

To take the case of cotton textiles first. It is common knowledge that exports of cotton textiles from India are already subject to a ceiling, thanks to the agreement relating to limitations on textile exports to the UK from India, Pakistan and Hong Kong. And to impose a further burden by way of a 15 per cent surcharge is not only unfair but also contrary to the policy underlying the imposition of surcharges. Mr. Callaghan stated, at the Press Conference referred to earlier, that, as between quantitative restrictions and import surcharges, "we have chosen the latter, because we think the first freezes the pattern of trade and limits the customer's choice, which is something we do not wish to do." Surely, after saying this the British Chancellor of the Exchequer cannot justify the double penalty of both quantitative restrictions and import surcharges on our cotton textile exports. According to him, since the latter is the lesser of the two evils, we ought to scrap the first and retain only the second or, if for any reason, this is not found to be feasible, he should be content to leave exports of Indian cotton textiles out of the purview of the import surcharge. How important our cotton textile exports particularly to Britain are should be obvious from the fact that Britain accounts for more than 40 per cent of these exports which are one of our major foreign exchange earners too!

In the case of jute goods, the imposition of the surcharge amounts to taking away by the left hand what was given by the right hand. It was not very long back that the power of the Jute Controller in the UK to "mark up" prices for certain categories of jute goods imported into Britain was abolished. Whatever benefit the Indian jute industry had derived from this concession has been negated now, thanks to the new surcharge.

As for our exports of handmade goods, Britain ought to know, as well as, perhaps better than anybody else, that, by reason of their high employment potential these are very important for this country. It is only fair to insist on Britain that she should bear in mind this important consideration and exempt India's exports of handmade goods from the surcharge.

In our concern for our exports, most of us have taken note of only the new British surcharge on imports

which is at best temporary — or so it is promised. What should concern us even more is the new Labour Government's plans to stimulate exports which Mr. Harold Wilson rightly ranks even higher than the new import restrictions. As a result, India, along with other developing countries, is bound to find in Britain a very keen competitor in the world markets. If Britain's proposed

Men Without Work

THE RECENT seminar on "Employment, Information and Manpower Utilisation" held in New Delhi under the joint auspices of the Employers' Federation of India and the All India Organisation of Industrial Employers focussed attention on the deterioration in the employment situation. It is a pity, indeed, that the number of the unemployed at the end of each five-year Plan has been more than the number of the unemployed at the beginning. The Planning Commission has estimated that at the end of the third Plan, the number of people without jobs will be around 12 million. In the fourth five-year Plan, the entrants into the labour market are estimated to be around 23 million while a similar estimate for the fifth Plan puts the figure at 30 million. It means that if unemployment is to be completely eradicated in this country by the end of the fifth Plan, we will have to find no less than 65 million jobs in the next two Plans. Some of the participants in the seminar put forward the view that it was possible for the country to raise the tempo of development so as to absorb the backlog of the unemployed and create opportunities for all the new entrants as well in the next decade. This seems to be a tall order if the experience of the last three Plans is any guide.

The seminar, however, succeeded in certain other ways. It highlighted the fact that there were inadequate facilities in the country for making short-term and long-term manpower studies so as to be able to chalk out plans for training of personnel in technical, managerial and other spheres. Various participants in the seminar emphasised the integration of manpower planning with planning in other sectors in the economy. But in order to make this approach a success, considerable improvement is needed in the collection and interpretation of labour and employment statistics. While the Director-General of Employment and Training has been collecting facts regarding employment in the public and private sectors the data were not made available to the researchers at a quick pace so that it could form the basis of scientific and meaningful research for manpower planning.

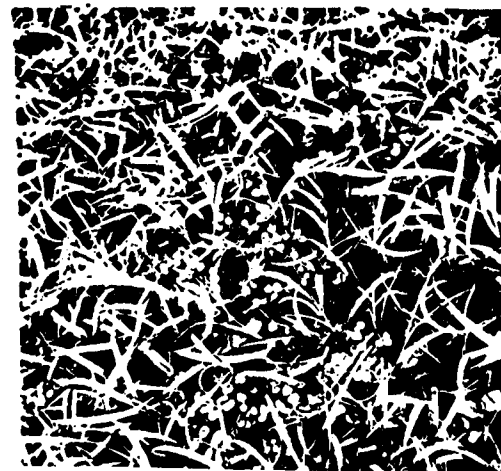
In the absence of any guidance in regard to manpower planning, the industrialists in the private sector were handicapped in attempting their expansion plans. This aspect of the problem was brought forth by Mr. Naval H. Tata, President of Employers' Federation of India, who said that employers in the private sector were unable to give a fair play to their imagination in

drive for exports is not to cut too much into Commonwealth exports, including ours, India should ask for and obtain an important place in the new Commonwealth Export Council that is to be created in the UK. It is to be hoped that this Council will address itself not only to problems of exports from Britain to the Commonwealth countries but also vice versa.

an endeavour to evolve radical plans for creating faster employment potential at their risk and responsibility by accelerating the tempo of industrial expansion. It was not feasible, he said, to forecast the degree of possible expansion of employment in one's own establishment under the present conditions. In the zeal for creating fresh employment, certain elementary considerations were thrown to the winds, according to Mr. Naval H. Tata. He said that employment opportunities in certain sectors were created regardless of the fact whether there were square pegs in round holes or whether there was undue migration of labour to urban centres with resultant neglect of agricultural areas or whether there was disproportionate concentration of manpower in certain areas of the country resulting in the shortage of suitable type of labour in other areas.

The consensus of opinion in the seminar's committee on "requirements of trained personnel" was that in the present Indian context, quantity would continue to remain more important than quality for some years to come. As regards the problem of flight of personnel from technical teaching institutions to other fields, or the flight of personnel from the public to the private sector, the committee was of the opinion that there should be no restriction on the movement of technicians from one employment to another because free competition alone would produce higher quality standards. The university representatives present at the meeting of the committee also said that they respected the principle of freedom of choice of vocation and that they were prepared to take up the challenge. The committee was also of the view that the scientific personnel had not been adequately utilised so far. It, therefore, recommended that determined efforts should be made to give such persons opportunities to take over as many of the non-production jobs in the factories as possible from the engineers in order that the latter may be released for more important work which could be done only by qualified engineers or diploma and certificate holders.

It needs to be conceded that the problem of manpower research has received insufficient attention hitherto. If the seminar should succeed in inducing the official agencies to accelerate the tempo of their work, it would be a significant step forward in the direction of evolving a manpower plan for the next decade. The new Institute of Applied Manpower Research must play a dynamic role in the evolution of this plan; it must rise to the occasion to justify its existence.



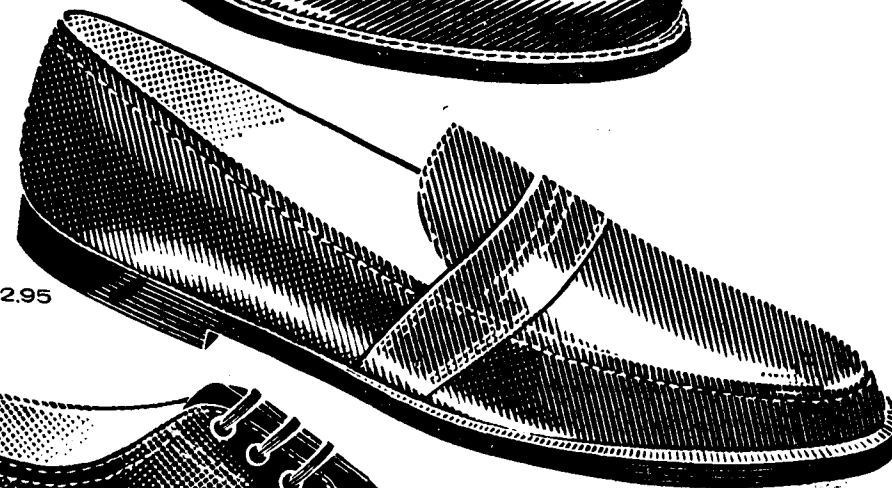
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Highlights of the Week

CAESAR'S WIFE

IN THE political history of this country since independence, the Das Commission Report enquiring into certain allegations against Mr. Partap Singh Kairon, ex-Chief Minister, Punjab, has assumed the status of an important landmark. It brought to light certain weaknesses in the current political machinery, particularly in the conduct of the Ministers and their relations. It revealed that the positions of authority enjoyed by Ministers offered opportunities to the near and dear ones which were anti-national. Again, the Santhanam Committee Report, which was submitted to the Government sometime ago, made some concrete suggestions so that the public life could be purified. As a first step for accepting the suggestions of the Santhanam Committee, the Government of India has now approved a Code of Conduct for Ministers, according to which the "do's and don'ts" for all Ministers have been set down in black and white. According to the new Code, a person before taking office as a Minister will be required to disclose to the Prime Minister or the Chief Minister details of his assets and liabilities and business interest not only of himself but of his family members as well. The disclosure will include all immobile property and approximate value of shares and debentures, cash holdings and jewellery. It is also stipulated that he should sever all connections with the management of any business in which he was interested before his appointment as Minister and he must divest himself of all his interest in business concerns which supplied goods and services to the Government. After he is appointed a Minister, he will abide by the following:

(i) A Minister shall

- (1) furnish annually by the 31st March to the Prime Minister, or the Chief Minister as the case may be, a declaration regarding his assets and liabilities;
- (2) refrain from buying from or selling to the Government any immovable property except where such property is compulsorily acquired by the Government in the usual course;
- (3) refrain from starting or joining any business;
- (4) ensure that the members of his family do not start or participate in business concerns engaged in supplying goods or services to that Government or to undertakings under that Government (excepting in the usual course of trade or business and at standard or market rates) or dependent primarily on grant of licences, permits, quotas, leases, etc. from that Government; and
- (5) report the matter to the Prime Minister or the Chief Minister as the case may be, if any member of his family sets up or joins in the conduct and management of any other business;

(ii) No Minister should

- (1) Personally or through a member of his family accept contributions for any purpose, whether political, charitable or otherwise; if any purse or cheque intended for a registered society or a charitable body, or an institution recognised by a public authority or a political party is presented to him, he should pass it on as soon as possible to the organisation for which it is intended;
- (2) associate himself with the raising of funds except

for the benefit of (a) a registered society, or a charitable body, or an institution recognised by a public authority and (b) a political party. He should, however, ensure that such contributions are sent to a specified office-bearer, etc. of the society or body or institution or party concerned and not to him. Nothing shall prevent a Minister from being associated with the operation or disbursement of funds raised as above.

(ii) A Minister should

- (1) not accept valuable gifts except from close relatives, and he or members of his family should not accept any gifts at all from any person with whom he may have official dealings;
- (2) not, nor permit a member of his family to contract debts of a nature likely to embarrass or influence him in the discharge of his official duties.

(iv) A Minister should

- (1) while on official tour, as far as practicable, stay in accommodation belonging to himself or maintained by Government, Government undertakings, public bodies or institutions (such as circuit houses, dak bungalows, etc.) or in recognised hotels; and
- (2) discourage ostentation or lavishness in parties given to him.

While it is true that human ingenuity has no bounds and those who are determined to violate all codes will always find some loopholes, the present step is without doubt praiseworthy because it is in the right direction. It is hoped that it will act as a deterrent and create some moral pressure on the Ministers to abstain from any activities which may later be cited against them. The present code is a fitting reply to the common grouse that corruption at the top must be eradicated before trying to tackle it at the lower levels.

17th AMENDMENT: CURTAIN DROPS

THE CONSTITUTION (Seventeenth Amendment) Act, 1964, which empowered the Government to be able to acquire land under personal cultivation on payment of compensation at its market value and had extended the meaning of the word "estate" to include grants of land, lands held under ryotwari settlement and certain other categories of land, has withstood the challenge in the Supreme Court. The Court has held that the Constitution empowers the Parliament to make amendments to the Articles governing fundamental rights and the procedure adopted for enacting the impugned Act was correct. This should set at rest all controversy about this important amendment to the Constitution.

The amending Act had been challenged as unconstitutional on two grounds. It was submitted that it curtailed certain fundamental rights the effect of which was to amend Article 226 by restricting the scope of jurisdiction which had been given to High Courts under this Article. It was further contended that under the proviso to Article 368, which laid down the procedure for constitutional amendments, Article 226 could be amended only if the amendment was ratified by the legislatures of the majority of States. This procedure admittedly had not been followed. The second contention was that Article 13 prescribed that any law made by Parliament was void if it contravened the fundamental rights. This provision controlled constitutional amendments and since the impugned Act

sought to curtail the fundamental rights themselves, it was ultra vires of the Constitution.

Delivering the majority judgment, the Chief Justice observed that the genesis of the amendment was to give effect to the economic policy of the party in power; it was aimed at removing any possible obstacles in the fulfilment of the socio-economic policy of the Government. The effect of the amendment on the area over which the power of High Courts operated was incidental and insignificant. In deciding whether the amending Act fell within the first or second part of Article 368, it was necessary to apply the doctrine of pith and substance to the legislation. The amendment aimed at the fundamental rights and only incidentally affected Article 226. It did not fall within the proviso to Article 368 and, therefore, did not require ratification by the legislatures of the States. Regarding the second contention, the Court observed that Article 368 empowered the Parliament to make amendments to the fundamental rights guaranteed in Part III of the Constitution.

The Supreme Court's verdict, however, has brought to light an anomaly in the Constitution. It is that whereas Article 32 and the other fundamental rights can be amended by the requisite Parliamentary majority alone, Article 226 can only be amended under the additional safeguard of assent of the majority of the States. The Parliament might consider whether this anomaly should be removed by including the whole of Part III of the Constitution in the proviso to Article 368.

GOODWILL GESTURE

THE AGREEMENT signed on Friday last between India and Ceylon has been hailed in this country because it has eliminated the only problem that had been creating a feeling of irksomeness in the otherwise most cordial relations between the two countries. The spirit of friendliness, mutual understand-

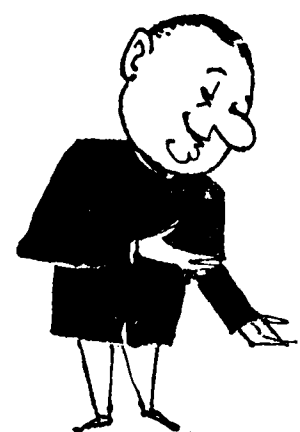
ing and compromise that was exhibited by the leaders of the two nations at every stage of the nine-day long negotiations which began with the arrival in the capital of Mrs. Sirimavo Bandaranaike on October 22 needs to be commended, though it has been argued that while the Prime Minister of Ceylon has driven a tough bargain, Mr. Lal Bahadur has been more than generous.

That the problem of the stateless persons is more human than political has been recognised by both the sides. The agreement allows 5,25,000 of such persons to be repatriated to India over a period of 15 years and to bring with them, at the time of their final departure from Ceylon, all their assets, including provident fund and gratuity. Moreover, the persons awaiting repatriation to India will be provided, during their stay in Ceylon, the same facilities as are enjoyed by citizens of other States (except facilities for remittances) and normal facilities for their continued residence, including free visas. These provisions of the agreement are encouraging, especially in the wake of the exodus from Burma of the Indian nationals, who are allowed to bring with them not even the barest minimum. The rest of the 3,00,000 persons out of the total 9,75,000 stateless persons will be granted citizenship by the Government of Ceylon. The operation of the agreement will be stretched over a period of 15 years, and the process of repatriation to India and the granting of Ceylon citizenship will be simultaneous.

The present agreement, unlike the Nehru-Kotla-wala agreement ten years ago, has every appearance of finality, though the future of the remaining 1,50,000 stateless persons still hangs in the balance. It has been stated that this will need a separate agreement. It is hoped that the going will be smooth for Mr. Lal Bahadur when he visits Ceylon in the beginning of 1965.



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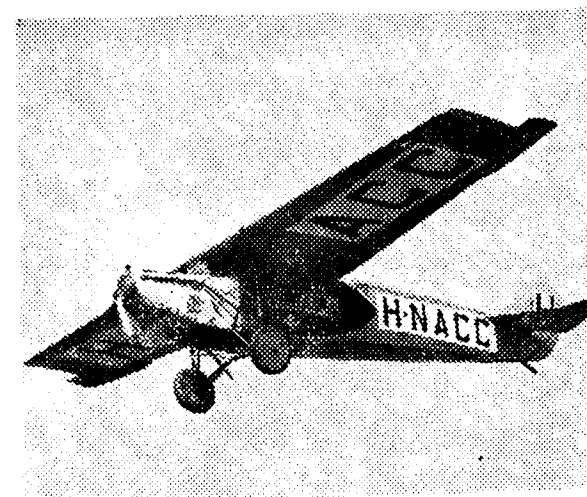
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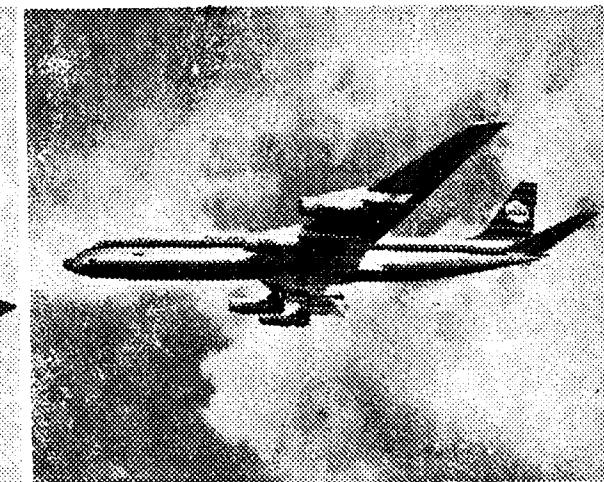
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Dutch airmen in Calcutta Leaving to-day for Akyab

The Dutch airmen, Pilot Van der Hoop, Pilot H. Poleman and Mechanic Van der Broeke, arrived at Calcutta yesterday afternoon, en route to Batavia.

Leaving Allahabad at 7 a.m. they landed at Dum Dum Aerodrome shortly before 2 o'clock after an uneventful flight. The Fokker monoplane passed over the heart of Calcutta, and its occupants appeared to have some difficulty in sighting the aerodrome. By means of a fire, however, their attention was attracted and they made a perfect landing.

—Statesman, Nov 14, 1924

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A new record — Europe/India

A new record was set by KLM in 1933 when KLM carried Christmas mail from Holland to Jakarta in a Fokker F-18 "Pelikaan". An extract from The Statesman of December 22, 1933 is highly interesting to read:

Dutch plane's dash to Batavia — a new record

A new flying record between Europe and India was established yesterday when a KLM (Dutch) aeroplane carrying extra Christmas mails from Amsterdam to Batavia arrived at Dum Dum Aerodrome shortly after 10.10 a.m. accomplishing the journey between Amsterdam and Calcutta in 72 hours, including halts en route.

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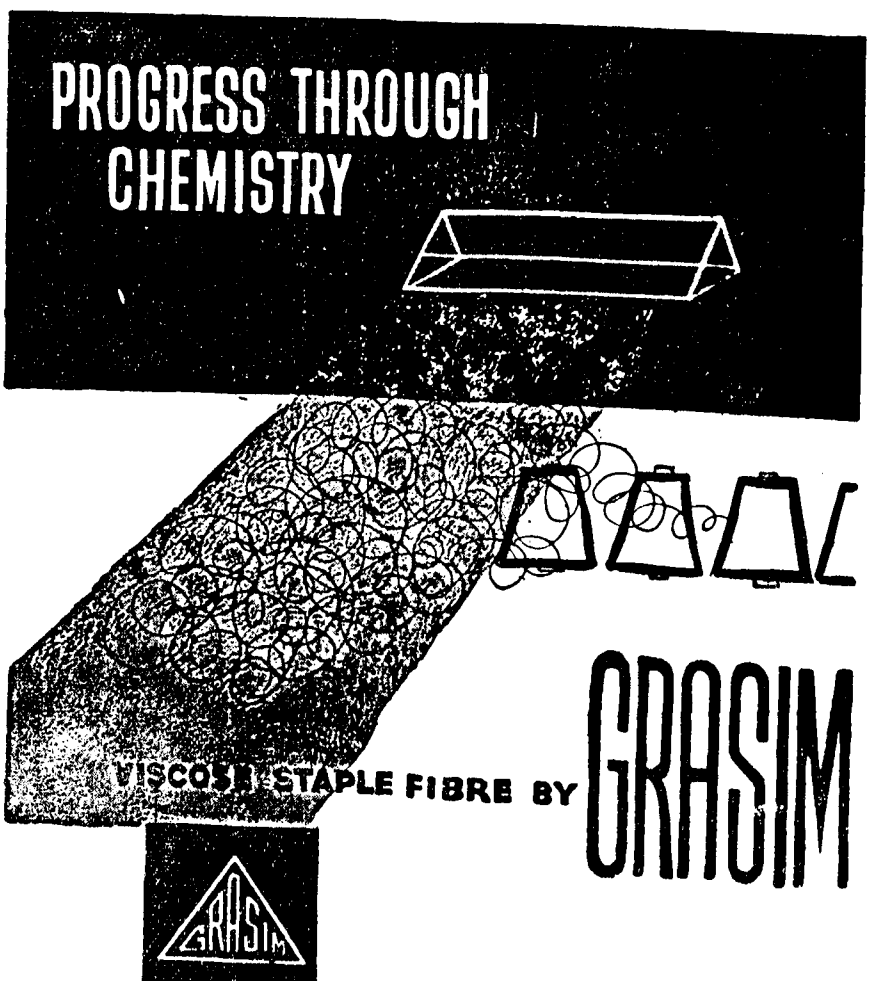
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Polish Economy: Structural Changes in Consumption

ALEKSANDER PASZYNSKI

INFORMATION on the problems and economic situation of the socialist countries more often than not concerns the overall trends of development and deals with the dynamics of industrial production or the development of select branches of industry rather than with matters related to national income or consumption. Recently matters of consumption were strongly emphasized when the new five-year Plan for 1966-1970 was being elaborated. The economic programme for these years provides for a 25-27 per cent increment in consumption, and, as a consequence, an approximately 33 per cent rise in the supply of consumer goods. These provisions are significantly ambitious in view of the demographical situation in Poland which faces an exceptionally high "population bulge" in the next few years. Providing jobs for this "bulge" (otherwise called "a high demographical plateau", or, simply, the bumper crop of early post-war babies coming of age) has been given the highest priority in the Polish economy in the next five years; but, all consequent capital outlays notwithstanding, this has not overshadowed the question of consumption.

Durable Consumer Goods

We must begin with consumer durables for changes in this sphere are the most vital and they indicate certain general trends. The table below gives the number of consumer durables in use per 1,000 of population at the beginning of the current five-year period, an estimate at the close of this period, and a tentative figure at the close of the next five-year Plan:

Items	1960	1965	1970
Radio sets ..	134	196	198
TV sets ..	16	74	137
Washing machines ..	49	74	170
Refrigerators ..	5	25	75
Sewing machines ..	54	73	90
Bicycles ..	129	190	214
Mopeds ..	4	11	15
Motorcycles and motor-scooters ..	26	46	51
Automobiles (private- ly-owned) ..	3	6	10

The relatively strong supply of consumer durables in Poland in the years to come is to be accounted for by the rising internal demand, as also to a great extent by the large production capacity of the industry which will turn out these items. For it must be understood that most of the consumer durables are produced by the Polish industry which has been built only in the last 10 to 15 years; the role of imports is at present negligible. Imports are represented only in a few groups of items, chiefly automobiles, but even there they account for not more than one-fifth of the marketable products. At present it is no longer the limits of production capacity but rather the stabilized rate of sales that is conditioning the market for consumer durables. One result of this in the coming five-year Plan will be the relatively low demand for radio sets as also transport vehicles but not for automobiles.

The Polish radio industry today is working at much below its full capacity because its production is limited by

shrinking demand despite the relatively low prices of radio sets. This trend has been witnessed in Poland as against the highly-developed countries which indicate a much higher absorption of radio sets: there are more than 300 radio sets for each 1,000 of population in the Soviet Union, Britain, France and the German Federal Republic, and nearly 900 in the United States. It seems that the basic needs in this respect have been satisfied in Poland and any further expansion in sales may be made possible only through a considerable improvement in the quality and character of radio sets.

Similar conclusions apply to other classes of durable consumer goods such as bicycles and washing machines. A different situation is observed in the case of transport vehicles. Here, too, certain types of automobiles and motorcycles are proving hard to sell. The reason however is different. A private car in Poland has for many years now been looked upon as a luxury, and consequently, prices of automobiles are exceptionally high. By now, the demand for cars at their present prices has for all purposes been satisfied, while demand for the less expensive types of cars continues to grow. An adjustment of automobile prices, as also the revision of their classification as "luxury item", seems to be in the offing.

Clothing

The annual, per capita consumption of cotton, woollen and silken fabrics, taken together, is more than 26 metres, and that of shoes, three pairs. The forthcoming five-year Plan does not provide for any substantial changes in this respect because the output of the clothing industry is to a certain extent limited by the imports of raw materials, i.e., cotton, wool, etc. A weaker dynamics of growth, however, does not mean stagnation in the supply of clothing articles. The Plan provides for a 7.5 per cent increase in the consumption of textiles i.e., to 28.5 metres per capita annually and a nearly 20 per cent increase in the consumption of shoes, i.e., to 4 pairs per capita annually.

The outstanding problem with regard to clothing is not the quantity but the quality of production. Considerable emphasis is placed on improving the quality of ready-made clothes. No less, and perhaps even greater, attention is paid in Poland at present to the development of synthetic fibre industry to cater to the clothing industry. The drive towards more synthetic fibres for clothing is the result of a short supply of imported raw materials, as also of the generally higher quality and "better wear" of clothes made from synthetic fibre. Even now, out of the 19 million ladies' stockings sold in Poland every year 16 million are made of steelon, and about 40 per cent of all ladies' underwear is of man-made fibres. The coming five years will witness a radical breakthrough in the raw material structure of the clothing industry.

So far as food consumption in Poland is concerned, the situation is slightly different. Difficulty lies, among other things, in the internal structure of consumption, which is at variance with the prevailing modern views on and principles of rational nutrition. The consumption of protein foods in Poland hovers around the level of 113-114 kilograms per capita per annum, that is 13 kilograms below the world standard "B" (sufficiently nutritious food at moderate cost), whereas the consumption of carbohydrates comes to 170 kilo-

grams per capita per annum, that is, nearly 20 kilograms above the same standard "B". The task is thus to curtail the relatively high consumption of cereals and supplement the diet with a greater share of other foods. The plan relating to the production of food articles provides for that. Capital outlays for agriculture are being considerably increased, which is expected to bring the consumption of protein foods in the concluding years of the next five-year Plan — 1968-70 — to 125 kilograms per capita per annum. A rapid rise is envisaged in the supply of such products as milk (40 per cent), cheese (100 per cent), fish (50 per cent), whereas the supply of meat is to rise more slowly (by 30-33 per cent) because even today the consumption of meat and meat products in Poland is well in excess of the standard "B" and despite the slower rate of increase, by 1970 it is envisaged to surpass 50 kilograms per capita per annum. On the other hand, the consumption of milk and dairy products, despite a stronger dynamics of growth, will continue to lag somewhat behind the standards required by dietetics.

The above-outlined structure of consumption is a result not so much of certain shortages in supply but primarily of certain well-established eating habits and traditional preferences in consumption. In such a situation, the provisions of the Plan, concerning the consumption of food products, constitute

a specific compromise, as it were, of the desire to improve the prevailing structure of consumption with the well-established preferences of the population. Take the example of sugar: its consumption is expected to rise from 33 kilograms to more than 36 kilograms per capita by 1970, even though it should not exceed 27 kilograms according to the highest possible standard "D". Full control over this sphere of economy, which is the consumption of food, is, unfortunately, a very complex affair, and traditions and preferences of a cuisine repel all interference on the part of the planner.

Other, and more objective reasons have caused the somewhat incorrect structure of the consumption of fats, and changes in this respect will not be far-reaching. Currently, the per capita consumption of butter in Poland is 4.5 kilograms (10 lbs) annually which is very low. Owing to the limitation in the production of butter in the country, resort has been taken to the manufacture of vegetable fats. Even in the current five-year period the production of vegetable fats has been doubled, and in the years 1966-1970 it is expected to increase by another 50 per cent. Thanks to this increase, the aggregate consumption of fats (animal and vegetable) is expected to rise from 18 kilograms per capita this year to some 21 kilograms in 1970. This will be very close to the standard "B" though, admittedly, still unsatisfactory.

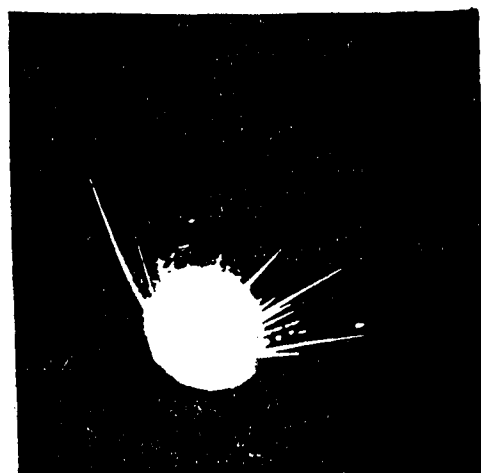
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PHOTO BY G. S. K.



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JWTHB 1805 A

WINDOW ON THE WORLD

Protection Preferred to "Stop-Go"

PAUL EINZIG

LONDON:

IN SUBSTANCE the new Government measures aimed at reducing the balance of payments deficit amount to a virtual doubling of import duties and an incomparably smaller degree of subsidy to stimulate exports. The latter measure, being equivalent to a mere 1½ per cent of the value of the exports concerned, can only have a marginal effect. The Government's plan is based, therefore, almost exclusively on the success of the 15 per cent surcharge on import duties to stop a large proportion of unwanted imports. Nevertheless, there appears to be some confusion in the Government's mind as to what it really wants, judging by the fact that Ministerial spokesmen are exhorting business firms not to pass the whole 15 per cent on to the consumer in the form of higher prices.

Yet it may well be asked just how the Government expects to discourage consumers from buying imported goods otherwise than through causing their prices to increase. If in response to the official exhortations importers paid, say, 5 per cent of the surcharge out of their profit margins and only passed on 10 per cent to the purchasers of their goods, the effect of the measure would be considerably more restricted than it would be if the whole 15 per cent were passed on to them. It is true, the Government would have the benefit of the additional revenue and the satisfaction of causing a reduction of profits. But those were not the declared objects of the measure. In the interest of its success the Government should exhort importers to pass on to the consumer the whole of the surcharge.

In any case, this protectionist measure can only produce a temporary effect. The doubling of import duties is bound to cause a rise in the cost of living and the cost of production, and this would easily wipe out the stimulus of the very modest fiscal subsidies given to exporters.

Retaliatory Measures

While the governments of the countries whose exports to Britain are affected may be willing to abstain from retaliatory measures if the surcharges apply for a short period only, many of them are certain to retaliate if its application should become unduly prolonged. No exception can be taken to import restrictions as a temporary measure in face of the unprecedented import surplus with which the new Government is faced on assuming office. In fact, in a sense history is repeating itself. When the Conservative Government assumed office in 1951 it was faced by the same problem which it solved by restricting imports, not with the aid of tariff surcharge but with the aid of reducing imports quotas. Mr. Maudling has admitted it that, had the Conservative Government been re-elected it would probably have resorted to identical measures as those adopted by the Labour Government.

The new Government was well advised in rejecting panic measures such as a devaluation of sterling or a relapse into exchange control. Its wisdom in rejecting also the policy of "stop-go" is open however to question. It seems highly doubtful whether its emphatic renunciation and denunciation of credit squeeze and other measures aimed at curtailing demand, is the right method of inducing both sides of industry to co-operate voluntarily, even in the absence of a threat to resort to "stop-go", in the Government's effort to achieve expansion without inflation. Yet in the long run the fate of the British balance of payments will depend on the possibility of adopting an incomes policy to that end.

The exhortations addressed to employers and to unions

would be ever so much more effective if they were reinforced with the threat that unless they were prepared to play the game the Government would be forced to deflate even if it meant unemployment and bad business conditions. Instead the Government's attitude in condemning "stop-go" reassures employers and employees alike that even if they should choose to ignore the Government's exhortations they have no need to fear the consequences. That in the long run such consequences would become unavoidable seems obvious, but both sides prefer to ignore it.

Yet another piece of inconsistency in the new Government's attitude is the exhortation addressed to industry to produce at home the goods which are at present imported, without indicating any realisation that, given the facts of overfull employment the superimposition of such additional production to an economy, which is already overloaded, would necessarily entail inflation. It is indeed difficult to imagine that amidst increased scarcity of labour the trade unions would be more inclined to practise restraint or that the employers would respond to exhortations not to raise their prices if the accentuated inflationary spiral enables them to do so with impunity.

Major Crisis

However, what matters for the moment is to avoid a major crisis that would be certain to arise in the near future unless the trade deficit is brought speedily under control. Such a crisis would not be confined to Britain. It is therefore to the interests of countries which suffer disadvantages through the imposition of the import surcharge that they should submit temporarily to these disadvantages in order to assist Britain in solving her immediate balance of payments problem. Should that problem lead to a major crisis, every one of the countries would share in the disadvantages which might well be even graver than those caused by the import surcharge.

Having said all this, I hasten to add that the Government's concerned would be well advised to set a time limit to the period during which they are prepared to abstain from retaliation. They should make it quite plain that they would not be prepared to accept a perpetuation of the surcharge. In making this clear they would not only safeguard the interests of their own industries affected by the surcharge but would also render a service to the British people, because they would strengthen the Government's hand in its efforts to seek the permanent solution of the balance of payments problem through an incomes policy. Since the Government renounced its main bargaining weapon, the threat to revert to "stop-go", it should at least be placed in a position to tell the trade unions that unless a beginning is made in the adoption of an incomes policy within the next few months other governments would lose their patience and would resort to retaliatory measures, which again would hit British industry and would cancel out any improvement in the balance of payments through the import surcharge.

In order that the Government's hand should be strengthened effectively the governments of the countries whose exports to Britain are affected should declare in public the time limit beyond which their patience would become exhausted. Should they leave it vague, the threat of retaliations would not be taken sufficiently seriously to affect the attitude of those on whom the definite solution of the balance of payments problem ultimately depends. The Government itself

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LISTENING POSTS

NDC and the Fourth Plan

By our Special Correspondent

NEW DELHI:

ALTHOUGH THE National Development Council at its last week's meeting accepted the size of the fourth Plan as proposed in the Planning Commission's memorandum — a total outlay between Rs. 21,500 and Rs. 22,500 crores (between Rs. 14,500 and Rs. 15,500 crores in the public sector and Rs. 7,000 crores in the private sector) with the qualification that the development programmes in each sector would identify projects with a total outlay of Rs. 1,000 crores to be initiated during the second half of the Plan if the economy improves and resources can be mobilised — and the need to step up the rate of growth in agriculture by 5 per cent per annum, it suggested scaling down of the overall rate of growth to six per cent a year from 6.5 per cent suggested in the memorandum. The Council also felt that whereas there had been effected a substantial increase in the allocation for the development of agriculture and social services, the provisions made in the memorandum for power, irrigation, transport and industries were not adequate. It expressed the view that the sectoral allocations and priorities of development needed to be re-examined in the light of the immediate needs of stepping up productivity.

Self-Sustaining Growth

Broadly agreeing with the long-term objectives indicated in the memorandum — (1) to lay a sound foundation for self-sustaining economic growth; (2) to provide avenues and opportunities of employment to all those who seek it, (3) to narrow economic and social disabilities; and (4) to ensure a minimum standard of living — the Council opined that the fourth Plan should aim at (i) achieving a rate of growth of not less than 5 per cent per annum in agriculture, and an overall rate of growth of not less than 6 per cent; (ii) ensuring the availability of inputs for agriculture, such as fertilisers, manures, pesticides and improved seeds, and the materials needed by agriculture, such as cement for wells and other construction purposes, iron and steel for implements and equipment and cheap power for lift irrigation and agro-industries; (iii) enlarging the supply of essential consumer goods, such as cotton textiles, sugar, kerosene, cement, drugs and medicines; (iv) providing for continued growth in metals and mining, chemicals, machinery building, electric power and transport; (v) raising productivity through the development of human resources; (vi) controlling the growth of population through an extensive family planning programme; and (vii) generating adequate opportunities for employment of the new entrants to the labour force, including those seasonally under-employed.

The Council agreed that agricultural development should be accorded the highest priority in the fourth Plan. The financial allocation for agriculture indicated in the memorandum, it was agreed, should be treated as tentative. The physical targets to be achieved in this sector should be built up from below, through detailed work in the States, on the basis of the block and district plans and their implication in terms of financial resources and material inputs worked out in detail, and provision made in full before providing for other sectors. The Council stressed the need for adoption of a project approach for planning and implementation of agricultural pro-

grammes area by area, in a selective and integrated manner, and laid emphasis on quick maturing schemes, development of local manurial resources side by side with the use of fertilisers, pesticides etc., use of improved agricultural implements, extension of rural electrification for water lifting, early completion of soil surveys throughout the country, planning and implementation of minor irrigation programmes on the basis of systematic surveys of water resources, undertaking of pest protection measures as a service over large areas simultaneously at the appropriate time, provision of improved seeds on a large scale, development of animal husbandry, poultry, pig-gery and fisheries, provision of timely and adequate irrigation facilities, and, above all, improvement in the quality of service and effective co-ordination of all agencies, institutions and departments concerned with inter-related and inter-dependent aspects of agricultural production.

For a closer look at the fourth Plan development programmes in the various sectors of the economy, the Council decided to set up five sub-committees for agriculture and irrigation; industries, power and transport; social services; financial resources; and hill area. The sub-committees will consist of:

Committee on Resources: Mrs. Sucheta Kripalani, Chief Minister, Uttar Pradesh; (2) Mr. M. Bhaktavatsalam, Chief Minister, Madras; (3) Mr. P. C. Sen, Chief Minister, West Bengal; (4) Mr. Mohan Lal Sukhadia, Chief Minister, Rajasthan; (5) Mr. Fakhruddin Ali Ahmed, Finance Minister, Assam; and (6) Mr. S. K. Wankhede, Finance Minister, Maharashtra.

Committee on Industries, Power and Transport: (1) Mr. D. P. Mishra, Chief Minister, Madhya Pradesh; (2) Mr. Balwantray Mehta, Chief Minister, Gujarat; (3) Mr. Ram Kishan, Chief Minister, Punjab; (4) Mr. G. M. Sadiq, Prime Minister, Jammu & Kashmir; (5) Mr. R. Venkataraman, Industries Minister, Madras; (6) Mr. S. G. Barve, Industries & Electricity Minister, Maharashtra; (7) Mr. Veerendra Patel, Public Works Minister, Mysore; (8) Mr. K. P. Tripathy, Planning Minister, Assam; (9) Mr. Saila Kumar Mukherjee, Finance Minister, West Bengal; (10) Mr. Girdhari Lal, Irrigation & Power Minister, Uttar Pradesh; and (11) Mr. M. P. Sinha, Irrigation and Power Minister, Bihar.

Committee on Social Services: (1) Mr. M. Bhaktavatsalam, Chief Minister, Madras; (2) Mr. G. M. Sadiq, Prime Minister, Jammu & Kashmir; (3) Mr. Mathuradas Mathur, Planning Minister, Rajasthan; (4) Mr. Rabindra Lal Sinha, Education Minister, West Bengal; (5) Mr. Hitendrabhai K. Deasi, Home Minister, Gujarat; (6) Mrs. Yashodhara Dasappa, Social Welfare Minister, Mysore; and (7) Mr. Satyendra Narain Singh, Education Minister, Bihar.

Committee on Agriculture and Irrigation: (1) Mr. V. P. Naik, Chief Minister, Maharashtra; (2) Mr. G. Narayana Gouda, Agriculture Minister, Mysore; (3) Mr. Darbara Singh, Home and Development Minister, Punjab; (4) Mr. S. N. Sinha, Agriculture Minister, Bihar; and (5) Mr. Arjun Singh, Agricultural Minister, Madhya Pradesh.

Committee on Hill Area: (1) Mr. P. Shibu Ao, Chief Minister, Nagaland; (2) Mr. Y. S. Parmar, Chief Minister Himachal Pradesh.



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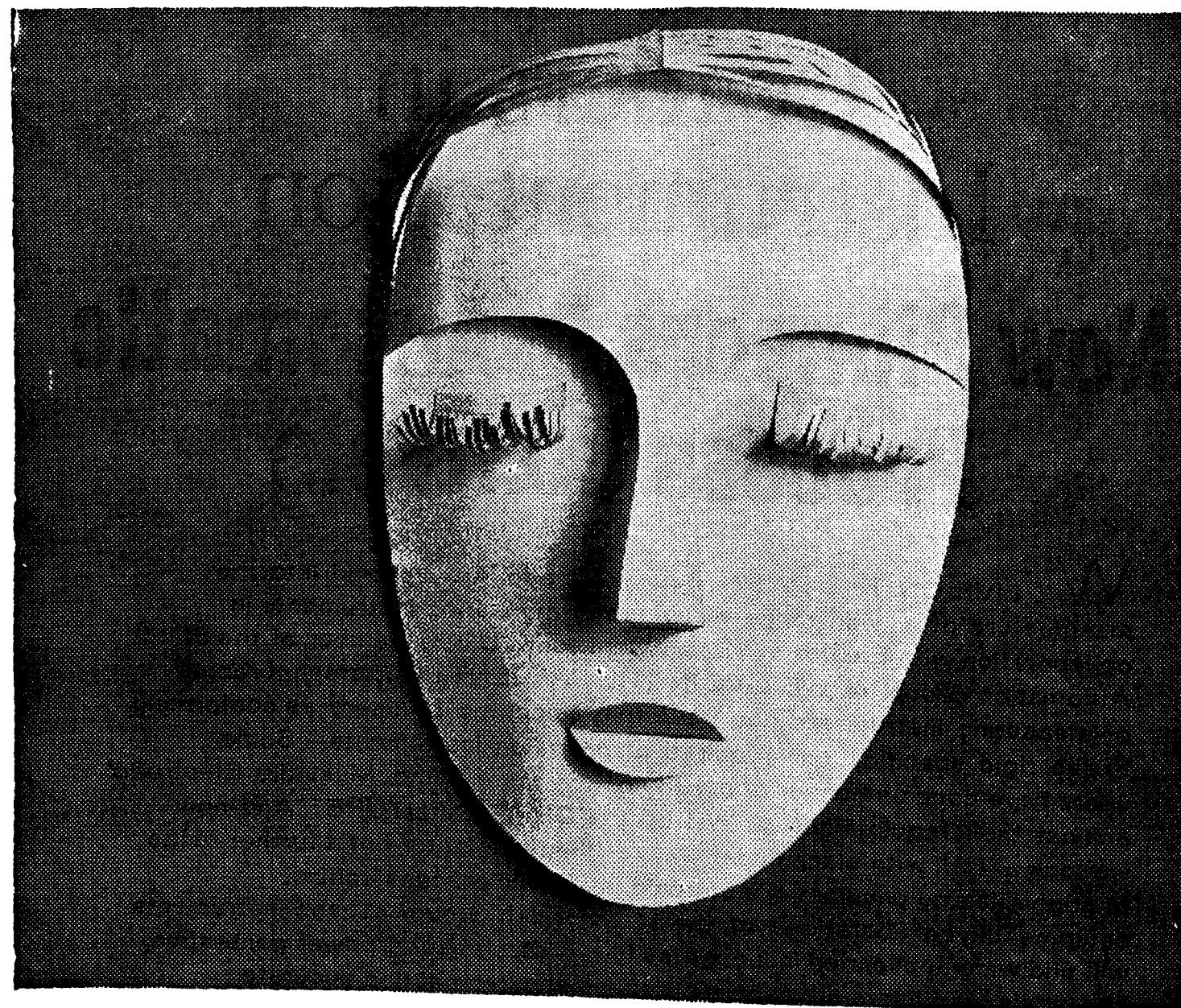
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should feel that it is under pressure from abroad to implement its undertaking to tackle the problems of incomes policy, restrictive practices, unofficial strikes etc. in the interest of increasing production.

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on imports has come to an end, the Government could produce progress towards the desired results with a stroke of the pen. The governments of the Commonwealth and foreign governments are fully entitled to insist that their nationals should not be required to make sacrifices for the sake of assisting Britain unless the British Government and people themselves show willingness to make sacrifices by agreeing to defer the application of schemes which would involve an increase of spending and would thereby aggravate the balance of payments position.

Employment Opportunities Expand in U. S.

GUY SIMS FITCH

WASHINGTON:

"THEY ARE hiring them off the streets again." This was the somewhat cryptic comment made a few months ago by a fellow economic analyst, a former university professor turned business consultant, who had just concluded a tour of industrial centres in various parts of the United States. He was referring, of course, to his personal and professional observation that companies in key industries were beginning to run into shortages of labour, and were recruiting anyone deemed capable of filling a vacancy or of being trained for it. Bringing this comment to mind, and lending it the additional substance of further expert analysis, is a report just issued by the National Industrial Conference Board (NICB), a leading private research organization. For some years, the NICB has been compiling a help-wanted advertising index, which measures the volume of job advertisements in 52 major newspapers across the country. This index reached a new peak with its latest reading in September, 1964, up 21 per cent from June, 1963.

This means that companies are advertising for workers at a record rate, as far as the NICB index is concerned, and suggests that there are many more job opportunities opening up around the country than a superficial perusal of the over-all employment data might suggest. The NICB help-wanted index has been extremely sensitive to changes in general business conditions. As an indicator of underlying trends, it has tended to lead unemployment rates, thus foreshadowing actual developments in the job field.

Manpower Shortage

As an example, the index sank to its lowest point ever in February 1961, just about the time the late and unlamented recession was hitting bottom; three months later, the unemployment rate rose to its high point. On the other hand, the current climb in the index, which began in June, 1963, has been followed by a general decline in the unemployment rate — a decline which became particularly noticeable towards the end of 1963. Confirming this largely statistical analysis are independent reports of rising demand for labour, and of actual or incipient manpower shortages, in several key industries. The steel industry, for instance, is finding it difficult to fill a growing need for skilled and semi-skilled workers. Similar shortages are plaguing the machine tool industry, and the construction industry is running into its first manpower shortages since the early 1950's. A recent study shows that one of every five professional, technical and managerial jobs in the New York City Government service is vacant. Not all the shortages are among professional or skilled workers. Even relatively unskilled workers are in short supply in certain fields, such as hospital orderlies, car washers and restaurant employees.

These developments reflect the vigour of the sustained economic expansion which has been underway in the United

States for more than three and a half years. In that time, employment has climbed from the 1961 average of 67 million to the 71 million of September, 1964, while unemployment has dropped from 4.8 million to 3.3 million. And on the basis of current trends, one can assume that the economy will continue to expand and the employment situation will continue to improve. With 3.3 million still unemployed, however, one can hardly claim that the jobless problem has been solved, any more than one can claim that the manpower situation, despite its tightness in some industries, has become a deterrent to continued expansion of the economy. But the current job trends are having an interesting side-effect. They seem to be reactivating a long-smouldering debate on the nature of American unemployment.

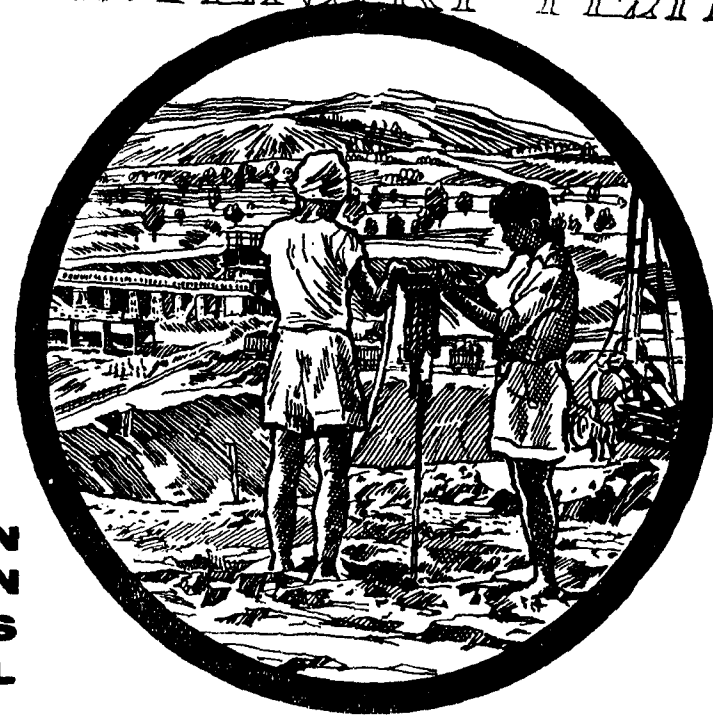
There are those who believe unemployment is largely structural — that is, it is the result not so much of a lack of job opportunities as it is of technological and other changes which require a certain amount of manpower retraining and a general upgrading of the work force. On the other hand, there are those who believe that the problem is essentially one of over-all economic growth, that the primary cause of unemployment is an insufficient total demand for goods and services.

These views are not necessarily irreconcilable, except perhaps when stated and pursued in extreme forms. Each seems to be approaching unemployment from a valid if different vantage point. As US Labour Secretary W. Willard Wirtz has noted, both the demand and the structural aspects of the problem require attention. In time, this entire argument could become more academic than real — if it is not already becoming so — as unemployment continues to decline under the twin pressures of expanding economic activity and national programme of manpower development and training.

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chal Pradesh; (3) Mr. Koirang Singh, Chief Minister, Manipur; (4) Mr. S. L. Singh, Chief Minister, Tripura; and (5) Mr. G. L. Dogra, Finance Minister, Jammu & Kashmir.

The Council emphasised that all possible steps should be taken to accelerate progress in the early years of the fourth Plan in order to make the mobilisation of additional resources possible. It also stressed on the need for improving the administrative and technical organisations responsible for Plan implementation and felt that there was urgent need for a systematic analysis of the reasons for failures in past Plans and the qualitative changes needed in administration to meet the demands of a bigger fourth Plan.

The questions relating to the pattern of assistance for States and of certain types of projects being earmarked for full Central assistance were generally discussed. It was agreed that these would be discussed in a special meeting of the National Development Council, to be convened at an early date.

★★

The Working Group on Evaluation in the States, set up by the Planning Commission, under the chairmanship of Prof. V. K. R. V. Rao, Member, Planning Commission, has suggested a provision of about Rs. 150 lakhs in the fourth Plan for evaluation schemes of the States and Union Territories.

The Working Group has recommended that evaluation should be included among the Plan programmes and that the resources needed for conducting evaluation work should be adequately provided for in the Plan outlay.

The Working Group has recommended that all State Governments should have an evaluation organisation as an integral part of their planning machinery. This organisation should function either as a wing or division of the Planning Department or as a directorate attached to it. The State evaluation organisation as conceived by the Group, should have a headquarters unit, a field organisation composed of a task force and 3 to 6 field units according to the size of the State.

Another recommendation made by the Group is that there should be a General Advisory Council on Evaluation, on which the State Governments, the Planning Commission, the Central Ministries and the Programme Evaluation Organisation should be represented. The Council could review the progress of studies, discuss problems, methods and techniques of evaluation and advise the Central and State evaluation agencies on the programmes of study and co-ordination of the activities of the different agencies.

With such an evaluation set-up, it is expected that it would be possible to bring out an annual evaluation review of the entire Plan.

The Group has emphasised that since evaluation is a potent instrument, it should be used positively, satisfactorily and effectively, and in all the State Governments there should be a common measure of understanding of the objective, orientation, scope and method of evaluation.

★★

The demand for agricultural tractors in India is expected to grow from about 10,000 Nos. in 1965-66 to nearly 30,000 Nos. in 1970-71. With a view to ensuring that adequate effective tractors manufacturing capacity is created in the country to meet an annual demand of at least 25,000 Nos., the Union Government is understood to be planning to license an additional capacity to produce approximately 24,500 tractors a year. Currently, the effective capacity is stated to be around 8,500 Nos. per annum — 7,500 tractors of 20-30 DBHP and

1,000 tractors of 35 DBHP and above. Out of the additional capacity to be licensed, capacity to the tune of manufacturing 12,000 tractors is to be in the 12-18 DBHP range, 9,500 tractors in 20-30 DBHP range and 3,000 tractors in the range 30-50 DBHP. The indigenous production of tractors during the current calendar year is expected to be around 4,657 Nos. — 4,057 tractors of 20-30 DBHP and 600 tractors of 50 DBHP.

The exact demand for power tillers, however, has not yet been assessed. It was estimated some time ago that this demand might be of the order of 40,000/50,000 Nos. at the end of the third Plan and approximately twice this figure at the end of the fourth Plan. To meet the 1965-66 expected demand at least substantially, two schemes had been sanctioned by the Union Government — (i) the programme of the East Asiatic Company for producing 24,000 power tillers per annum and (ii) the scheme of Krishi Engines for manufacturing 3,000 power tillers a year. Three more schemes for a total annual capacity to produce 14,000 power tillers annually had also been approved in principle. But out of all these, only the scheme of Krishi Engines is expected to materialise early next year. The East Asiatic Company has surrendered its licence.

Although a more realistic assessment of the likely demand for power tillers is proposed to be made after some 1,000 tillers

Eastern Economist 20 Years Ago

NOVEMBER 10, 1944

The new Yellow Book embodying the second report on reconstruction planning by the Reconstruction Committee of Council leaves no doubt that while considerable progress has been made in the direction of sorting out of ideas and of gathering together of the nuclear organisations for planning work, not all the governing principles have been clearly set out to provide guidance to the planning departments at the Centre as well as to the Provinces, on the lines on which they should proceed. The correct principles for the determination of economic priorities, in particular, reach to the root of all, for on their formulation depends not only the soundness of the economic programme which we may envisage but also because the very structure of state control would flow from the adequacies for the organization of those priorities. It is very easy to list the multiple directions along which positive economic action is necessary, e.g., in industries, agriculture, transport and communication, electricity, housing and so on. But the essence of planning consists not in indicating how much in this direction or that direction could or remains to be achieved, but in formulating principles for determining the valid simultaneous rates of development in each direction which would be necessary for dynamic economic equilibrium i.e., balanced economic growth. The perfunctory manner in which the Yellow Book evades the primary task betokens a serious flaw at a high level of governmental planning work and thinking. For without such clear governing principles, we run the danger that we may have grand, but unco-ordinated plans about roads, electricity or agriculture which only lead to massive structural economic maladjustments and thus counter the policy of economic expansionism on which we are embarked. Must vital questions such as whether we should have more of roads or more of electricity or more of agriculture be settled by means of political haggling behind the scene or naive sentimentalizings without reference to principles capable of clear technical formulation?

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necessary, therefore that the authorities should review the position in the light of this comprehensive and well-reasoned representation. They cannot but do so, if they are convinced that there is need, in the circumstances prevailing today, to revive stock exchange activities and investor confidence.

In their joint representation, the recognised stock exchange have critically examined the proposal contained in clause 13 of the Companies (Second Amendment) Bill, 1964, i.e., the proposed new sub-section 1A of Section 103, and have clearly established that the proposed restrictions on the currency of blank transfers are not only far from justified in the basic assumptions underlying them, but also that, in any case, the proposal lacks validity and that it is unnecessary in the context of the statutory provisions contained in the Companies Act 1956, the Securities Contracts (Regulation) Act 1956, and the Income-Tax Act, 1961, which, in their opinion, go very much beyond what any restrictions on the currency of blank transfers can be expected to, or conceivably achieve.

The Stock Exchange memorandum goes to the roots of the problem, as it were, by referring to the genesis of the proposed amendment. The proposed amendment, as is well-known is based on the findings of the Vivian Bose Commission which, in turn, it must be noted, related to a state of affairs that obtained before 1956 and only pertained to private limited companies not listed on the stock exchange. It is not clear why the authorities did not pause to look at the important qualifications to its recommendations made by the Commission itself. Had this been done, perhaps, there would have been no occasion or provocation for the proposed amendment. The Vivian Bose Commission has categorically recognised that the blank transfers system is widespread and that it serves a variety of legitimate reasons and necessary business purposes. If, in spite of this, however, it recommended certain restrictions, it must have been influenced, in the main, by its reaction to the working of the companies into whose affairs it had occasion to delve deep, and, if only because of this, the

authorities have to be doubly cautious in their approach today. The restrictions proposed presumably stemmed from the Commission's belief that the system of blank transfers leads to concealment of the beneficial owners' identity behind their nominees, tax evasion by investment of secret profits in holdings of blank transfers, window-dressing of balance sheets through substitution of inter-company loans and advances by investments, and creation of fictitious investment losses for reducing taxable profits. As stated earlier, the state of the post-1956 laws has reduced, if not removed altogether, the scope for these abuses.

Moreover, the blank transfers system is certainly not responsible for all the evils mistakenly attributed to it. There seems to be also some misunderstanding about the relationship between blank transfers and nominee holdings. The two are certainly not identical, as assumed in many quarters; they are two distinct things and the one could exist independently of the other. For instance, there are no blank transfers in the UK, whereas the practice of nominee holdings prevails there on a large scale. This should disabuse anyone of the fond notion that restrictions on the currency of blank transfers would bring about disclosure of beneficial interest or solve the problem of nominee holdings.

Nor are blank transfers responsible for tax evasion. There are relatively more convenient forms than shares on blank transfers for holding secret profits as, for example, currency notes, precious stones, jewellery and Government Securities. If, therefore, restrictions are imposed on the currency of blank transfers, what is likely to happen is only a diversion of investment from shares to these alternative channels. In other words, the desideratum of checking tax evasion is not achieved by the proposed restrictions. Blank transfers are a purely neutral medium and one should not facetiously conclude that, wherever there is tax evasion this could be checked by imposing restrictions on blank transfers. There is tax evasion, for example, in the USA, but, instead of restricting the currency of

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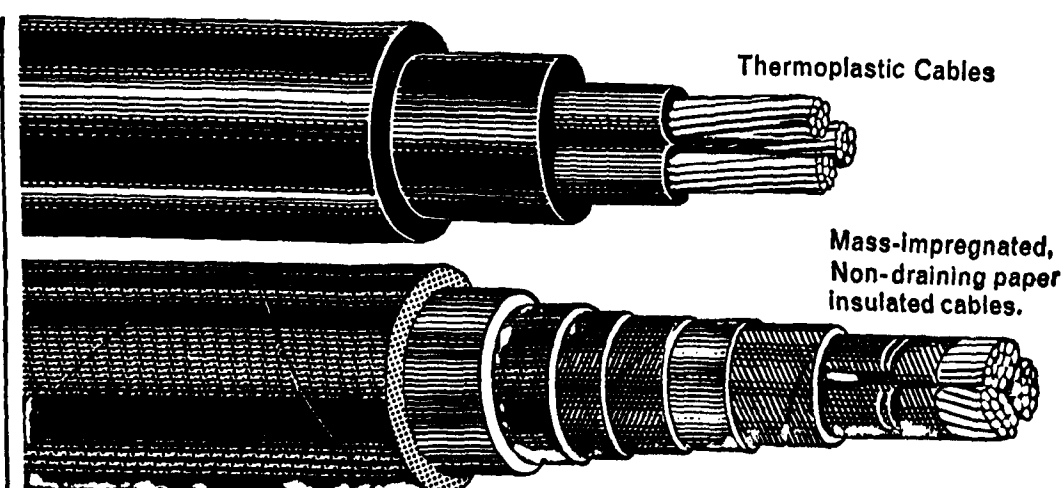
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of the makes proposed to be produced in India are imported and sold to the farmers for ascertaining their usefulness, the Union Government is considering further licensing of capacity in this line of manufacture. The public sector may also take up manufacture of power tillers with Czech collaboration.

★★

A disconcerting trend has been witnessed on the coal front during the first five months of the current financial year. Both production and despatches of coal during these months have shown a decline from the levels attained in the corresponding period last year — production has gone down from 27.16 million tonnes to 25.33 million tonnes and despatches from 24.03 million tonnes to 22.63 million tonnes.

The primary reason for this trend is stated to be that a number of State Governments have failed to lift the quotas allotted to them. If the demand does not pick up during the rest of the financial year, it is feared that production of coal during 1964-65 may fall short of even the modest estimate of 66 million tonnes (including colliery consumption).

The Government is stated to be keeping a close watch over the progress of production and consumption of coal.

★★

The assurances given by the new leaders of the Soviet Union to India's Minister for Information and Broadcasting, Mrs. Indira Gandhi, should go some way in allaying the misgivings caused here by the last month's Kremlin shake-up. Mrs. Gandhi touched Moscow on her way back from Paris where she had gone to attend the UNESCO Conference.

Addressing newsmen this Monday, Mrs. Gandhi disclosed that the new Soviet leaders had specifically told her that they stood by the commitments made by the Soviet Union to India both on economic and military aid. There was also no change in their attitude towards the Kashmir issue and the Sino-Indian border trouble. The Soviet Union would like to give even more economic aid to India.

Mrs. Gandhi said that the present leaders of the Soviet Union were as much responsible for framing their country's policy towards India or any other country as Mr. Khrushchev. Therefore, a major shift in the policies pursued by Mr. Khrushchev could not be expected. The new Soviet leadership, Mrs. Gandhi added, would, however, like to lessen tension in whichever direction it existed. This might involve some minor policy adjustments and smoothening of edges. There was a general belief in the Soviet Union, Mrs. Gandhi opined, that it was not easy to come to terms with China. Even if the rapprochement between Moscow and Peking came in a big way, it did not mean that Russia's relations with the East European countries and India would undergo a change for the worse. There was also no question of the Soviet Union going back to the Stalin era.

Mrs. Gandhi revealed that during her talks with President Tito, she got the impression that the Yugoslav President also

shared the view that there was not going to be any major change in the Soviet Union's policies.

About the reaction of the Soviet leaders to China's exploding the atom bomb, Mrs. Gandhi said that the Soviet leaders thought China was insistent on exploding the nuclear bomb for prestige reasons only. The Soviet leaders stood by the Test Ban Treaty and fully endorsed India's stand on the issue. They did not favour expansion of the nuclear club as this would increase the danger of war.

Talking about the affairs of the Ministry of Information and Broadcasting, Mrs. Gandhi expressed the view that she would not mind AIR undertaking commercial publicity on a limited scale. No such decision, she hasened to add, had however, been taken as yet. About introduction of television in India, Mrs. Gandhi said that she favoured television more as a medium of education than entertainment. Her idea was to set up television centres in the four principal cities, after which there might come up groups to sponsor it in smaller cities. Lack of finances, Mrs. Gandhi added, stood in the way and she was waiting for the fourth Plan allocation for her Ministry so that the development of the TV could be chalked out according to the funds available. The committee proposed to be set up to go into the working of AIR, Mrs. Gandhi said, would address itself to the problem of improving the quality of Indian broadcasts. Commercial use of the medium might also be considered by this committee.

Mrs. Gandhi disclosed that the Union Government was making inquiries through its missions abroad about the availability of two 250 KW short-wave transmitters for external publicity. After consultations with the different Ministries, it was thought that we should go in for two 250 KW. short-wave transmitters rather than one 1,000 KW. medium-wave transmitter.

★★

Through a notification issued on November 2, 1964, the Government of India has prohibited the manufacture or sale of sugar of grain sizes 'A' and 'B' as described in the publication of the Indian Standards Institution "No. IS:438-1963-Grading for Vacuum Pan Sugar (Plantation White)" as amended in May, 1964. The order provides for exemption of sale of sugar of these two grain sizes manufactured before November 2.

The step has been taken in view of the fact that production of sugar of grain sizes 'A' and 'B' is wasteful, both from the point of view of manufacture and consumption.

★★

Consequent on the sad demise of Mr. H. C. Dasappa, Union Minister for Industry and Supply, on October 29, the charge of the Department of Industry has been temporarily vested in Mr. T. N. Singh, Minister for Heavy Engineering in the Ministry of Industry and Supply. Mr. K. Raghu Ramaiah, Minister of Supply in this Ministry, has been temporarily put in charge of the Department of Supply and Technical Development.

Restrictions on Blank Transfers Unjustified

R. V. MURTHY

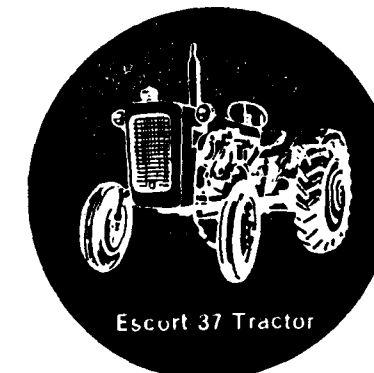
BOMBAY:

IN THE course of my comments on the reactions of the business community in Bombay to the Companies (Second Amendment) Bill, 1964, I had made the following observation: "Undoubtedly a good deal of abuse has grown around the prevailing system of blank transfers. But one wonders whether the proposed restrictions will have the effect of mitigating, if not eliminating, these abuses, while, at the same time, leaving unaffected the mobility and liquidity of the concerned shares. Great care

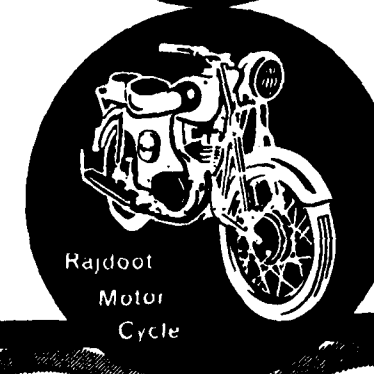
should be taken to ensure that the restrictions do not adversely affect the economic system", I am, therefore, bound to draw pointed attention to the joint representation submitted by the recognised stock exchanges (for Bombay, Calcutta, Madras, Ahmedabad, Delhi, Hyderabad, M.P., and Bangalore), in which it has been made out that the proposed restrictions will not only damage the liquidity and negotiability of stocks and shares, but dislocate the stock market, affect credit facilities and produce many more serious repercussions. It seems

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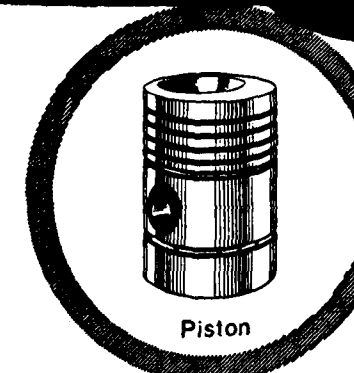
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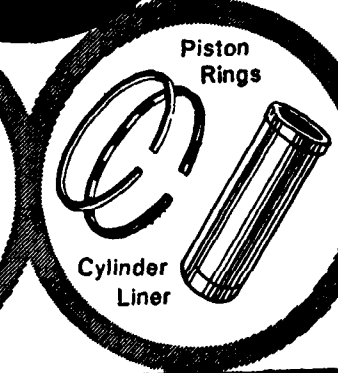
Escort 37 Tractor



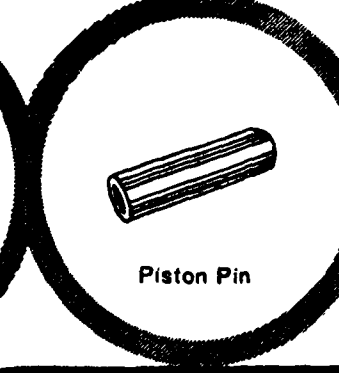
Rajdoot Motor Cycle



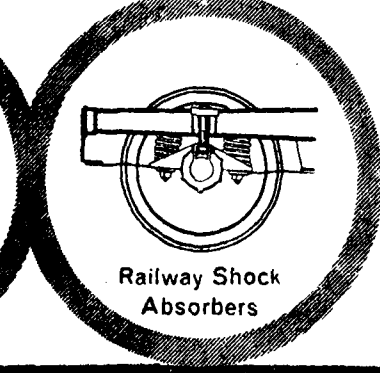
Piston



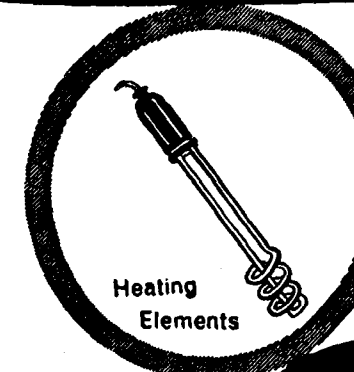
Cylinder Liner



Piston Pin



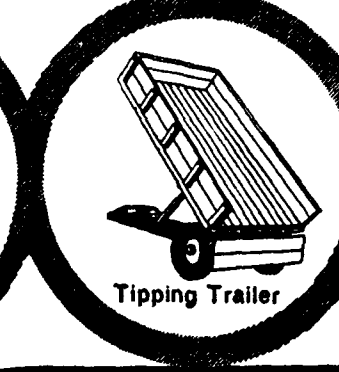
Railway Shock Absorbers



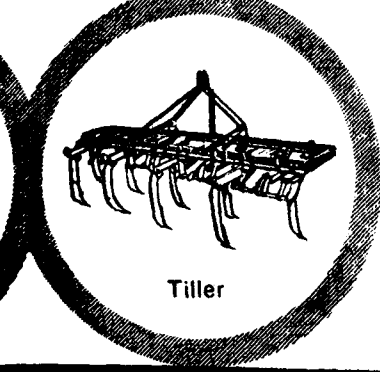
Heating Elements



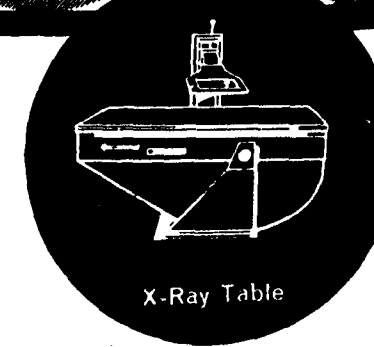
X-Ray Control Board



Tipping Trailer



Tiller



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not as satisfactorily as the Engineering Goods Export Promotion Council would like it to be.

The problem of quality and costs is also faced by the country's export trade as a whole, including that in traditional items like tea, jute and cotton textiles. The inflationary conditions in the country have been hindering the effort in two ways; first, they make the domestic market more attractive for the manufacturer who can earn much more with so much less effort and secondly, they tend to price the Indian goods out of foreign markets. A survey of India's export trade by the World Trade Department of the Indian Chamber of Commerce spells out these problems neatly. As the survey shows, 1963-64 was by far the best in India's export trade, when the value rose sharply from Rs. 790 crores from Rs. 714 crores in the preceding year. A rise of Rs. 76 crores that is. This is obviously a record increase in a single year, but this was made possible by the buoyancy in world trade and the keen demand for certain commodities like sugar, jute goods and oil cakes. Almost all major items of export showed an increase, with the notable exceptions of manganese ore, raw cotton and waste and raw hides and skins.

Large Deficit

Exports to the dollar area increased from Rs. 143 crores to Rs. 157 crores, to the European Common Market from Rs. 48 crores to Rs. 57 crores, to East European countries from Rs. 92 crores to Rs. 109 crores, to the sterling area from Rs. 268 crores to Rs. 283 crores and to other soft currency areas from Rs. 170 crores to Rs. 188 crores. Area wise, some 100 countries including Argentina, Belgium, Ceylon, Czechoslovakia, Malaya, West Germany, Japan, the USA and Russia bought more, while some 76 countries including Indonesia, Iran, Nigeria, East Pakistan, Poland and Yugoslavia reduced their off-take. The disconcerting fact, however, was that the trade deficit with some of the important countries still continued to be large. For instance, with the United States, it was Rs. 262 crores, with West Germany (a country which has had a large favourable balance with India in recent years) it was Rs. 70 crores, and with Iran it was Rs. 43 crores. With some countries, notably the UAR, Sweden and Switzerland, the deficit even increased.

Another disconcerting feature was the deterioration in the terms of trade, as most of the increase in exports was on account of a bigger quantity having been exported rather than better value fetched for the goods. The Chamber's study has tabulated the relevant figures which are reproduced alongside.

India obviously has only taken advantage of the buoyant demand conditions in the world markets, but will she be able to maintain her exports at the increased level when the conditions change and competition increases? The answer again is that Indian manufacturers must keep costs down and steadily improve the quality of their products. But world trade is

also subject to many restrictions and barriers on which some firm international action or agreed programme is necessary. In this connection, the survey takes an optimistic view of the outcome of the recent UN conference in Geneva on trade and development. The conference, it admits, did not achieve anything spectacular, but it at least helped to focus attention on the need for more realistic trade policies on the part of the advanced countries. It also views hopefully the main decision of the Conference that the developed nations should contribute 1 per cent of their gross national product for the economic development of developing countries, that a trade and development board should be set up to implement the decisions of the Conference, which would meet at intervals not exceeding three years. The developed countries have been urged to avoid giving special encouragement to the production of new competitive synthetics when such investment could be employed elsewhere more effectively. Another important recommendation is that whenever international measures to stabilise prices of primary products in relation to those of manufactured goods are inadequate, arrangements should be made on an equitable and universal basis, and without prejudice to the general level of financial aid to the developing countries, to correct and compensate the deterioration in terms of trade and short-term decline in the exports earnings of countries exporting primary commodities with a view to facilitating the implementation of economic development plans and programmes.

These recommendations are not explicit and it is perhaps a little premature to hope that the existing obstacles to world trade like high tariffs, quotas, customs valuation procedure, anti-dumping regulations, internal taxes and so on will disappear in the near future. The progress of the Kennedy round of talks does not at least encourage much hope. Meanwhile, India must do the most she can to increase participation in world trade, which unfortunately is still far from substantial. World exports have gone up by 152 per cent between 1948 and 1963, while India's exports have increased only by 20 per cent in this period. What is more significant is that her relative share has declined from 2.5 per cent to 1.2 per cent.

(Base: 1958 equals 100)

Year	Exports		Imports		Net terms of trade
	Quantity Index	Unit Value Index	Quantity Index	Unit Value Index	
1960-61	100	110	128	98	115
1961-62	105	109	121	98	111
1962-63	112	108	131	94	113
1963-64	126	105	135	97	108

Rehabilitating the Repatriates

From Our Correspondent

MADRAS:

THE AGREEMENT between the Governments of India and Ceylon regarding the repatriation of stateless citizens of Indian origin is accepted on all hands as marking the satisfactory settlement of a ticklish problem which has for long evaded solution. It has naturally been claimed that both the Prime Ministers made a sincere effort to reach a settlement though the advantages that accrue from this arrangement are differently interpreted. While it has been stated that the Indian Government has struck a hard bargain the Ceylon Prime Minister has pointed out that substantial concessions have been secured and that with regular repatriation of 3,000 people every

month larger employment opportunities would be available for the Sinhalese. The manner in which the agreement is implemented will bear out ultimately which country will be the gainer though it cannot be disputed that Ceylon has once and for all shut out opportunities for gainful employment for non-Ceylonese and the Indian content of the total population of the island would decrease significantly over a period.

The Madras Chief Minister has welcomed this agreement from the human angle as it would provide relief and remove uncertainty for a large number of Indians who have been wanting to come over to this country. He has stated that about 2,50,000 people have expressed a desire to come over to this country



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blank transfers, the American law makers have accorded blank transfers statutory recognition and protection to holders on blank transfers. Evidently they realise that restrictions on blank transfers are no answer to tax evasion.

There would also appear to be, as the joint memorandum makes out, some misapprehensions and misconceptions about blank transfers in this country. That the system has a historical justification and also that it has been in vogue ever since the inception of joint-stock enterprises seem to have been overlooked. The system is by no means peculiar to India; in one form or another, it is to be found in all parts of the world—on the Continent and in the U.S.A. It might be argued that there are no blank transfers at all in the U.K., but it should be borne in mind that this is because of the peculiar conditions that obtain on the London Stock Exchange. Unlike any other stock exchange in the world, the London Stock Exchange segregates brokers from jobbers. Further, there are specialised registrar agencies within a few square miles from the city which complete registration of shares and return them within a day or two, unlike weeks and months which it takes here for the same process to be completed.

Besides, the blank transfers system is an integral part of the stock exchange mechanism. It gives the market the essential and indispensable qualities of liquidity, continuity and stability. It is a moot point whether the exigencies of the situation today really warrant the imposition of the proposed restrictions and the risking of the repercussions thereof. "Any restrictions on blank transfers", according to the stock exchange memorandum, "will impede the free negotiability of shares; seriously impair market liquidity; disrupt the structural balance of the market by penalising long-term operations; adversely affect price continuity by producing sharp price fluctuations; lead to multiple rates for the same shares at the same time according to the duration of the transfer deeds; and create other technical problems such as the uncertainty about what is to happen to the shares when registration is not effected within the prescribed period, because the holder is either ill, or dead or abroad, or when the transfer deed is lost or stolen, or when delay occurs either in transit, or due to other causes, too numerous to mention, outside the control of the holder."

Integral Part

In addition to being an integral part of the stock exchange mechanism, the blank transfers system is also intimately linked to the banking world and the capital and money markets; it affects day-to-day lending and borrowing, and, in short, enters into trade, commerce and industry and the daily business of the country in a significant way. As such, any restrictions on the currency of blank transfers would impair the negotiability and marketability of shares, render the financing of corporate activity more difficult and curtail banking and other credit facilities, all of which would mean a serious dislocation of business practices and habits of the commercial community.

Finally, it is also worth referring to the significant point made out by the stock exchanges, namely that the Vivian Bose Commission itself was apparently not so keen on the abolition of blank transfers as on reforming it; otherwise, there could be no meaning to the Commission's own recommendations as to the limited application of the restrictions proposed by it, the reduction on the rate of transfer stamp duty and so on. What, in effect, these qualified recommendations would seem to amount to is that it is inadvisable to impose undue restrictions on blank transfers. Hence the undoubted relevance of, as also the ample force in, the joint submission of the stock exchanges that the proposed clause 13 of the Companies (Second Amendment) Bill, 1964 should be dropped altogether.

★ ★

Many in India celebrate their completing sixty years,

perhaps because it is an achievement in itself to live for sixty years in a country where the average span of life is still around 40 years. Thus Hindus believe it marks the end of an epoch in a man's life, whereafter at least he is supposed to concentrate on things that matter in the life hereafter. Not many do so in this workaday world though. Everyone, however, will concede that it is worthwhile taking stock of what one has done not unto himself but to his country and the community at large. Many may not like to do this even when they have achievements to their credit, lest it should savour of blowing one's own trumpet, and it is in respect of such people that Society owes it to itself to organise felicitation functions. The Maharashtra Chamber of Commerce did well, therefore, in organising a function last Saturday (24-10-1964) to felicitate Mr. Lalchand Hirachand, a distinguished scion of the Walchand House, on his having completed sixty years. It was equally imaginative of Defence Minister Chavan to agree to preside over the function, if only because the country's defence has benefited considerably from the Walchand group of industries. In fact, the real foundation for our defence industry may be said to have been laid by the late Walchand Hirachand.

Eloquent Tributes

Appropriately enough, eloquent tributes were paid to Mr. Lalchand not only by Dr. J. M. Rane, Vice-President of the Maharashtra Chamber, but also spokesmen of other commercial bodies, including the Indian Merchants' Chamber, the Bombay Chamber of Commerce and the All-India Manufacturers' Organisation. There was one feature common to all these tributes, namely the indomitable courage and the disarming frankness of Mr. Lalchand. Mr. Lalchand has given ample evidence of these traits whether as a legislator (Member of the Bombay Legislative Assembly in 1939) or as a member of Parliament (a Rajya Sabha Member from 1952 to 1958) or as a spokesman of industrialists and business men. Even at the function that established his sextagenarian status, he did not hesitate to declare that the process of economic development could be speeded up only by encouraging the forces of competition. He is among the few business men of the old guard who are never afraid to maintain that the profit motive is inherent in any trade or industry and that business men need not be ashamed of making legitimate profits (mark the word "legitimate"). He even went to the extent of saying that everyone, including Ministers, should work hard and acquire some capital if the country's economic future is to be assured. "To him must go the credit", as Mr. A. D. Shroff has observed in a tribute, "of mobilising small men in business and industry in Maharashtra to a sense of their potentialities...."

Despite his classic moustache — not unexpectedly this received notable mention at the function — and the somewhat severe look of a military chief that it imparts to him, Mr. Lalchand is as likable as he is easily accessible. Having rubbed shoulders with farmers and actually lived their life, he has pragmatic views on agriculture which he has been giving expression to fearlessly. As an industrialist too, he has had a rich and varied experience, his interests ranging from aircraft and automobiles to engineering and sugar. "When the history of India's economic development comes to be written", to quote Mr. Shroff again, Mr. Lalchand's contributions will find an important place.

Although associated with a number of commercial bodies, it is on the Maharashtra Chamber of Commerce, which, incidentally, was founded by his late and distinguished brother, Walchand Hirachand, that he will be leaving a lasting impress. Dr. Rane aptly summed this up when he said: "It is a fitting tribute to the illustrious

founder (Walchand Hirachand) that his brother (Lalchand Hirachand) should have done so much to consolidate his work and extend the usefulness of the Chamber to such an outstanding degree." Said a British poet, referring

Summary Trials : Negation of Justice

From Our Correspondent

CALCUTTA :

THE INDIAN Chamber of Commerce representing a very important section of the business community in eastern India has come out firmly on the side of the Government in its drive to suppress ruthlessly profiteering, black marketing and other anti-social activities of food traders. In a statement just issued, the Chamber roundly condemns these nefarious practices and fully agrees with the Government that people found doing these should be severely punished. Another business leader, Mr. P. D. Himmatsingka, M.P., has said very much the same thing at a specially convened meeting of the local foodgrains trade which he was invited to address at the office of the Indian Produce Association. Mr. Himmatsingka has appealed to the traders to modify their trading methods in order to serve the consumers' interests, as the latter have now been facing a very critical situation on account of the soaring prices of all essentials of life. He also reminds them that co-operation with the authorities will be in their own interest; unless the traders co-operate with the authorities and evolve a scheme of self-regulation, foodgrain dealers as a business class will themselves find it difficult to exist, because experience shows that in conditions of run-away inflation law and order becomes the first casualty. No business community can hope to thrive in conditions of lawlessness.

Fundamental Principles

The Chamber, however, is not exactly happy that offenders in the foodgrains trade should be punished through summary trials. This is what the proposed ordinance (which may have been promulgated by the time this letter appears in print) would empower the district authorities to do. The system of summary trials is not in keeping with the fundamental principles of justice. Blackmarketers of course should be punished, but only after a fair trial. The decisions in the proposed summary trial are not subject to appeal. This would make the law very stringent indeed. The Chamber has expressed the well founded fear for this might mean much harassment of honest people. Recording of one-sided evidence would undermine the normal judicial process, which is one of the corner-stones of freedom in a democratic society. It appears unlikely, particularly when the Prime Minister and Home Minister of the Union appear to be determined to issue this ordinance now, that the proposed measure will be given up or substantially modified, but there is a very strong case for providing some safeguards to protect the honest trader who may often be dragged into a case by scheming or malicious people.

There is, however, genuine appreciation of Mr. C. Subramaniam, Central Food Minister's effort to reorder the Government's food policy on more systematic lines. The prices which have been announced for foodgrains like paddy, rice, wheat, and a few others are obviously based on the calculation that they will help the proposed Foodgrains Trading Corporation to procure a fair part of the marketable food surplus. These prices have been fixed at a level higher than the average for the past three seasons, and should, therefore, attract the weaker and the poorer sections of the cultivators to part with their produce immediately after the harvest. It is generally believed that at least one third of the total production is disposed of in the post-harvest period. Even so, there will be the pro-

blem of storage, for the FTC will not be disposing of the foodgrains it will be procuring in the early part of the next agricultural year. It is however not clear whether it will serve the other major objective of providing an incentive to the producers to raise output. Increases in farm productivity do not only depend on human effort. The disastrous Andhra flood and that in other parts of the country serve as sharp reminders that agriculture in this country still continues to be a gamble on the monsoons. But it will most certainly help strengthen the precarious economic condition of the small farmer, which in itself is a desirable objective.

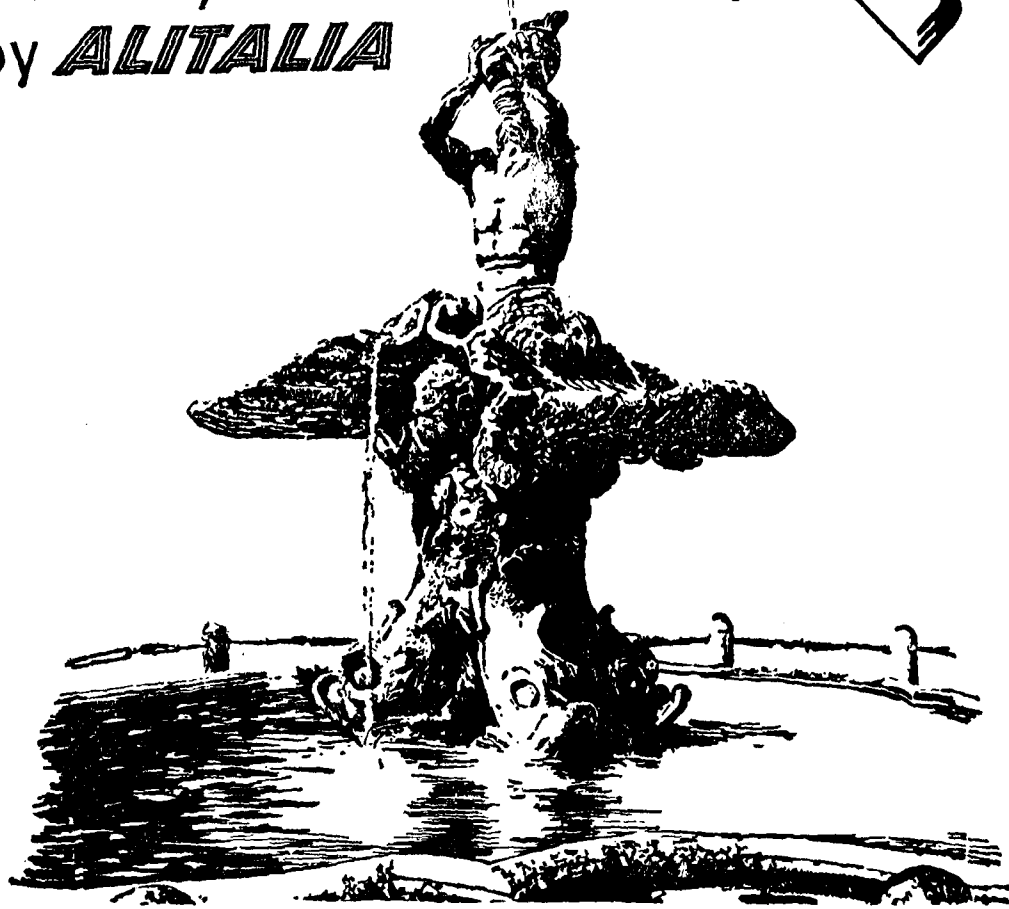
Free Movement

A major question from the point of view of deficit States like West Bengal is whether the new price policy will make for a freer movement of foodgrains between one State and another. It is pointed out that Mr. Subramaniam's set of prices cover only the standard grades of paddy, and the States are left free to fix prices for other grades. Of course the prices which the States will fix will be related to that fixed for the standard grade fixed by the Union Government, but that still leaves a lot of scope for controversy and dispute. West Bengal has to obtain a fairly large quantity of rice from Orissa in order to make up its deficit. And there may be disagreement between Orissa and West Bengal over the prices fixed by the former for particular grades. Again what Orissa may consider a fairly good grade may be considered otherwise in West Bengal. Disputes of a similar nature have held up despatches from Orissa during the current calendar year, and the same may be repeated next year unless the Centre takes a hand. The Centre can either undertake to meet the entire deficit of West Bengal which proposes to go in for statutory rationing for the city of Calcutta from next January and control the distribution in other parts of the State as thoroughly as it can, or New Delhi may intervene whenever disputes over prices threaten to hold up supplies from Orissa. It remains to be seen which of the courses will be adopted by the Centre, which, it is reported, has already assured West Bengal that all necessary help will be given to make the State's proposed food distribution scheme a success.

★ ★

The three-day seminar which was organised by the Indian Institute of Foreign Trade in collaboration with the Engineering Export Promotion Council in Calcutta last week, provided a useful forum for a scientific discussion of the country's export problems. Mr. A. Ramaswamy Mudaliar inaugurated it. He pointed out that export promotion would be a permanent aspect of India's industrial progress, but there was no short cut to export promotion. Cost and quality are the two primary factors in the drive, but these are difficult goals to achieve, especially when international trade tends to be increasingly competitive. But Indian manufacturers will have to keep on striving to produce goods of quality and at a comparatively cheap cost. Without this, they will not be able to make any headway. There is also the problem of projecting India's image abroad as a country capable of manufacturing goods of a high standard. Skilful propaganda will help to some extent, but basically, the problem consists in being able to produce goods at a competitive price and of a quality which would appeal to the choosy foreign buyer. India's exports of engineering goods have been moving up steadily, but perhaps

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almost immediately. Under the agreement, however, there will be no flood of repatriates as it is generally accepted that for every 30,000 repatriated annually about 20,000 would be absorbed as Ceylonese citizens. But a lot of planning would have to be done by the Madras and Kerala Governments as most of those repatriated would have belonged once to these States and there would naturally be a desire to re-settle in the areas from where the repatriated had originally migrated. The absorption of 3,000 Indians from Ceylon every month may not appear to be a huge problem at first sight, especially as hordes of people are coming into the country from Pakistan and the Central Government has handled very large numbers in particular periods. The Madras Government, however, is anxious that the repatriated Indians should not be hanging on the local population without being resettled within a short period and the expenditure in this connection should be borne on a national basis though there may be many Tamilians and Keralites among those arriving from Ceylon. These people originally migrated to Ceylon on the expectation that their rights would be properly protected and the Ceylon Government would not place them under any special handicap. The Ceylon Government is naturally worried about the large number of political and other considerations. But the Madras Government will face a serious problem if arrangements had to be provided for half a million people over a period of 15 years.

Small Industries

It has been suggested that efforts should be made to start small-scale and cottage industries and particularly in plantations in order to make good use of the repatriates. Many of them would have experience in work on plantations and as it is felt that there should be a large extension of acreage under tea, coffee and rubber, it would be worthwhile to examine whether the experience of these workers could be effectively utilised. In the existing plantations the problem of absorption may present some difficulties as those already in employment look to the recruitment of their progenies as far as possible in the place where they have been accustomed to work. But if the programme of extension of acreage under rubber in Kanyakumari and elsewhere can be properly chalked out and the plantation of new areas of high yielding rubber expedited, the programme can be successfully applied. In the early stages, serious difficulties may not be experienced as the numbers may be small. But over a period the cumulative effect would be very pronounced and unless the problems were tackled on a national basis satisfactory solutions could not be reached. There will also be an increase in numbers after some time as a settlement has to be reached regarding the residual stateless numbering 1,50,000.

★★

The rice situation in Madras State has improved to a considerable extent in the past few days. There are steady arrivals of boiled rice from Thanjavur and Tiruchirappalli though dehusking of paddy has been delayed to some extent by unfavourable weather conditions in both districts. Arrivals from Andhra Pradesh also are being speeded up though there is no disposition to relax the ban on exports from Madras until the Government have built up adequate stocks and it became clear that there would be continued despatches from Andhra Pradesh. It is now expected that there will not be any significant improvement in the supply position before the middle of February, 1965 and available supplies will have to be carefully used if the happenings of the past fortnight are to be prevented from recurring. Meantime, it is considered advisable to issue family cards and informal rationing is to be introduced in Madras City from the middle of November. The State officials are busy building up adequate stocks. In the early stages a flat allotment of rice and wheat may be given against the cards. But after sufficient stocks

have been accumulated the rations will be on the basis of the size of the family, it being suggested that every adult should get 8 ounces of rice and 4 ounces of wheat daily. The contention of the Food Department in Madras is that the State had been needlessly put into difficulty on account of its liberal approach to the needs of Kerala. It had been hoped that, against the exports of three to four lakh tons of rice from the southern districts of Madras State, the northern districts would get three lakh tons of rice from Andhra Pradesh. As imports from the latter region were unduly delayed and it is expected that the position will not get adjusted until after the new crop arrives, the suggestion from Mr. Brahmananda Reddi that supplies to Kerala should be made directly by Andhra Pradesh has not been readily accepted. It is contended that Madras should not be expected to export after the arrivals of the stipulated stocks to Kerala. The Madras area is considered self-sufficient there being even a moderate surplus. Crop failures have not been heavy in recent years because of the stabilisation of agriculture in many areas with the construction of medium-sized projects.

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After the meeting of the National Development Council held in New Delhi to consider the size of the fourth Plan and the manner in which the required resources should be raised, it has been debated how the States should go about their task and whether the size of the Plan could be preserved without the States levying heavy taxes. So far as Madras is concerned, the Industries Minister Mr. R. Venkataraman, has been claiming that a Plan of Rs. 650 crores could be implemented without resorting to fresh taxation on a heavy scale as a commendable effort has already been made and it is confidently expected that the required revenues could be gathered from the base already laid and with a stricter collection of taxes. The Andhra Government too have been planning in an ambitious manner and it has been stated that there would be an outlay of Rs. 700 crores in 1966-71 against the investment of Rs. 312 crores in the current Plan period. There may be a shortfall in the target by the end of this Plan and it is difficult to anticipate how the machinery would be called to the implementation of a much bigger plan and how the required resources would be gathered. But the State has need to execute projects in a big way as the progress in earlier Plan periods has been rather slow. But in respect of power particularly the installed capacity is expected to be only a little over 400 mW by 1966 while it would be as much as 1500 mW in Madras by the same date. It has, therefore, been emphasised that the expenditure on power projects should be on a large scale so that the installed capacity can be raised to 1,000 mW. The allotment for this purpose is placed at Rs. 200 crores. Agriculture will also be given due priority though there is greater anxiety to improve transport facilities more efficiently in the coming years. The increase in agricultural production, notwithstanding heavy expenditure on irrigation projects, has not been impressive so far because the large expenditure incurred on projects like Nagarjunasagar are expected to yield results only in the early year of the fourth Plan. Work on this huge project will perhaps be expedited after it has been decided by the Central Government as to what would be its proportion

of assistance. It can be expected, however, that there will be a more pronounced increase in agriculture in the fourth Plan as the various projects would start yielding results in the next few years. The greater emphasis on power generation and industrial development should also strengthen the regional economy. It can in fact be said that the fourth Plan will mark the beginning of an era of vigorous economic development in the history of Andhra Pradesh. If the resources of this State can be intelligently harnessed and Central assistance was liberally extended in respect of the bigger schemes, the results would be beneficial not only for the particular region but also for the whole country.

Trade Winds

EXPORTS ANALYSIS

ABOUT ONE hundred countries imported more goods from India during 1963-64 than in the preceding year while 76 countries reduced their off-take of Indian goods. This is revealed by a survey conducted by the World Trade Department of the Indian Chamber of Commerce, Calcutta. The main countries whose off-take of Indian goods increased in the last fiscal year were: Argentina, Belgium, Ceylon, Czechoslovakia, Malaysia, West Germany, Japan, the USA and the USSR. The countries which reduced their purchases of Indian goods included Indonesia, Iran, Nigeria, Pakistan, Poland and Yugoslavia. Exports to the dollar area increased from Rs. 143 crores in 1962-63 to Rs. 157 crores in 1963-64, to the European Common Market from Rs. 48 crores to Rs. 57 crores, to East European countries from Rs. 92 crores to Rs. 109 crores, to the sterling area from Rs. 268 crores to Rs. 283 crores, and to other soft currency areas from Rs. 170 crores to Rs. 188 crores. In spite of this, during 1963-64, India showed a deficit in the balance of trade with 28 countries. The deficit continued to be large especially with the USA (Rs. 262 crores), West Germany (Rs. 70 crores) and Iran (Rs. 43 crores).

In a detailed analysis of India's exports with individual countries, the survey report draws attention to the increasing competition that Indian tea is facing in the UK. For instance, Kenya stepped up her tea exports to the UK from 20.14 million lbs. in 1962 to 21.19 million lbs. in 1963, Netherlands from 2.34 million lbs. to 4.75 million lbs., Indonesia from 7.97 million lbs. to 10.89 million lbs., China from 3.53 million lbs. to 5.93 million lbs., Formosa from 0.43 million lbs. to 1.11 million lbs. and Japan from 0.69 million lbs. to 0.77 million lbs. Though India and Ceylon continue to remain the major suppliers, the competition from the new sources should not be under-estimated, the report points out.

Dealing with India's exports to the European Common Market, the survey points out that there were no significant exports to France, in 1963-64, of non-traditional items. In our trade with Belgium the decline in the export of bones from Rs. 68 lakhs in 1963-64 was the main feature. There has also been a change in the pattern of jute goods imports into Belgium which has been trying to reduce the import of jute bags and increase the import of jute cloth and yarn. In our trade with Italy, a notable development was that Brazil replaced India as the leading supplier of iron ore. As regards West Germany, the survey report says that about 50 per cent of our exports to that country consisted of half-a-dozen items, namely, tea and coffee, iron ore, manganese ore, leather and jute goods. India's exports to Eastern Europe have shown a remarkable increase from about Rs. 4 crores in 1953 to over Rs. 100 crores in 1963 and have consisted predominantly of non-traditional items. Though our exports to the USA increased from Rs. 114 crores in 1962-63 to Rs. 128 crores in 1963-64 our share in the total imports of the USA continues to be negligible, being less than 2 per cent. Similarly, our trade with Latin America is also very little. Out of the total annual imports of Rs. 4,000 crores into South America, India's share was only Rs. 17 crores.

The survey has indicated vast scope for increasing India's exports to countries of South Africa, West Asia and South-East Asia. Although our export performance in recent years has been improving steadily, there is a great need

to intensify our efforts, the report points out. Though world exports went up from \$54 billion in 1948 to \$136 billion in 1963, showing a rise of 152 per cent, India's exports improved only by 20 per cent. Consequently, India's share in world exports fell from 2.5 per cent to 1.2 per cent during this period. Our share in the exports of under-developed countries also declined from 8.3 per cent in 1948 to 5.2 per cent in 1963. India's per capita exports in 1963-64 were just £1.65h as compared to £123 of Canada, £150 of Netherlands and £79 of the UK. Only 78 per cent of our imports in 1963-64 were financed by exports.

EXPORT COUNCIL FOR WOOL AND WOOLLENS

The Export Promotion Council for wool and woollens, which was inaugurated in New Delhi on October 30, 1964 by the Union Minister for Commerce, Mr. Manubhai Shah, decided, in its first meeting, to impose a levy of 10 per cent on the f.o.b. value of actual user licences for the import of raw materials with a view to subsidising partly the losses suffered by the exporters of wool and woollen fabrics. By the imposition of this 10 per cent levy a fund of Rs. 50 lakhs would be created in one year as the Indian manufacturers are importing woollen raw materials to the tune of Rs. 5 crores per annum. The idea behind the creation of such a fund, Mr. Shah said, was voluntary and that the Government did not come into the picture at all. The benefit accruing from the fund would be shared entirely by the exporters. As regards the import of modern machinery for the woollen industry, the Minister said that an agreement had almost been concluded with the Soviet Union for the import of woollen machinery worth a crore of rupees. It would, however, be upto the Council to consider as to how much of the machinery was to be imported from the Soviet Union or Italy and which of the parties should be given the import licences. Mr. Shah suggested to the Council to stipulate that before a licence for the import of woollen machinery was granted to a party the Government should be satisfied, under certification from the Export Promotion Council, that the party had paid the 10 per cent levy and that none of those who fail to comply with this provision should be granted the import licence. He also informed the Council that 5 million pounds of Australian wool, worth Rs. 3 crores, would be imported for use as a stockpile to meet periodical shortages.

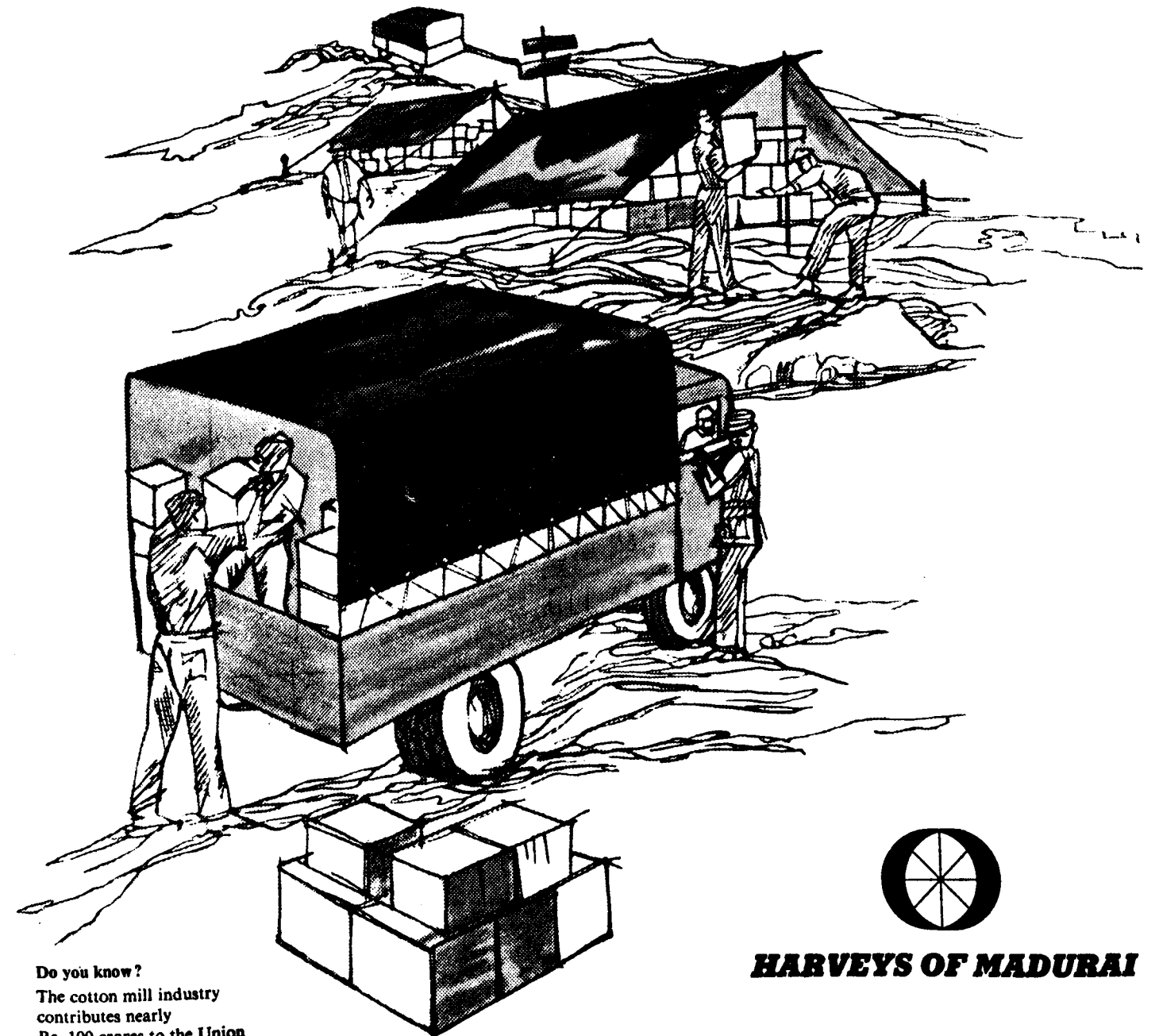
Earlier, on behalf of the Council its chairman, Mr. R. K. Birla, submitted to the Minister an incentives scheme for the promotion of exports of woollen fabrics. He said that this scheme would be discussed further by the Export Promotion Council whose members would be available for discussions with the officers of the Ministry of Commerce, so that the final shape could be given to the scheme. Referring to the quantum of India's exports of woollen cloth, Mr. Birla said that in terms of international trade, the present Indian exports were so insignificant that even a ten-fold increase would hardly produce a ripple in the world market. The present cloth exports from India amounted to only about 0.4 million linear metres against the world export figure of 300 million linear metres. Our exports of raw wool were only 18.7 million lbs. as against the world figure of 3,117 million lbs. In this respect Mr. Birla emphasised the importance of incentives which, he said, were available on exports in one form or the other and fairly liberally, even in the most advanced countries such as the USA, the UK, West Germany, Japan, Italy and Holland. Of particular significance was the absence of any handicap in

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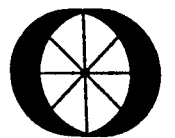
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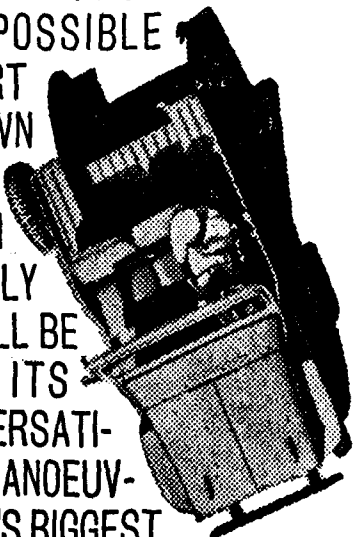
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these countries in respect of raw materials or modern machinery, besides the fact that these countries had the advantage of many years of rich experience and consequent technological advancement. Against this the incentives available to the Indian exporters were hardly encouraging.

Mr. Birla also advocated for the removal of quantitative limitation on the export of Indian wool which, as a traditional item of export, had been earning Rs. 8 crores per annum. It was fairly reasonable to suggest, he added, that if the Government was not prepared to link imports of raw materials with the total value of exports including raw wool, it should fix a limit on the value of Indian wool exports on the basis of the past four or five years' average, with the provision that any increase over this limit would be made available to the industry for the import of raw wool. Mr. Birla went to the extent of suggesting that the Government should give some assistance even on the exports of raw wool from India.

INDO-SOVIET TRADE TALKS

The Soviet trade delegation led by Mr. B. A. Borisov, Deputy Foreign Trade Minister, met in New Delhi on October 28, 1964 the senior officials of the Union Ministry of Commerce to review the trade between the two countries and draw up plans for the next year. India's Minister for Commerce, Mr. Manubhai Shah also attended the meeting. During the last 10 years the trade and economic relations between the two countries have developed in a substantial manner. More than 38 projects are being built in India with Soviet collaboration in the field of iron and steel, heavy electricals, machine tools, fertilizers, power stations, lignite, drugs and pharmaceuticals, surgical and medical instruments, high pressure boilers and other heavy industries.

The current year's Indo-Soviet trade plan is for Rs. 85 crores each way. This is 70 per cent higher than last year when the trade had touched a figure of Rs. 50 crores each way. The next year's trade plan envisages a further rise of about 40 per cent over the current year's trade plan raising the Indian exports to the Soviet Union to Rs. 110 to Rs. 120 crores. The Soviet delegation has agreed to purchase larger quantities of light engineering goods, chemicals, paints, pigments and pharmaceuticals. The Soviet purchases of Indian textiles next year would be worth about Rs. 20 million, engineering goods about Rs. 25 million, chemicals about Rs. 20 million, tobacco about 35,000 tons and shoes about one million pairs. Likewise, India will buy from the USSR fertilizers, pig iron, special steels, caustic soda, non-ferrous metals, mineral oil products and heavy machinery and plant, in increasing quantities.

WORLD FOOD IMPORTS

The world food shortage by 1970 would compel the "deficit-food" countries to import \$4.6 billion worth of food per annum. This forecast was made last week in a press conference by the US Secretary of Agriculture, Mr. Orville Freeman, on the basis of an analysis of the world's food needs made by the US Department of Agriculture. The current 'diet-deficit' areas that have been listed by the "analysis report" are: Asia, excluding Japan and Israel; Africa, excluding its southern tip; almost all of central America and the Caribbean and the northern part of South America. The expected deficit in needs for adequate diet in developing nations would include the nutritional equipment of 54 million tons of grain, 6.5 million tons of non-fat dry milk, 3.2 million tons of soya beans (grits) and 3.1 million tons of vegetable oils.

The analysis report entitled "The World Food Budget, 1970"

is the second study of its kind by the US Department of Agriculture, the first one having been made in 1961. Mr. Freeman said that the world food budget would be of vital importance as a guide to President Johnson's proposal "to use the food and agricultural skills of the entire West in a joint effort to eliminate hunger and starvation". Food, he said, was one of the most powerful instruments of foreign policy, both as a humanitarian expression of goodwill and as a means of strengthening the United States own economy by building future markets for the US agriculture through encouraging economic growth in developing nations.

The report further points out that two-thirds of the world's population live in countries where the average diets are inadequate. Some improvement is, however, expected in the diets of the nutritionally inadequate areas under the Food for Peace Programme, the report adds. This Mr. Freeman pointed out, would have enormous implications for the development of export markets for the United States as the emerging nations, with the US help, raise their standards and become able to pay for imports with dollars or other hard currencies. According to the findings of the analysis report, 43 per cent of the imports of \$4.6 billion worth of food by the "deficit-food" countries will come from the United States.

INDO-CYLON JOINT TEA EXPORT EFFORTS

The trade relations between India and Ceylon were discussed at a meeting in New Delhi on October 27, 1964 between Ceylon's Minister for Internal and External Trade and Supply, Mr. Ilangaratne, and India's Minister for Commerce, Mr. Manubhai Shah. The two Ministers appreciated the need for strengthening joint efforts by the two countries to promote the sale of tea in the principal tea consuming countries where such efforts are already being made in co-operation with the local tea trade as also in other regions of the world where joint promotion has not so far been undertaken. It was recognised however, that unilateral promotion of tea, by origin, need not be ruled out so long as such promotion does not hamper the joint efforts. With a view to taking necessary measures for the development of the tea industry and trade of the two countries, the Ministers agreed, a joint tea commission should be set up. The commission may consist of three senior officials of each Government including the Secretaries of the concerned Ministries. The importance of the United Kingdom, which is the largest consumer of tea in the world, was particularly recognised by the two Ministers from the point of view of joint promotional campaign. It was further agreed that efforts should continue to be made by the Governments of Ceylon and India to secure substantial reduction in the internal duties of tea in West Germany.

BANK OF AMERICA

Bank of America, which was started for "the little fellow" and grew to be the world's largest non-government banking institution, celebrated its 60th anniversary on October 16, 1964, with the staff of the Bombay branch celebrating the same in India. Forty-one years after its founding in 1904, the bank became the largest commercial bank in the United States. Today, with 868 branches in the USA and offices in 27 countries, it has the total resources of \$14.8 billion. This bank is known for such banking innovations as instalment credit loans, automated accounting, equipment leasing, payroll processing, and a widely accepted and successful credit card.

Company Affairs

POYSHA INDUSTRIAL ISSUE

POYSHA INDUSTRIAL Company Limited enters the capital market on November 13 with a public offer of 600,000 equity shares of Rs. 10 each. The subscription list will close on November 23, or earlier at the discretion of the directors, but not before November 16. The company has an authorised capital of Rs. 1.50 crores made up of 1,500,000 equity shares. The subscribed capital is Rs. 25 lakhs. The present issue is for 850,000 equity shares of Rs. 10 each out of which 250,000 equity shares have been offered to the existing shareholders by way of rights. 600,000 shares now offered for public subscription have been underwritten by the Industrial Credit and Investment Corporation of India Ltd., Life Insurance Corporation of India, U.P. State Industrial Corporation Limited, Harkisondass Lukhmidass, Jamnadas Morarjee and Company, the Bank of Baroda Limited, P.R. Subramanyam and Sons, New India Assurance Company Ltd., Ramanbhai Lalbhai Sheth and South India Insurance Company Limited.

The company is engaged in the manufacture of a wide variety of containers used for cosmetics, paints and cans for fruits and vegetables in a variety of sizes and shapes to meet the needs of the different products to be packed. The company's wholly owned subsidiary, Colrige Limited, is engaged in the manufacture of rigid containers and collapsible metal tubes for cosmetic, pharmaceutical and other industries. Another subsidiary, Kaira Can Company Limited, will be manufacturing containers at its factory to be established near Anand mainly for the requirements of Kaira District Co-operative Milk Producers' Union Limited. The existing factory of the Company is at Messent Road, Bombay and there is another unit in Delhi.

The company proposes to establish two additional factories, one at Cochin to cater to the requirements of South India and the other at Ghaziabad to take care of North and East Indian requirements. Moreover, the main factory at Messent Road, Bombay, is proposed to be shifted to the Kalva Industrial area near Thana of the Maharashtra Industrial Development Corporation and fully modernised. The modernisation and expansion programme is likely to increase the Company's capacity from 4 million to 10 million cans per month on a single shift basis. The factory of Colrige Limited, which is now in rented premises at Sewri, is also proposed to be shifted to the new site near Thana of this company. The factory of the other subsidiary, Kaira Can Company Ltd., is also proposed to be established. Funds raised by the present issue are to be utilised for this expansion and modernisation programme of the company.

NEW ASIATIC INDUSTRIES

The name of the New Asiatic Insurance Co. Limited is proposed to be changed to the New Asiatic Industries Limited, subject to the approval of the Central Government, at an extraordinary general meeting of the Company to be held on November 18. This has been rendered necessary because the earnings from the general insurance business did not provide sufficient returns and the company ceased to accept any fresh insurance business with effect from January 1, 1961. Consequently its registration under the Insurance Act was cancelled with effect from December 1, 1961. The directors propose that better returns could be earned if industrial or commercial activity is undertaken and at the above mentioned general meeting the memorandum of association of the company is proposed to be altered.

The company now proposes to extend the business which can be advantageously and conveniently combined with the investment business already being carried out so that the area of operation will be enlarged. Under the orders of the

Court the deposits of the company with the Reserve Bank of India are to be refunded and the directors expect to utilise it for the new business.

The new business to be undertaken by the company includes the manufacture of chemicals, petro-chemicals, drugs including fertilisers, the business of engineers, metallurgists and technologists. It will also undertake contracts for work involving the supply or use of machinery and will act as importers and exporters. The amended memorandum of association will also allow the company to function in the field of cotton spinners or as proprietors of flats, etc.

THE BANK OF TOKYO

The Bank of Tokyo Limited, which also has its offices in India at Bombay, Calcutta and New Delhi, recorded a profit of 1,205 million Yen during the six months, October 1, 1963 to March 31, 1964. Its deposits towards the end of the period under review stood around 477,213 million Yen. It distributed a dividend at the rate of 2.25 Yen per share, which comes to 9 per cent per annum, and which absorbs 450 million Yen. An amount of 90 million Yen was transferred towards legal earned reserve, 550 million Yen towards voluntary earned reserve and 10 million Yen towards remuneration for the members of the board. An amount of 359.6 million Yen was carried forward to the next term.

PHILIPS INDIA RIGHTS ISSUE

Philips India Limited has decided to approach the Controller of Capital Issues for consent to issue 400,000 right shares of Rs. 10 each at a premium of Rs. 6 per share. Out of these the major shareholders, N.V. Philips Gloeilampenfabrieken, Holland, will subscribe only 100,000 shares although they are entitled to 300,000 shares on a rights basis. The remaining 300,000 shares will be offered to the existing shareholders in India in the proportion of three new shares for every five held. In April 1963 the company obtained sanction for issuing capital to the value of Rs. 16.66 lakhs which was to be distributed equally between N.V. Philips Gloeilampenfabrieken and the shareholders in India. The issue of this capital, however, was kept in abeyance pending a more detailed examination of the company's long-term requirements of finance. The new capital issue of 400,000 shares for which sanction is now being sought in place of the earlier sanction, is intended to meet both the long-term and short-term requirements for financing the company's expanding activities. At present the shares are held between N.V. Philips Gloeilampenfabrieken in the proportion of 77:23, but with the issue of the right shares the proportion of shares held by the shareholders in India will increase to nearly 31 per cent.

During the last seven years since 1957, when it first issued shares to the Indian public, its sales have increased from Rs. 4.73 crores to Rs. 10.63 crores in 1963. During this period the factory at Loni (near Poona) went into production and is now an important centre producing radio sets and radio components. In 1960 it acquired the light factory in Bombay where it is manufacturing a large number of incandescent lamps, fluorescent lamps and various other products. It has recently started the production of tungsten and molybdenum wire and tungsten coils, the vital component for electric lamps which was imported.

GOODYEAR INDIA

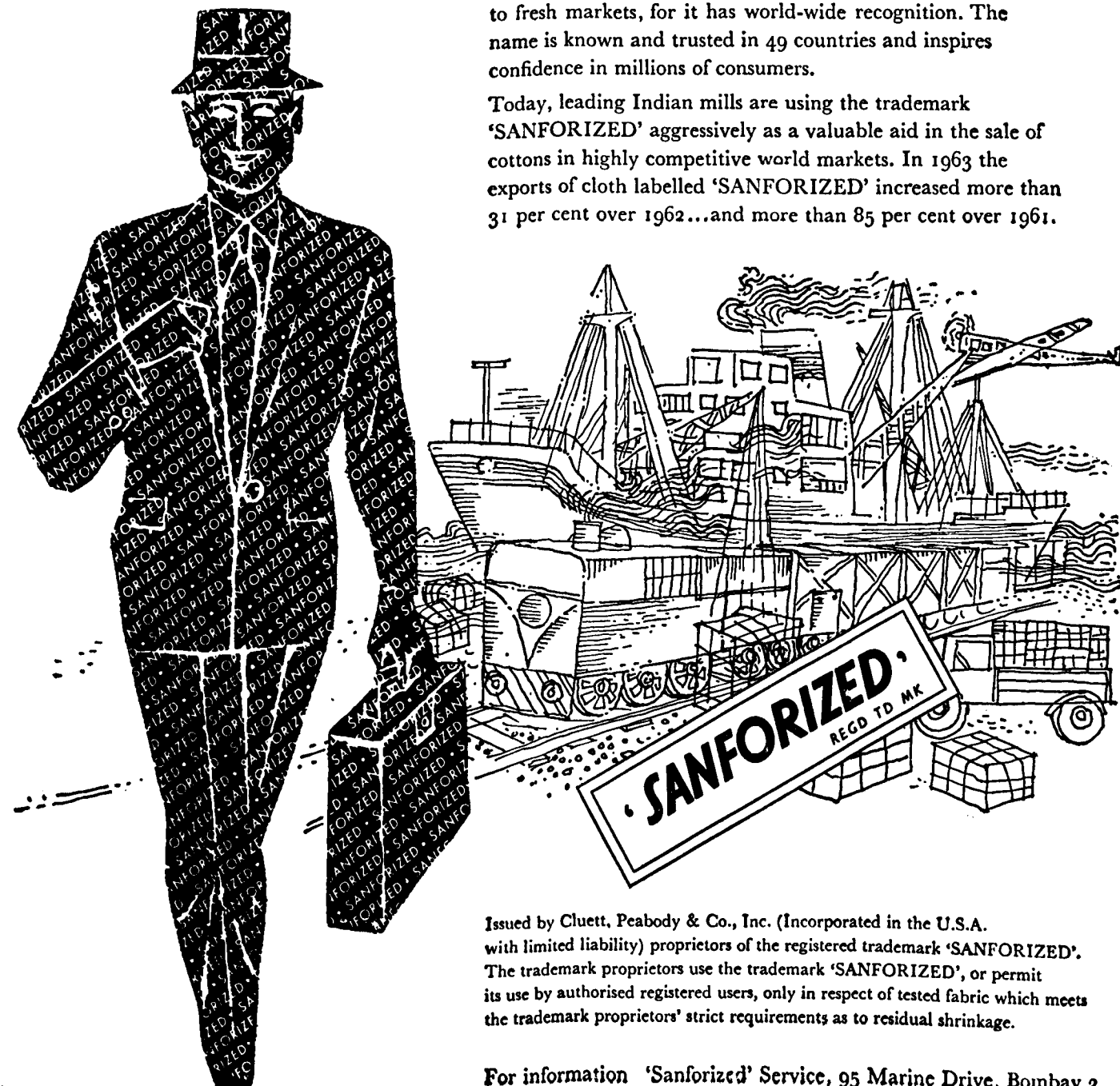
Goodyear India Limited will offer 640,000 ordinary shares of Rs. 10 each as rights shares, at a premium of Rs. 7 each to its existing shareholders in the ratio of eight new shares for every five held. It is also proposed to issue bonus shares by

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For information 'Sanforized' Service, 95 Marine Drive, Bombay 2

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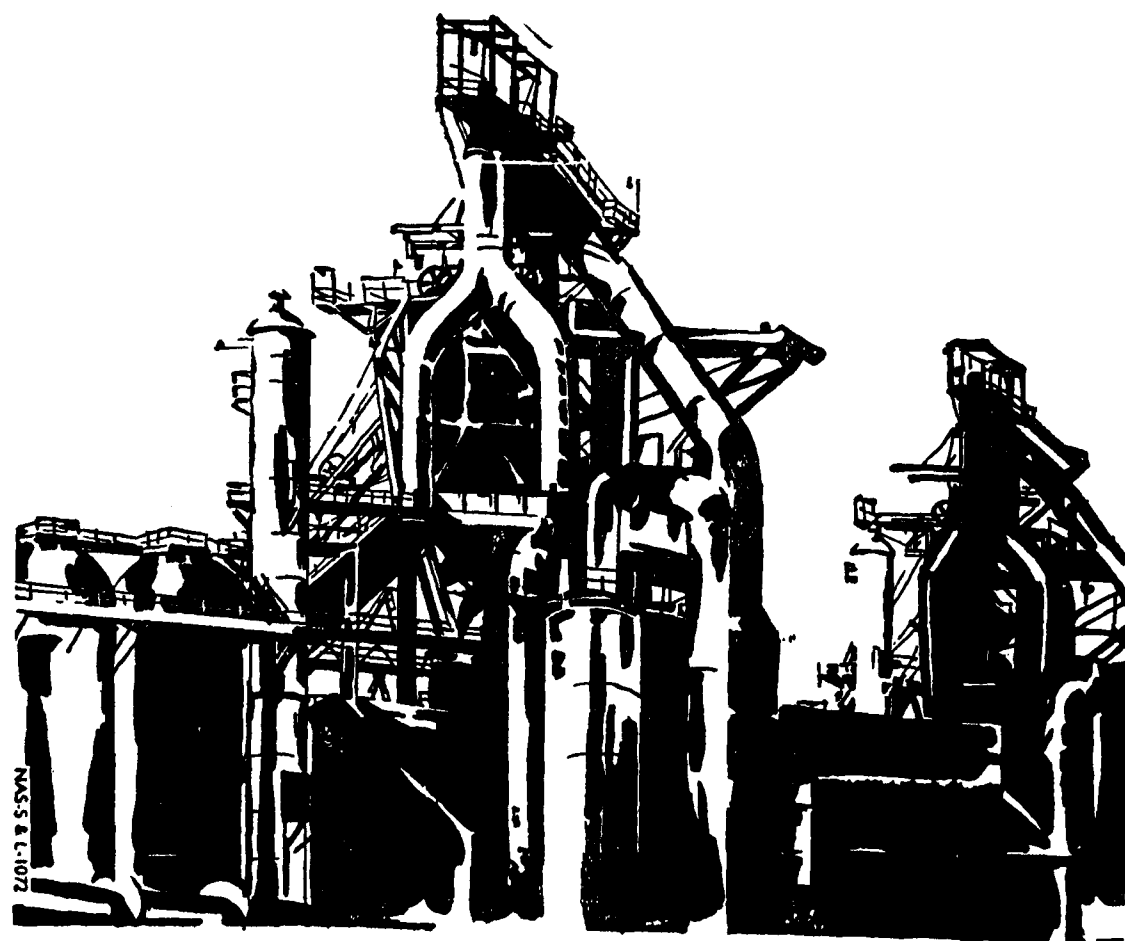
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capitalizing the share premium account, subject to Government approval. The funds thus raised will be utilized to meet the company's expansion programme. The company has proposed to raise the production capacity of its existing factory at Bal-labgarh, near Delhi, from 210,000 to 310,000 tyres per annum (or from 750 to 1,000 tyres a day) before the end of 1965. The Government has also renewed until December 1968, the company's industrial licence to manufacture 510,000 tyres.

HIND DEVELOPMENT ISSUE

Hindusthan Development Corporation Ltd., proposes to issue 15,000 cumulative redeemable preference shares of Rs. 100 each. These shares, which will carry a dividend of 9 per cent (free of company's tax at source) and are redeemable at any time after December 31, 1974, will be offered to the existing ordinary shareholders as on October 28 in proportion and as nearly as circumstances permit to the capital paid-up on those shares as on that date. The offer is subject to the condition that the full amount on the shares is paid on application. The present paid-up capital of the company is Rs. 97.92 lakhs all in equity shares.

SCINDIA STEAM

During the year ended 30th June, 1964, the total turnover of the Scindia Steam Navigation Co. Ltd., including other receipts, comes to Rs. 17.64 crores as against Rs. 18.22 crores in the previous year. This was due to reduced movement of cargo. After providing the sum of Rs. 1.98 crores as depreciation (previous year Rs. 1.92 crores), balance remaining comes to Rs. 1.34 crores as against Rs. 1.38 crores last year. The statutory development rebate reserve required to be provided in respect of new ships purchased during the year comes to Rs. 97.5 lakhs as against Rs. 9 lakhs in the previous year. The sum of Rs. 22.5 lakhs as against Rs. 68 lakhs last year, has been provided for tax liability and the balance available thereafter comes to Rs. 14.45 lakhs as against Rs. 61.23 lakhs. The Directors have considered it advisable to transfer the sum of Rs. 50 lakhs from the General Reserve for payment of Dividend at Rs. 1.25 per share. After adjustment of Rs. 7.74 lakhs, the previous year's balance, the sum of Rs. 1.79 lakhs is carried forward to next year. The dividend of 18 per cent proposed to be distributed has been provisionally determined to be exempt from taxation under the provisions of the Income-tax Act.

LARSEN TOUBRO

The sales of Larsen & Toubro Limited for the half-year ended 30th September, 1964, amounted to Rs. 354 lakhs compared to Rs. 275 lakhs for the half-year ended 30th September, 1963, representing an increase of 29 per cent. The value of the output from the Company's workshops at Powai, Bombay, is reported to be up by 21 per cent compared to the value of output for the same period last year.

CAPITAL ISSUES DURING THE QUARTER

Eightyfour companies with authorised capital of Rs. 10.4 crores were registered in the Northern Region from July 1, 1964 to September 30, 1964. The Region comprises Delhi, Uttar Pradesh, Rajasthan, Punjab and Himachal Pradesh. The new issues included six public companies, 77 private companies and one association not for profit. Of companies with authorised capital of over Rs. 50 lakhs, 3 were registered in Delhi, 2 in U.P. and one in Punjab.

Three public companies and 42 private companies with authorised capital of Rs. 1.8 crores and Rs. 1.54 crores respectively were registered in Delhi. Two public companies and 14 private companies with authorised capital of Rs. 3 crores and Rs. 52 lakhs were registered in Uttar Pradesh.

Punjab and Himachal Pradesh had one public company and 16 private limited companies with authorised capital of Rs. 1 crore and Rs. 1.18 crores respectively and one association not for profit. Five private limited companies with an authorised capital of Rs. 1.36 crores were registered in Rajasthan.

During the period under review 21 companies with a paid-up capital of Rs. 15.27 lakhs went into liquidation and names of 25 companies with a paid-up capital of Rs. 7.11 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, 1964 was 4,768. They included 815 public companies, 3,761 private limited companies and 192 associations not for profit. The authorised capital of these companies was Rs. 326.82 crores and Rs. 522.75 crores, while the paid-up capital amounted to Rs. 77.12 crores and Rs. 151.91 crores respectively.

CAPITAL ISSUES

Six companies have been authorised to raise fresh capital aggregating Rs. 9.52 crores. Of these, one is issuing bonus shares, three are issuing equities, the fifth is floating debentures and the sixth equities plus preference shares. One company involves foreign collaboration. The consent of the Controller of Capital Issues is valid for 12 months in all the cases excepting one in which case it is valid only up to May 1, 1965.

Geep Flashlight Industries Limited, Allahabad (U.P.) will be issuing further capital of Rs. 3 lakhs divided into 3,000 equity shares of Rs. 100 each as bonus shares on capitalisation of the company's reserves to a like extent.

Electric Construction and Equipment Company Limited, Calcutta, is to issue capital of Rs. 84,56,600, divided into equity shares of the value of Rs. 59,06,600 and preference shares of the value of Rs. 25,50,000. The capital is required for completion of several projects of the company at Hyderabad, Budge Budge, Bandel and Sonapat estimated to cost Rs. 137 lakhs.

Associated Cement Companies Limited, Bombay, is to issue capital of Rs. 700 lakhs in seven per cent per annum, 'D' debentures of Rs. 1,000 each, for cash at par. The debentures will be offered to the public with first option to the existing shareholders of the company. The money will be used for financing the company's expansion, renovation and new factories.

Lucas-TVS Limited, Madras, is to issue a further capital of Rs. 50 lakhs, divided into 50,000 equity shares of Rs. 100 each, for cash at par, to be subscribed privately by the company's foreign collaborators — Messrs. Joseph Lucas (Industries) Ltd., U.K. — and Messrs. T. V. Sundaram Iyenger & Sons Pvt. Ltd., Madras. The money will be utilised to meet the increased capital requirements of the company's projects.

Benger Laboratories (India) Limited, Bombay, is to issue Rs. 50 lakhs in equity shares of Rs. 100 each at par, to be offered to the existing shareholders of Tata Fison Limited on the amalgamation of the latter with the former as approved under the orders of the Bombay High Court. The shares will be issued in the proportion of 10 shares for one share of Rs. 100 each (fully paid up) of Tata - Fison Ltd.

Goodyear India Limited, Calcutta, is to issue further capital of Rs. 64,00,000 divided into 6,40,000 equity shares of Rs. 10 each for cash at a premium of Rs. 7 per share. The entire issue will be made to the existing Indian shareholders in the ratio of 8 shares for every 5 shares held. The capital will be utilized for financing the expansion scheme involved in the manufacture of rubber tyres, tubes etc. The consent is valid up to May 1, 1965.

BOOKS BRIEFLY

Use and Abuse of Caste

When Caste Barriers Fall: By Dagfinn Sivertsen; Universitets Forlaget; Allen and Unwin.

Reviewed by JOSSLEYN HENNESSY

SOCIOLOGICAL studies of India have been piling up in the past fifteen years, which is splendid, but the accounts that they give of the pace of social evolution differ all the way from those who, like Mr. T. K. Basu in his "Bengal Peasant", think that change is minimal, to Mr. Sivertsen, who reports visible and fairly rapid upheavals, which is confusing. The answer is, of course, that although India has been a political unit for a little over a century — it is customary to refer to two hundred years of British rule, but, in fact, Britain was only one of many powers in India in the eighteenth century and British rule was not effectively consolidated throughout the sub-continent until after the Mutiny — ethnologically and culturally India is as much, and not more, one homogenous unit than is Europe. It follows that sociologists working in, say, the Punjab, Gujarat, Rajasthan, Bengal or Madras, will have raw material as different as sociologists reporting on, say, Finland, Denmark, the industrial north of France, the agricultural south of Italy, or Yugoslavia.

Just as there is a reasonable element of truth in the popular belief that the Scots are so capable and intelligent that they run Whitehall, there is an equal element of truth in the popular belief in India that the Madrasis run the Government of India. And Mr. Sivertsen's account of the impact of democratic ideology on the inhabitants of a remote Madras village bears witness to their adaptability and organisational enterprise. Caste has a bad press among Western intellectuals, whose (understandable) bias in favour of democracy makes them identify caste with oppression. What such critics do not always realise is that any social system constitutes an attempt to solve current social and economic problems and that the caste system did, in fact, solve India's problems for several centuries, and is making its contribution to the solution of contemporary problems. Compare, for example, the present state of affairs in Madras with that in southern Italy, where although new opportunities for economic development are being offered, corporate action is impeded because of the absence of social groups outside the family. In Madras, on the other hand, Mr. Sivertsen shows that despite its social

barriers, caste provides group organisations which can be, and are being, used to advance new political and economic aims. It is, however, relevant to note that whatever the underprivileged groups achieved in their revolt against caste's social barriers, the economic realities remain the same, i.e., the pressure of population on the land, the absence of local industries alternative to subsistence agriculture, and the difficulty of securing improvements in the methods of agriculture. It seems unfortunate that, according to Mr. Sivertsen, the Congress party allows, by default, the Communists undue prominence in organising social change.

Mr. Sivertsen is to be congratulated on a painstaking and authoritative piece of field research, which should be of the highest value to sociologists, administrators, planners, and politicians concerned with India's future. The non-specialist reader may, however, find parts of it pretty heavy going, because Mr. Sivertsen concentrates on factual and statistical investigation to the exclusion of character sketches. One would have liked to have met some of his informants and heard their personal reactions to the social stresses and economic strains, which he describes with scholarly detachment. The absence of a glossary is time-consuming, and failure to include J. H. Hutton's classic "Caste in India" constitutes a gap in an otherwise useful bibliography.

VARIED FARE

Wool & Woollen: Edited by T. V. R. Chandran; Published by Eastern Press Services (India), 227, Frere Road, Bombay-1; Annual Subscription Rs. 24.

This is a new monthly devoted exclusively to trades and industries allied to wool. As Mr. Manubhai Shah, Union Minister of Commerce, has said in a message to the inaugural issue, a journal on the woollen industry disseminating information needed both by the grower and the exporter has certainly a useful role to play. This issue contains a number of articles embracing different aspects of the wool trade and industry, including research for the development of wool fibres, research institute for the woollen industry, colour in wool fabrics, and fabric production costs in different countries, among others. One of the articles makes the point that abolition of controls on worsted yarn will make fabrics cheaper.

Readers' Roundtable

UNACCOUNTED MONEY

Sir, — Black money, about which so much is being said these days, is the illegitimate child of every controlled and heavily tax-ridden economy. When laws multiply, become complicated and taxes strain human nature, the cost of honesty goes up. Like any other commodity, many ordinarily decent people are unable to afford honesty at such a prohibitive price. Therefore, in their economic dealings, black money or unrecorded gains become the order of the day.

As the Finance Minister pointed out, black money, like an iceberg, is mostly hidden beneath the surface. It may be added that one-third of this iceberg belongs to dishonest businessmen and industrialists, another one-third to corrupt officers and the last part to corrupt professional politicians. Black money arises from the collusion of the three, and is thus shared between them in a truly socialistic spirit of egalitarianism.

Unethical though it is, in one sense black money has ren-

dered great national service by saving the economy from ruin, as Prof. B. R. Shenoy once pointed out. A large part of the money which, if paid in taxes, would have been promptly wasted by the Government, has been employed in productive purposes mostly in hundreds of small enterprises in the country.

The garrulous politicians have talked enough to put the holders of black money on their guard. Some of the methods currently employed by the Finance Ministry, instead of bringing out black money, are only earning for the Finance Ministry the bad name of Fascist Ministry. It is time to recognise that neither black money nor black wealth can be brought out into the open except by a ruthless dictatorship. Unless one wishes to pay that price, the wisest course is to prevent further creation of black money by bringing down taxes to a reasonable level and by reshaping economic policies according to the laws of the market.

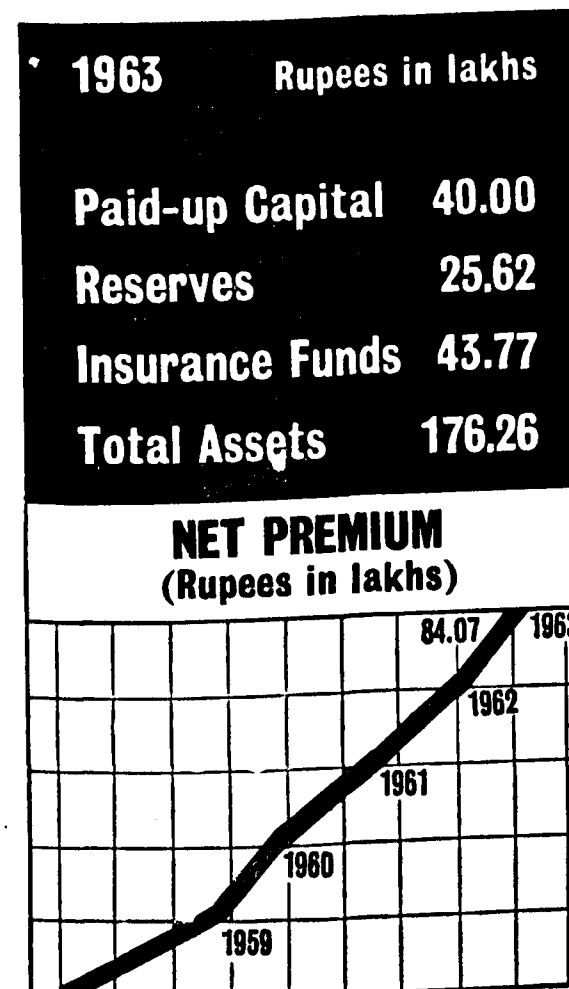
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ISSUE PRICE Rs. 99.75 PER CENT.
REDEEMABLE AT PAR ON THE
16TH NOVEMBER, 1976.

Subscriptions will be received in cash or cheques from the 16th November 1964. But the lists will be closed without notice as soon as the total subscriptions amount to approximately Rs. 300 lakhs and in any case not later than the close of business on the 21st November 1964.

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.

HBC/20.10.

ANNOUNCEMENT REGARDING THE PROPOSED ISSUE OF CAPITAL

This is NOT a Prospectus, Persons interested in full details may obtain copies of the Prospectus from the Registered Office of the Company or from the Underwriters, Bankers, Brokers and Issue House named hereinafter.

POYSHA INDUSTRIAL COMPANY LIMITED

(Incorporated under the Companies Act, 1956)

Registered Office: Messent Road, P.O. Tank Road, Bombay 33, DD.

EXISTING AND PROPOSED ACTIVITIES OF THE COMPANY

The Company is engaged in the manufacture of a wide variety of containers ranging from simple slip-cover-cans such as are used for cosmetics and other d.y products to friction-top cans for paints, open top sanitary cans for fruits and vegetables, and other precision-made containers. Metal cans, mostly, decorated and lithographed are manufactured by the Company in a variety of sizes and shapes to meet the needs of the different products to be packed. The Company also makes other light-gauge tinplate and sheet-metal products.

The Company's wholly owned subsidiary, Colr'ge Limited, is engaged in the manufacture of rigid containers and collapsible metal tubes for cosmetic, pharmaceutical and other industries.

Another subsidiary, Kaira Can Company Limited, will be manufacturing containers at its factory to be established near Anand mainly for the requirements of Kaira District Co-operative Milk Producers Union Limited.

The proposed activities of the Company as well as of subsidiaries will be the same as described above.

LOCATION OF THE FACTORIES

The Company's existing factory is at present situate at Messent Road, P.O. Tank Road, Bombay-33 DD. The Company has a branch factory viz., a reforming unit at Najafgarh Road, Motinagar, New Delhi-15.

The Company proposes to establish two additional factories, one at Cochin in the South to cater to the requirements of South India and the other at Ghaziabad in North India to take care of North and East Indian requirements.

The main factory situate at Messent Road, P.O. Tank Road, Bombay-33 DD., is proposed to be shifted to the Kalva Industrial Area near Thana of the Maharashtra Industrial Development Corporation and fully modernised.

The modernisation and expansion programme will increase the Company's capacity from 40 lakhs to 1 crore of cans per month, on a single shift basis.

The factory of Colrige Limited, a wholly owned subsidiary which is now in rented premises at Sewri, is also proposed to be shifted to the new site near Thana of this Company.

The factory of another subsidiary of this Company, Kaira Can Company Limited, is proposed to be established near Anand in Gujarat State.

BOARD OF DIRECTORS

1. **Shri Madanmohan R. Ruia**, Chairman, 96, Nepean Sea Road, Bombay-6.
2. **Shri Dayanand C. Kothari**, "Kothari House", 15, Kothari Road, Madras-31.
3. **Shri Chandrakant M. Khatau**, 6, Wilderness Road, Malabar Hill, Bombay-6.
4. **Shri Vijay M. Merchant**, Mewar, 40A, Peddar Road, Bombay-26.
5. **Shri Narendra N. Kapadia**, Malhotra's Bungalow, T-1/54, Juhu Tara, Bombay-54.
6. **Shri Kumaril V. Mehta**, 25, Doongersey Road, Malabar Hill, Bombay-6.

7. **Shri Rasik'al M. Kapadia**, 'Lansdowne Court' Flat No. 1, 5, Lansdowne Road, Calcutta-20.
8. **Shri Bhogilal P. Shah**, 'Karunasagar', No. 5, Deodhar Road, Matunga, Bombay-19.
9. **Shri Dhananjaya R. Mehta**, 75, Warden Road, Bombay-26.
10. **Shri Harkishan N. Kapadia**, "Viller Villa", Ghodhuder Road, Bombay-54.
11. **Shri Harshad N. Kapadia**, Ocean View Annexe, 3rd Floor, Warden Road, Bombay-26.
12. **Shri Jayantilal R. Mehta**, 75, Warden Road, Bombay-26.

MANAGING AGENTS

Industrial Factors Private Limited
'Jiji' House,
Raveline Street,
Fort, Bombay-1.

SHARE CAPITAL

Authorised:	15,00,000 Equity shares of Rs. 10/- each	Rs. 1,50,00,000
Subscribed:	2,50,000 Equity shares of Rs. 10/- each	Rs. 25,00,000
Paid-up:		Rs. 24,98,625
PRESENT ISSUE:	8,50,000 Equity shares of Rs. 10/- each	Rs. 85,00,000
Out of the Present Issue:	2,50,000 Equity shares of Rs. 10/- each have been offered to the existing Shareholders by way of rights	Rs. 25,00,000

NOW OFFERED FOR PUBLIC SUBSCRIPTION FOR CASH AT PAR:

6,00,000 Equity Shares of Rs. 10/- each payable as follows:	
(i) Rs. 2.50 per Share on application.	
(ii) Rs. 2.50 per Share on allotment, and	
(iii) the balance of Rs. 5/- per equity Share payable on further calls as may be determined by the Directors, but no call shall exceed Rs. 2.50 per Share and there shall be an interval of at least three months between any two calls	Rs. 60,00,000

BANKERS TO THE ISSUE

The Bank of India Limited,
70, Mahatma Gandhi Road,
Fort, Bombay-1.
The Bank of Baroda Limited,
Apollo Street,
Fort, Bombay-1.

The Central Bank of India Limited,
Mahatma Gandhi Road,
Fort, Bombay-1.

UNDERWRITERS

1. The Industrial Credit and Investment Corporation of India Limited.
2. Life Insurance Corporation of India.
3. U. P. State Industrial Corporation Limited.
4. Harkisondass Lukhmidass, Share Brokers.
5. Jamnadas Morarjee and Company, Share Brokers.
6. The Bank of Baroda Limited.
7. P. R. Subramanyam and Sons, Share Brokers.
8. New India Assurance Company Limited
9. Ramanbhai Lalbhai Sheth, Share Brokers.
10. South India Insurance Company Limited.

N.B.: THE WHOLE PUBLIC ISSUE HAS BEEN FULLY UNDERWRITTEN.

BROKERS

- Bombay:**
1. **Harkisondass Lukhmidass**, Stock Exchange Building, 5th Floor, Apollo Street, Bombay-1.
 2. **P. R. Subramanyam & Sons**, 70A, Stock Exchange Bldg., Apollo Street, Bombay-1.
 3. **Jamnadas Morarjee & Co.**, 8-10, Dalal Street, Bombay-1.
 4. **Ramanbhai Lalbhai Sheth**, 5, Stock Exchange New Building, Apollo Street, Bombay-1.
 5. **Merwanjee Bomanjee Dalal**, Allahabad Bank Building, Apollo Street, Bombay-1.
 6. **Mahadevia Bros.**, Stock Exchange Old Bldg., Dalal Street, Bombay-1.
 7. **Lewis & Jones**, Bank of Baroda Building, Apollo Street, Bombay-1.
 8. **Batilvala & Karani**, Union Bank Building, Dalal Street, Bombay-1.
 9. **Devkaran Nanjee & Co.**, Devkaran Nanji Buildings, Horniman Circle, Bombay-1.
- Bangalore:**
1. **P. R. Subramanyam & Sons**, "Shree Siva", 24, Fourth Street, Benson Cross Road, Bangalore-6.

2. **M. L. Gopala Setty**, Kempegowda Road, Bangalore-9.

Madras:

1. **Peterson & Company**, 32/33, Linghi Chetty St., Madras-1.
2. **Chitra & Company**, 322-323, Linghi Chetty St., Madras-1.

Calcutta:

1. **Place, Siddons & Gough Private Limited**, 6, Lyons Range, Calcutta-1.
2. **G. M. Pyne**, Allahabad Bank Buildings, 14, India Exchange Place, Calcutta-1.

3. **Mathurbhai B. Patel**, 7, Lyons Range, Calcutta-1.

Delhi:

1. **Harbans Singh Mehta & Company**, 33, Regal Building, Parliament Street, New Delhi-1.
2. **Raj Paul Chadha & Co.**, Delite Cinema Building, Asaf Ali Road, New Delhi.

Ahmedabad:

1. **Narendra Lalbhai Sheth**, Manek Chowk, Ahmedabad.

ISSUE HOUSE:

Industrial Investment Trust Limited
61, Apollo Street,
Fort, Bombay-1.

APPLICATIONS

Applications for shares must be for a minimum of 50 shares or multiples thereof.

Copies of Application Forms and Prospectus can be obtained from the Company's Registered Office, from any of the abovementioned Underwriters, Bankers, Brokers, Issue House or from the main offices of any of the said Banks in any of the cities mentioned below:

Bombay, New Delhi, Kanpur, Indore, Lucknow, Calcutta, Ghaziabad, Surat, Baroda, Ahmedabad, Hyderabad, Bangalore, Madras, Cochin, Ernakulam, Trivandrum, Nagpur, Poona, Amritsar, Jamshedpur, Jaipur, Rajkot, Coimbatore, Varanasi, Allahabad, Meerut City and Agra.

THE SUBSCRIPTION LIST WILL OPEN AT THE COMMENCEMENT OF BANKING HOURS ON 13TH NOVEMBER, 1964 AND WILL CLOSE AT THE CLOSE OF BANKING HOURS ON 23RD NOVEMBER, 1964 OR EARLIER AT THE DISCRETION OF THE DIRECTORS BUT NOT BEFORE THE CLOSE OF BANKING HOURS ON 16TH NOVEMBER, 1964.

COMPANY MEETING

THE CALCUTTA ELECTRIC SUPPLY CORPORATION

MR. I. A. MACPHERSON'S REVIEW

The Sixty-seventh Annual General Meeting of the Calcutta Electric Supply Corporation Limited was held on 23rd October in London, Mr. I. A. Macpherson, M.B.E., the Chairman presiding.

The following is from his circulated review for the year ended 31st March, 1964:

The event which, for us, as for everyone in or connected with India, overshadows all others has been the death on the 27th May of Pandit Nehru. It would be a presumption for me to try to add to the world-wide tribute already paid him, but I may perhaps be permitted to remark that it would be difficult, if not impossible, for a company such as this to operate under any other system than that of the parliamentary democracy of which, in India, Pandit Nehru was the architect and custodian.

GROWTH OF UNDERTAKING

The regulative measures which the Government had to adopt to ensure the optimum utilisation of available power resources were aimed primarily at reducing the peak demand on the Company's system. The commissioning last October of the 50 MW extension to our New Cossipore Generating Station and more recently of our Southern Receiving Station have already allowed several of the restrictions to be relaxed. Towards the end of this year, when the output of further generating plant will be put at the disposal of the State Board, our off-take at Southern Receiving Station will be stepped up to 80 MW and the position will be further relieved when, during

the first half of next year, we commission our Belur Receiving Station designed to take in 100 MW of power from the State Board's Bandel Generating Station. Provided they are backed by adequate State Board resources, the commissioning of these two Receiving Stations should enable Government to relax the restrictions remaining. Restrictions notwithstanding our output again broke all previous records and over the five year period 1959-60 to 1963-64 as a whole the average rate of growth in terms of units was about 8½ per cent compound.

REVENUE ACCOUNT

Revenue from the sale of electricity and for Meter Rents at £14.8 million was over £1.7 million (13 per cent) up on last year. This is a much higher rate of increase than is suggested by the increase in units sold. The main reason is that the monetary figure of sales includes Coal Surcharge revenue which arises by reason of increases in the delivered cost of coal — increases which of course are also reflected in additional Revenue Expenditure. Revenue Expenditure increased by almost £1.2 million; of this £885,000 was due to enhanced Generation, Transmission and Distribution costs. During the year our stations, in generating 2,077 million units, burnt 1.49 million tons of coal at a cost of £4.48 million, comparative figures for the previous year having been 1,841 million units, 1.38 million tons and £3.81 million. The Net Revenue Account shows that despite an increase of about £560,000 in the balance brought down from the Revenue Account the charge for Indian Taxes declined by nearly £150,000. This is, for the most part, due to the fact that our estimated Indian Income Tax liability on the profits of the year has been greatly reduced by Income Tax Development Rebate claimed on new plant commissioned during the year. It is this saving of tax that gives rise to the appropriation in the Net Revenue Account of £201,021 to the Development Reserve. This is a mandatory appropriation under the Electricity (Supply) Act and has the effect of equating the Company's Clear Profit with the Reasonable Return allowed by that Act. We have thought it prudent to build up a Taxation Contingency Reserve with an initial appropriation of £250,000 which is accordingly debited in the Net Revenue Account. As last year, we have again made a special appropriation to Plant Expansion and Contingencies out of Net Revenue, although this year it has been increased to £550,000. I would emphasize that this latter appropriation, together with those to the Development Rebate and to the Taxation Contingency Reserve, remained invested in the undertaking where, in conjunction with the Revenue Account allocation to Depreciation of over £1 million, they played a major part in financing the expansion of the undertaking during the year.

INCREASE IN RATES

Although the Company's Clear Profit was for the first time for several years equal to the Reasonable Return this

was in large measure due to the substantial saving in Indian Tax arising out of Development Rebate. Had it not been for this the Clear Profit would have been substantially less than the Reasonable Return. As it was foreseen that we would not again benefit from Development Rebate on the same scale and that our Clear Profits would in consequence be less than our Reasonable Return, we have had no option but to put into effect the further increases in our charges for electricity which were introduced towards the end of the year 1963-64. These increases were designed to enable the Company, in a normal year, to earn its Reasonable Return which, as was explained last year, is now based on a Standard Rate of 6½ per cent instead of the former 6 per cent. In the absence of unforeseen circumstances, we hope to be able to achieve this result in the current year.

FINANCE

In ordinary circumstances the financing on a more permanent basis of the recent £3½ million extension at the New Cossipore Station would have been achieved by an issue of shares or debentures or both, but we were advised that this would not be practicable in view of the fact that, under its Licence, the Company can be taken over by the Government of West Bengal or by the State Electricity Board on the 1st January, 1970 provided either of those Authorities gives one year's notice of its intention. We had, therefore, to explain to the Government of West Bengal that if Government could not tell us now either that we would not be taken over in 1970 (in which case we would have hoped to be able to raise medium term finance), or alternatively, that they would be taking us over in 1970 (in which case a short-term loan repayable out of the compensation monies would have been possible) we saw no prospect of being able to raise the money unless Government themselves would guarantee repayment. Government's decision was that they would guarantee repayment and we were thus able to go ahead and arrange a loan from the State Bank of India. This loan is for a sum of Rs. 4.7 crores (£3½ million) repayable on 30th December 1969. The Company's Forward Estimates indicate that during the period 1963-64 to 1969-70 Capital Expenditure will amount to some £18½ million (Rs. 25 crores) inclusive of the unpaid balance of expenditure on 1st April, 1963 on the New Cossipore extension. Provided the Company can continue to earn its Reasonable Return we estimate that we can look to internal sources (mainly Depreciation and retained earnings) to provide about £15 million of this sum. The recent loan from the State Bank will bridge this gap which means that, as far as can at present be foreseen it should provide the balance of the funds we shall need for the development of the undertaking in order to fulfil our statutory obligations until 1970.

The Report and Accounts were adopted.

NOTE: This statement is not a report of the proceedings of the Annual General Meeting referred to above.

RECORDS AND STATISTICS

Fourth Five Year Plan

A MEMORANDUM on the fourth five-year Plan prepared by the Planning Commission last month for a discussion at the meeting of the National Development Council, has provoked considerable interest. The broad co-ordinates of the Plan have been set out in this memorandum and even though the National Development Council has constituted some special sub-committees to look into the major sectors of the economy, yet it embodies in broad terms the official thinking on the objectives, strategy, size, pattern of investment, and financial resources for the Plan. Some of the important portions of this document are reproduced here:

The basic objectives which have been enunciated for the fifteen-year period commencing with the third Plan, are to lay sound foundations for self-sustaining economic growth, to provide avenues and opportunities of employment to all those who seek it and, while narrowing economic and social disparities, to ensure a minimum level of living to every family in the country. The third Plan was visualized as the first phase of a period of intensive effort to achieve these aims and its shape and strategy were designed accordingly. Since its inception the economy has moved in changing directions, its momentum favourable, some unavoidable, to the pace of the long-term objectives. The basic needs of the nation, however, remain as compulsive as they were at the outset, and, if anything, more pressing on account of the slow progress of the economy in recent years. The fourth Plan must ensure that, in spite of unanticipated difficulties in the immediate past, the move towards a better life for the common people maintains its momentum.

The central problem for the fourth Plan continues to be one of generating a rapid increase in the national product, without impairing social stability. More explicitly, basic goods and services required for consumption by the mass of the people have to be produced; and at the same time, investments in human and material resources should generate a much larger supply of those goods and services essential for future growth and for which we are now critically dependent on external assistance. It is these sophisticated goods and varied skills that help to diversify the productive as well as the occupational structure of the economy. It is only in this manner that hunger, poverty and unemployment can be removed. The goals and the strategy for the fourth Plan derive from the need to evoke maximum national effort for the vital tasks.

Mobilization of Effort

The mobilization of developmental effort in the fourth Plan is to be undertaken in a context which differs in several respects from what was anticipated in 1961. The broad view taken at that time was that national income should rise from about Rs. 14,500 crores in 1960-61 to about Rs. 19,000 crores in 1965-66, Rs. 25,000 crores in 1970-71 and Rs. 33,000-34,000 crores at the end of the fifth Plan. Allowing for population growth, it was anticipated that per capita income would increase from around Rs. 330 at the end of 1960-61 to about Rs. 385, Rs. 450 and Rs. 530 in 1966, 1971 and 1976 respectively. In actual fact, national income growth in the first three years of the third Plan has been less than 10 per cent — owing

largely to serious set-backs in agricultural production and delays in realization of output from some of the investments as against the increase of about 30 per cent assumed for the five-year period up to 1965-66. With better performance, especially in the agricultural sector, in the remaining years of the Plan period, it seems possible that the national income in 1965-66 may be around Rs. 17,400 crores (at 1960-61 prices) rather than Rs. 19,000 crores. Further, a recent examination suggests an adjustment in population projections from 492 million in 1966, 555 million in 1971 and 625 million in 1976 to the higher figures of 495 million in 1966, 560 million in 1971 and 630 million in 1976.

Concurrently with the slow rate of increase in the national product and the lag in agricultural output, elements like growth of population, additional employment, increased consumption expenditure by some sections of the population, larger defence spending, rising expenditure on social services, larger investment outlays, in both the public and private sectors, have all resulted in a rapid increase in the demand for goods and services. The continued stringency in regard to foreign exchange has made it impossible for these growing demands to be met out of additional imports. The result has been a marked rise in prices in the last two years, especially of agricultural commodities needed by the community. Although prices rose by about 30 per cent in the second Plan period, much of the increase was in respect of industrial raw materials and manufactured articles. However, between March 1961 and September 1964, the rise in the price index of food articles was 44.4 per cent, while that in manufactured articles was 5.9 per cent, in industrial raw materials 7.0 per cent and in the general price index 24.5 per cent. It is this large shift in the prices of cereals, pulses and other such essential consumer articles which has led to serious concern over the price situation.

Some Features of the Economy

The fact of this price rise must necessarily receive due consideration in defining the task to be undertaken in the fourth Plan. It is, however, also necessary to take into account certain other features of the economy as it has developed over the past few years. Despite the shortfalls in the national product and the Emergency, net investment during the five-year period 1961-66, taking the public and private sectors together, is likely to reach an aggregate of Rs. 11,700 crores at current prices. Net investment in both those sectors in the last year of the third Plan, viz. 1965-66, will probably be Rs. 2,800 crores to Rs. 2,900 crores, or about 16 per cent of net national income.* Correspondingly, net domestic savings as a proportion of net national income will be about 13 per cent. It is significant that these larger efforts at investment and savings have been undertaken in spite of the sudden increase in Defence spending that became necessary in 1962-63.

Though aggregate investment targets will have been achieved in financial terms, several of the physical targets of production or capacity set for the third Plan will not be reached by 1965-66. However, over a large part of the economy, investments that have been or are being undertaken will start yielding the expected benefits in the initial years of the fourth Plan. In transport, power and coal-mining, the capacity built up by the end of the third Plan, and the investments bearing fruit immediately thereafter, will be such as to prevent bottlenecks similar to those in the early years of the

* At 1963-64 prices, net national income in 1965-66 is expected to be between Rs. 18,800 crores and Rs. 19,000 crores. The ratios mentioned here are in relation to these estimates.



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after the various sectoral programmes and their phasing have been worked out in greater detail. This would necessarily take some time. Tentatively, it is estimated that approximately half the amount would be on account of projects in the power-industry-transport group and the other half in the remaining sectors.

At this stage, pending further work, sectoral allocations and targets are based on a total outlay of Rs. 22,500 crores; later, it is hoped to indicate them in terms of a given outlay, as may be finally decided.

The size and pattern of outlays proposed for the fourth Plan in the public and private sectors (in terms of a total outlay of about Rs. 22,500 crores) are given in the table below:

The total outlay indicated above may be compared with the third Plan provision of Rs. 11,600 crores (Rs. 7,500 crores public sector and Rs. 4,100 crores private sector). As stated earlier, this represents the upper level of the range of Rs. 21,500 — Rs. 22,500 crores and includes a sum of Rs. 1,000 crores to be taken up if the State of the economy is satisfac-

tory during the first half of the Plan, a tempo of production is built up and larger resources can consequently be mobilised. Investment in the private sector has been estimated at Rs. 6,980 crores. This figure is still tentative and its volume and composition are being examined further.

It has been suggested that all possible steps to accelerate the rate of progress in the early years of the Plan should be taken so as to make it possible for the additional resources to be mobilised. This will call for appropriate advance action being immediately initiated in order to reduce the gestation period of projects. A careful selection of quick yielding schemes in agriculture, small scale and organised industries etc. will be necessary. After having selected the schemes all administrative arrangements should be completed and the trained staff placed in position in order to ensure implementation. These measures should enable a faster rate of growth to be achieved in the early years of the fourth Plan and so facilitate the raising of additional resources.

A table showing the comparative provisions in the third

SIZE AND PATTERN OF FOURTH PLAN OUTLAYS IN PUBLIC AND PRIVATE SECTORS

(Rs. Crores)

				Public Sector			Private Sector	Total	Total
				Total	Current outlay	Investment	Investment	Investment	Plan Outlay (public and private Sectors)
Agriculture	..	..	..	2,400	875	1,525	700	2,225	3,100
Irrigation	..	..	..	1,000	—	1,000	—	1,000	1,000
Total	..	..	..	3,400	875	2,525	700	3,225	4,100
Power	..	..	..	1,950	—	1,950	50	2,000	2,000
Small Industry	..	..	..	450	170	280	400	680	850
Organised Industry	..	..	..	3,200	—	3,200	2,400	5,600	5,600
Transport and Communications	..	..	..	3,000	—	3,000	650	3,650	3,650
Total	..	..	..	8,600	170	8,430	3,500	11,930	12,100
Education	..	..	..	1,400	767	633	100	733	1,500
Scientific Research	..	..	..	175	85	90	—	90	175
Health	..	..	..	1,090	413	677	—	677	1,090
Housing and Construction	..	..	..	400	—	400	1,470	1,870	1,870
Welfare of backward classes	..	..	..	205	100	45	—	45	205
Social Welfare	..	..	..	65	50	15	10	25	75
Craftsmen Training and Labour Welfare	..	..	..	145	85	60	—	60	145
Public Co-operation	..	..	..	15	10	5	—	5	15
Total	..	..	..	3,495	1,570	1,925	1,580	3,505	5,075
Rural Works	..	..	..	25	—	25	—	25	25
Rehabilitation	..	..	..	50	10	40	—	40	50
Miscellaneous	..	..	..	50	—	50	—	50	50
Inventory	..	..	..	—	*	*	1,200	1,200	1,200
Total	..	..	..	125	10	115	1,200	1,315	1,325
Grand Total	..	..	..	15,620	2,625	12,995	6,980	19,975	22,600

* Part of the inventories under public sector is covered in sectoral outlays and part will also be financed through the banking system.

and fourth Plans under each head of development together with the percentage distribution is given below:

COMPARATIVE PROVISIONS UNDER EACH DEVELOPMENT HEAD IN 3RD & 4TH PLANS

(Rs. Crores)

	Anticipated Allocation Expenditure in the		Percentage Distribution	
	Third Plan	Fourth Plan	of Col. 2	of Col. 3
1	2	3	4	5
Agriculture	1,090	2,400	13.3	15.4
Irrigation	648	1,000	7.9	6.4
Total	1,738	3,400	21.2	21.8
Power	1,187	1,950	14.5	12.4
Small Industry	233	450	2.8	2.9
Organised Industry	1,662	3,200	20.3	20.5
Transport and Communication	1,940	3,000	23.6	19.6
Total	5,022	8,600	61.2	55.0
Education	557	1,400	6.8	9.0
Scientific Research	72	175	0.9	1.1
Health	345	1,090	4.2	7.0
Housing and Construction	112	400	1.4	2.6
Welfare of Backward Classes	104	205	1.3	1.3
Social Welfare)		65)		0.4
Craftsmen Training and)				
Labour Welfare)		145)		0.9
Public Co-operation)	250	15)	3.0	0.1
Total)		3,495)		22.4
Rural Works)		25)		0.2
Rehabilitation)		50)		0.3
Miscellaneous)		50)		0.3
Inventories)		a)		a
Total		125		0.8
Grand Total	8,200	15,620	100.0	100.0

(a) Part of the inventories is covered in sectoral outlays and part will also be financed through the banking system.

It will be seen that a significant increase is envisaged in the fourth Plan in the proportionate allocations for agriculture and the social services. This is in keeping with the objectives of increasing agricultural production and providing for the basic social needs of the masses. The percentage distribution also reflects the shift in emphasis from schemes with long gestation periods such as major irrigation to quick yielding programmes such as minor irrigation included under agriculture. The industrial sector, together with the ancillary infrastructure on power and transport, shows a percentage decrease, largely under transport, but in absolute terms is double the original third Plan provision. This takes account of the fact that in the third Plan allocations for transport were substantially raised and the rail transport system will have some reserve capacity of the beginning of the fourth Plan. The programmes under this group have been drawn up in terms of the current needs of the economy and the perspective of the

fifth Plan. Their feasibility in terms of implementation has also been taken into account. The small allocation of Rs. 25 crores for rural works is in the nature of a token provision at this stage. A firm figure will be known only after State Plans have been formulated and a view taken of the size of the residual problem of unemployment in rural areas which may call for a supplementary rural works programme.

The broad implications of the programme are an annual increase in agriculture of not less than 5 per cent linear and compound annual rates of growth of 11 per cent in organised industry, 8 per cent each in small industry, communications, railways and organised banking and insurance and 6.5 per cent each in other commerce and transport and services. This should give an over-all rate of growth of around 6½ per cent.

The distribution of outlays between the Centre, the States and Union Territories under different heads of development can be indicated with precision only after the plans of States and Union Territories have been examined and accepted in consultation with them. Meanwhile, on the existing basis of classification, a tentative distribution of outlays has been indicated in the table below under important categories of development:

(Rs. crores)

Heads	Fourth Plan			
	Total	Centre	States	Union Territories
1. Agriculture	2,400	325	2,065	70
2. Irrigation	1,000	35	960	25
3. Power	1,950	300	1,625	5
4. Small Industry	450	170	265	15
5. Organised Industry	3,200	3,060	135	5
6. Transport and Communications	3,000	2,490	440	70
7. Social Services	3,495	1,059	2,193	243
8. Miscellaneous	125	86	37	2
Total:	15,620	7,525	7,660	435

The distribution is based on the assumption that as a general principle, all development schemes executed by State Governments and Union Territories will form part of their respective plans and that only certain limited categories of schemes would be shown in the plans of Central Ministries as being sponsored by the Centre.

In the last meeting of the National Development Council, Chief Ministers of several States had urged that it would be advantageous, both on technical and financial grounds, if the Centre could take the responsibility of financing big Irrigation and Power projects during the construction phase.

It has been observed that progress on certain projects is impeded due to lack of adequate provision in the States' annual plan budgets. Further, on account of price escalation some State Governments have to provide outlays on Irrigation and Power projects much larger than originally provided in their five-year Plan. This has resulted in reduced allocation

third Plan. The rate of growth of industrial production has been about 9 per cent in 1963-64 and is expected to reach about 11 per cent by the end of the Plan period. There have been significant expansions in the fields of education, public health facilities etc., which provide a base for further advance in the fourth Plan period. Where performance has been woefully short of expectations is in the agricultural sector; and it is this fact that has largely been responsible for limiting the increase in consumption standards of the common people and for the abnormal increase in prices that so dominates the current scene.

The imbalance reflected in recent price increases is, in other words, a resultant of two elements: the natural factors affecting agricultural production and the delays in securing maximum output from past investments. Neither of these need continue to have the same impact on available supplies as in the past three years. Every effort must be made to complete the projects that are far advanced; and utmost attention should be given to schemes and programmes that yield quick returns to investments. In setting the targets for the fourth Plan, the scope that exists for corrective measures in implementation has to be taken fully into account.

Even as the fourth Plan evolves from the third, it sets the stage for the country's development in the fifth and subsequent Plan periods. Because of current difficulties, it is possible that the likely effects on the country's progress in the next decade of a failure to achieve in the fourth Plan period a high rate of growth and essential structural changes may not be fully appreciated. As it is, the shortfalls of the third Plan make it necessary for the economy to strive for much higher rates of growth than were originally envisaged for the next two Plan periods, if the objectives in regard to adequate employment and higher standards of consumption are to be reached by about 1975-76. The crucial problem for the fourth Plan is thus of accelerating the tempo of development without accelerating inflationary trends in the economy. This obviously entails higher savings and investments, and clear priority not only for Plan as against non-Plan expenditure but also for essential as against non-essential private expenditure.

Agricultural Sector

Since so large a part of basic consumption goods originates in the agricultural sector — including animal husbandry and ancillary activities — any programme of raising the standards of consumption of the masses must provide for a sustained and concerted effort to raise the rate of growth in this sector. Similarly, to provide adequate facilities for education, medical care, water supply and other social services to the people, a much higher level of effort than was possible in the earlier Plans has to be undertaken. These are inescapable needs, both from the point of view of social stability and increased economic productivity. The idea has gained wide acceptance that a national minimum for basic consumption should be set and substantially realised by the end of the fifth Plan. Any slackening of effort, because of set-backs in the third Plan can only lead to further delay in the fulfilment of this objective.

The development of agriculture and social services is closely linked with the development of power, transport and industries, large and small. The supply of fertilisers, pesticides, construction materials, implements and processing equipment required for the success of the agricultural programme as well as of other mass consumption goods on a scale required to combat inflationary trends would depend upon an appropriate expansion of the industrial sector. A large spurt in small-scale industries and an all-round diversification of the base of the economy are called for in order to create employment opportunities for the expanding labour force during the fourth

Plan. It is obvious that these results cannot be achieved without a balanced increase in power and transport sectors. There can, therefore, be no suggestion of disturbing the inter-relationship, because by doing so, the growth of economy will be retarded and more real resources will not be released for agriculture and social services. Further, since a large part of public revenues is expected to come from the incomes generated in the sectors, slowing down of their development will make the task of mobilisation of financial resources for the fourth Plan even more difficult.

Of equal importance is the fact that a progressive reduction in the dependence on foreign assistance is vitally linked with expansion and diversification of industrial production. The bulk of our imports, apart from food imports, consists of petroleum products and crude oil, metals, chemicals, machinery and equipment. These commodities will be required in increasing quantities as the economy grows in size and complexity; and, unless deliberate attempts are made to enlarge their domestic production, there can be no escape from large-scale dependence on foreign loans and grants. As the scope for increasing imports through a big increase in traditional exports such as tea, jute and manganese is limited, new lines of export, mostly of ores and manufactured articles would need to be developed, in order to augment export earnings.

Strategy of the Plan

Within the larger context outlined above the objectives and strategy for the fourth Plan have to be such as to meet the requirements with regard to avoidance of inflation, improvement in the consumption standards of the people, more equitable distribution of incomes and wealth, faster development of human resources and quicker progress towards self-reliance. For these purposes, it will be necessary to undertake a variety of organisational and structural changes conducive to efficiency in productive activity, restraint on inessential consumption, and larger resources mobilization in both the public and private sectors for planned investments.

The preliminary outline of the fourth Plan presented in this Memorandum keeps in view the following:

- (i) for enlarging the income of the rural population, as well as for augmenting the supplies of food articles and agricultural raw materials, all possible efforts should be made to ensure a growth rate of not less than 5 per cent per annum and, if possible, more in agricultural production;
- (ii) For enabling this objective to be realised, production of such goods as fertilizers, insecticides, agricultural implements, including pumps, diesel engines, tractors etc., should be given the highest priority in the programme for industrial development;
- (iii) for enlarging the supplies of essential consumer goods on which additional incomes will be spent, production of articles like textiles, sugar, drugs, kerosene, paper etc., should be accelerated;
- (iv) with a view to improving the supply of residential housing, the production of cement and other construction materials should be augmented;
- (v) for ensuring continued growth in the metals, chemicals, machine-building, mining, electric power and transport industries, schemes in hand should be completed early as well as new schemes undertaken;
- (vi) for the development of human resources, not only should the maximum possible facilities be provided in the social services sector, but that these should be suitably reoriented in the direction of increasing productivity;
- (vii) the organization of effort in all these directions

should be such as to promote rapid progress towards greater employment and social justice.

A programme with these inescapable tasks poses difficult problems of finance and administration. While all possible efforts have to be made at avoiding further increases in prices of basic consumption goods, this cannot be achieved by a smaller development effort. A variety of fiscal, monetary and administrative measures will have to be taken to ensure that any excessive demand in the economy is prevented from raising the prices of basic consumer goods. It is necessary to exercise great restraint on inessential outlays in both the public and private sectors. Particular attention has also to be paid to achieving cost-reduction and implementation of quick-maturing projects, especially those which add to the supplies of essential consumption goods and services.

The country has in addition to keep itself in readiness to contain the pressure on prices of basic commodities through direct measures of controlled distribution. Steps are being taken to bring within State control the distribution at regulated prices of foodgrains, common varieties of textiles and other primary consumer articles. These will have to be further strengthened through co-ordinated action between Governments, consumers and producers. In so far as non-essential consumer goods, capital and intermediate goods are concerned, the emphasis has to be on adjustment of prices to promote the availability of scarce real resources for priority uses and to facilitate the mobilization of financial resources.

In the final analysis, neither relative price stability nor adequate development will be possible if means are not found to provide, from the current national income, as much of the domestic savings as may be required for planned investment. Consequently, all the instruments that can be used for enlarging both public and private savings, and channelling them into the priority investments — both material and human — will have to be utilised. This will require the better-off sections of the community to accept smaller increases in income and consumption. The magnitude of the effort required and the urgency of fulfilling it without generating inflationary pressures are such that all income-earners will in one way or another have to contribute to the pool of resources.

Price Rise

Recent price rises have caused hardships to large sections of the people, but they have also brought large incomes to sections of producers, traders etc. Unless such incomes are converted into savings and investment in consonance with the Plan, they will distort the economy and aggravate its imbalances. Structural changes in the economy are an essential condition of rapid development and will be more urgent than ever in the coming years. The attainment of other objectives demands the reduction of disparities in income and consumption. The administrative machinery of Government at all levels has to be geared for the basic economic and social tasks which have to be accomplished at this critical phase of national development.

As in the past, a large part of the responsibility for promoting development in the agricultural, industrial and services sectors will fall on the public sector. Apart from this the State will have to move towards attaining a commanding position in the distribution of essential consumption goods. These tasks will impose a heavy burden on the administrative machinery at all levels. These responsibilities have to be accepted, and suitable organizations built up for their efficient discharge if the goal of raising the standards of living of the people within the framework of democratic socialism is to be attained within a reasonable period.

* The Perspective Planning Division's and Working Groups' figures of investment are at 1960-61 prices. Planning Commission's estimates are at 1963-64 prices.

In September, 1962 the Planning Commission had set up 43 Working Groups (including 75 sub-groups) with the Secretaries of the Ministries concerned as Chairmen and had requested these Groups to submit their proposals for the fourth Plan in the light of progress in the third Plan and perspective development in the ten-year period ending 1976. Along with studies undertaken by the Working Groups the Perspective Planning Division of the Planning Commission formulated its proposals for the period 1961-76 with a view to providing a general frame for work on the fourth Plan. These proposals postulated a 7.5 per cent rate of growth for ten-year period 1966-76, which was considered a minimum for increasing employment opportunities, raising consumption standards and reducing dependence on foreign aid. The outlay proposed in the public sector (including current outlay and net investment) was Rs. 16,415 crores which, together with the Division's estimate of private sector investment of Rs. 7,915 crores, indicated a total outlay of Rs. 24,330 crores.

Size and Pattern of Investment

The aggregate outlay in the public sector as contained in the interim recommendations of the Working Groups came to Rs. 24,162 crores. This, with the addition of the Reserve Bank estimate of about Rs. 7,000 crores of investment in the private sector, indicated a total outlay of over Rs. 30,000 crores for the fourth Plan. As this represented the sum total of outlays recommended in different sectors, it was necessary to take an integrated view of the proposals of Working Groups in order to avoid duplication and to secure internal balance and consistency. As a result of this examination, the total outlay including investment in the private sector, was estimated between Rs. 24,000 and Rs. 25,000 crores. Considering all aspects particularly the availability of resources it is felt that the fourth Plan should be framed on the basis of a minimum outlay ranging between Rs. 21,500 to Rs. 22,500 crores*.

Along with the proposals for sectoral programmes and outlays, the Planning Commission has also reviewed the preliminary assessment of resources prepared by the appropriate Working Group. On the assumptions explained above, as against the estimated requirements of Rs. 15,500 crores for the public sector programme, the current assessment of capacity for raising domestic savings and mobilizing the financial resources in the public sector taken together with the uncertainties regarding the balance of payments, suggests that it may not be possible at this stage to assume firm commitments for more than Rs. 14,500 crores. This will leave approximately Rs. 1,000 crores of outlay in the public sector to be taken up if the progress of the economy in respect of the growth of output, resources, mobilisation and balance of payments, during the next 3-4 years is satisfactory. Thus, at present the total outlay in the fourth Plan has to be envisaged as ranging between Rs. 21,500 and Rs. 22,500 crores and outlay in the public sector as ranging between Rs. 14,500 and Rs. 15,500 crores. It has also been agreed that the programme of development in each sector should be carefully scrutinized and phased and that efforts should be made to identify as precisely as possible projects involving a total outlay of Rs. 1,000 crores to be initiated during the latter half of the Plan. While preparatory action, involving small expenditures in respect of these projects may be taken in the earlier years of the fourth Plan, the actual implementation of the schemes would be contingent on improved prospects for resource mobilization in the second half of the Plan.

The precise composition of the programmes and projects involving a total outlay of Rs. 1,000 crores will be determined

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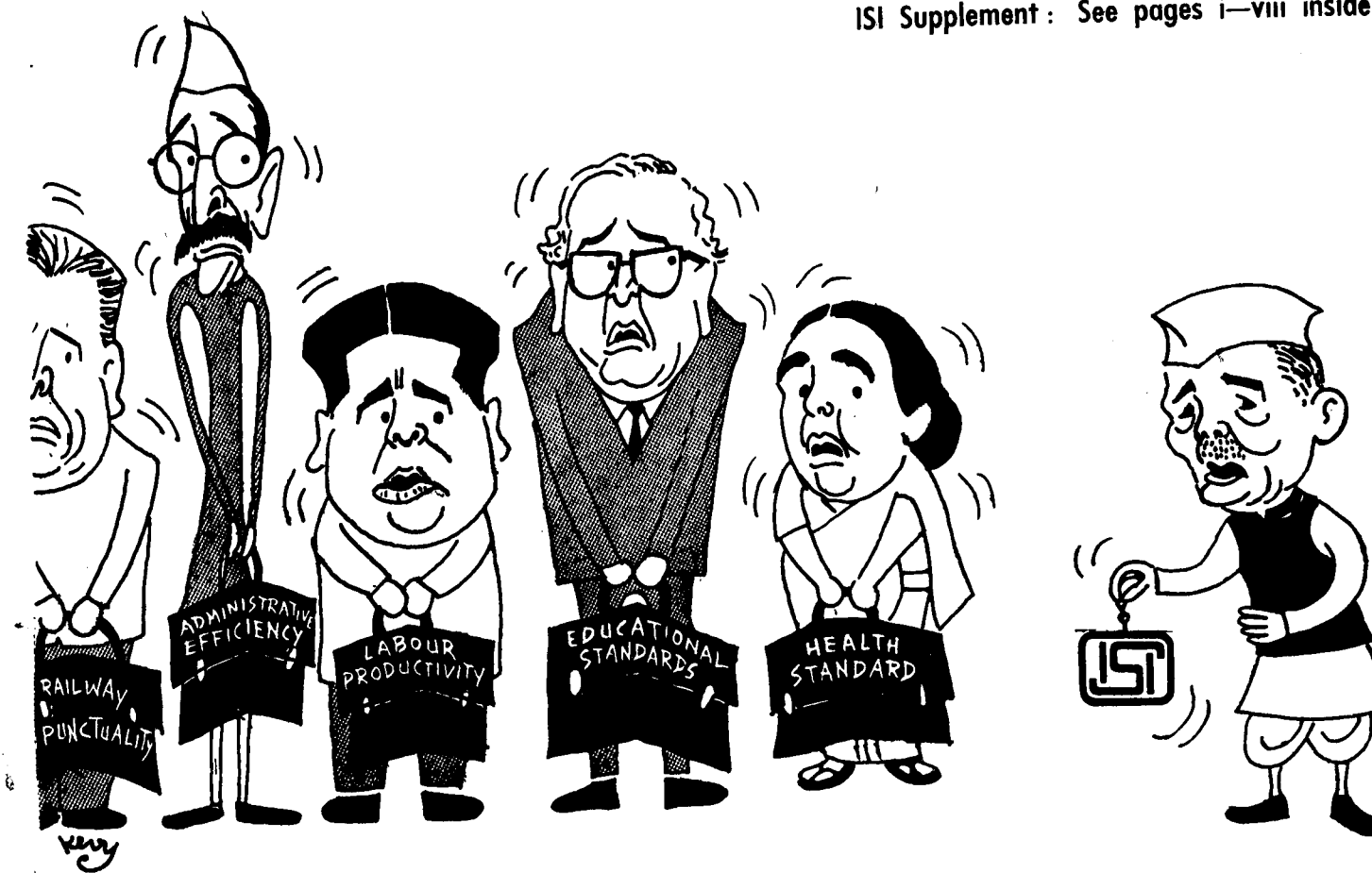
EASTERN ECONOMIST

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tion for scheme/programmes under other heads, particularly Social Services. Besides, with a view to facilitating co-ordinated generation and transmission of electricity, proposals for undertaking a few projects for Central generation and transmission of electricity are under consideration.

When a final view is taken on the proposals for Central financing of Irrigation and Power projects and other large capital projects, as well as Central generation and transmission of electricity, the distribution now indicated may undergo consequential revision.

FOURTH FIVE-YEAR PLAN — CENTRE, STATES AND UNION TERRITORIES

(Rs. Crores)

Head of Development	Fourth Five-Year Plan				Third Five-Year Plan — Anticipated outlay				Union Territories
	Total	Centre	States	Union Territories	Total	Centre	States	Union Territories	
Agriculture	2,400	325	2,005	70	1,090	114	941	35	
Irrigation	1,000	35	960	5	648	22	623	3	
Total	3,400	360	2,965	75	1,738	136	1,564	38	
Power	1,950	300	1,625	25	1,187	91	1,060	36	
Small Industry	450	170	265	15	233	119	107	7	
Organised Industry	3,200	3,060	135	5	1,662	1,564	96	2	
Transport and Communications	3,000	2,490	440	70	1,940	1,634	262*	44	
Total	8,600	6,020	2,465	115	5,022	3,408	1,525	89	
Education	1,400	350	950	100	557	150	375	32	
Scientific Research	175	175	—	—	72	72	—	—	
Health	1,090	175	835	80	345	40	275	30	
Housing and Construction	400	175	180	45	112	19	64	29	
Welfare of Backward Classes	205	65	130	10	104	39	61	4	
Social Welfare	65	20	42	3)					
Craftsmen Training and Labour Welfare	145	85	55	5)					
Public Co-operation	15	14	1	—)					
Total	3,495	1,059	2,193	243)	250	155	81	14	
Rural Works†	25	20	5	—)					
Rehabilitation	50	50	—	—)					
Miscellaneous	50	16	32	2)					
Inventory	**	**	—	—)					
Total	125	86	37	2	1,440	475	856	109	
Grand Total	15,620	7,525	7,660	435	8,200	4,019	3,945	236	

* Includes an anticipated outlay of about Rs. 12 crores for Paradip Port.

** Part of the inventories under public sector are covered in sector outlays and part will also be financed through the banking system.

† This is a token provision to be reviewed further when the plans of States have been considered.

Brief remarks are offered on the provision under certain Plan heads:

POWER

The provision at the Centre includes outlay on account of DVC, Neivelli expansion, Badarpur power station and Atomic power stations.

SMALL INDUSTRY

The provision at the Centre includes outlay on Khadi and Village Industries.

TRANSPORT AND COMMUNICATIONS

The provision under State Plans includes outlay on Roads, Road Transport, Minor Ports, Inland Water Transport and some schemes for Tourism.

HEALTH

The provision at the Centre includes an outlay of about Rs. 95 crores for the Centrally sponsored programme of Family Planning. As in the third five-year Plan, the provision for Communicable Diseases is at present shown in the Plans of States.

(To be concluded)

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Pressurised Pipeline

THE PARLEYS with over a dozen bidders for collaboration in setting up the Madras oil refinery, which had dragged on unduly long, have now resulted in the National Iranian Oil Company and its US partner, the American International Oil Company, being selected by the Government of India for "further negotiations". Whether this decision of the Union Government, arrived at after prolonged deliberations, first by the Union Cabinet at a full-dress meeting on Wednesday morning and later that night by a Cabinet Sub-committee, consisting of the Union Ministers for Home, External Affairs, Finance and Petroleum and Chemicals, means the dropping of the curtain on the issue, it is difficult to say. Much depends on the scope and outcome of the contemplated "further negotiations" with NIOC and AIOC. There are conflicting advices about the new round of talks. The Minister for Petroleum and Chemicals, Prof. Humayun Kabir, has preferred to remain silent on the scope of these negotiations. Press reports are to the effect that these are to be conducted only for working out the details of the collaboration agreement. Another source suggests that differences on two basic issues—the quality of crude and the financial arrangements proposed — still remain to be ironed out.

Whatever may be the scope of "further negotiations" with NIOC and AIOC, the manner in which their offer has been accepted is suggestive of the fact that the political consideration of forging closer ties with Iran has weighed more with the Government than economic criteria in clinching this issue. That this feeling is not without foundation should be evident from the course of negotiations with the main contenders for collaboration in the project in the last four months and the pressure tactics employed by Prof. Kabir for first hustling and then side-tracking the Negotiations Committee consisting of the Economic Secretaries. On the basis of the data made available to it and the short time placed at its disposal to scrutinise the various bids, this Committee found itself unable to reach unanimity in recommending to the Union Cabinet acceptance of the NIOC-AIOC offer.

From the precious little that has seeped into the Press through various channels, the NIOC-AIOC proposals envisage setting up of the Madras refinery with an initial capacity of 2.5 million tonnes throughput per annum and facilities to produce ammonia for fertiliser manufacture, at an estimated cost of approximately Rs. 12 crores. The collaborators will participate in the equity capital of the venture to the tune of 26 per cent, the remaining 74 per cent capital being subscribed by the Union and the State Governments. The entire foreign exchange component of the project will be made available by the two foreign partners in the shape of their subscriptions to the equity capital of the enterprise and a \$20 million commercial loan to be raised in the US under guarantee arrangements with USAID. The collaborators will supply at least 20 million tonnes of crude to the refinery over a period of 8 to 10 years at \$1.35 per barrel, FOB Persian Gulf, on a 12-month credit. The designing, construction and technical management of the refinery will be in the hands of AIOC till the time the loan capital is fully repaid.

Though ostensibly quite attractive, these proposals suffer from certain drawbacks. They do not compare so favourably with the offers of at least two other principal contenders. BOC-Shell International and ESSO Standard Eastern. The crude supplies are supposed to be made available by

NIOC-AIOC from Darius oilfields where production started only early this year. This crude, an untried one, is stated to have high sulphur content around 4 per cent and about 32 API gravity. A slight conditioning of it is proposed to be undertaken before it is shipped to India, but even then its sulphur content will be as high as 2.4 per cent and its API gravity around 34. Sulphur being a corroding element in the distillation process, the Darius crude will require mixing with "sweet" crude available at much higher prices from Marabon or elsewhere. It will also necessitate the setting up of a hydro-cracker at an estimated cost of from Rs. 3 to 4 crores. A naphtha-cracker may as well have to be put up to adjust the product-mix to suit the demand pattern in the Madras area. The cost of setting up the Madras refinery may, thus, go up to well over Rs. 15 crores. Both BOC-Shell International and ESSO had offered to set up the refinery at a cost of nearly Rs. 10 crores only. The BOC-Shell International offer further contained a built-in advantage of setting up a fertilizer plant in Madras out of the refinery earnings — a ceiling had been proposed on dividends the profits beyond which could be utilized for the establishment of the fertilizer plant. ESSO had additionally offered to set up an industrial complex around the refinery. These two collaborators had also undertaken to export surplus products from the Madras refinery on their own. But a subsidy may have to be given on exports of surplus products from the NIOC-AIOC-built refinery.

The higher cost of constructing the Madras refinery with NIOC-AIOC assistance could have been justified if the extra cost had been counter-balanced by concessions in crude price. The landed cost of the Darius crude in Madras may be around \$1.55 a barrel as neither NIOC nor AIOC has tankers to ship this crude and a freight of 20 cents a barrel may have to be paid on the basis of the current AFRA rates. The BOC-Shell International and ESSO prices for a much better crude, though admittedly higher, would, however, have made the Madras refinery a much more profitable venture. The facilities offered and the concessions given in refinery cost, ceiling on dividends, sharing of profits on crude if the crude price went down below the price offered, etc., by BOC-Shell International would have made its FOB Persian Gulf crude price at least six per cent more competitive than the NIOC-AIOC price. The ESSO price had been made attractive with the offer to set up an iron ore reduction plant at Goa, export earnings from which would have met at least half the cost of crude required by the Madras refinery. Further, both BOC-Shell Interna-

tional and ESSO could have arranged some concession on freight.

The second major snag in the NIOC-AIOC offer to which the Union Finance Ministry is understood to have drawn attention is the financial arrangement proposed. Since the NIOC-AIOC proposals envisage a major portion of the foreign exchange component of the project being met through commercial loans, it will add to the already heavy burden of external debt repayment during the next ten years. It is an open secret that the Union Finance Ministry does not favour commercial credits at least for any of the fourth Plan public sector projects as the export earnings during the fourth Plan period may hardly be enough to finance the maintenance import bill. The Finance Ministry's preference, therefore, naturally is for the foreign collaborators participating in the equity capital of these ventures and financing the extra foreign exchange requirements, through long-term loans.

Apart from the political consideration, the Union Government's decision appears to have been influenced by the Oil and Natural Gas Commission's bid, with ENI and Philips Petroleum as partners, for off-shore oil concessions in Iran. It is presumed that the consideration shown by the Government of India to the NIOC-AIOC offer for the Madras refinery may be reciprocated by the Iranian Government. But whether this *quid pro quo* will follow or not, it is anybody's guess. This expectation of the Union Government and its anxiety to strengthen Indo-Iranian relations are understandable. But cannot these ends be served equally well, if not better, by negotiating with NIOC-AIOC for the Haldia refinery? The Darius crude with its high naphtha content would probably have suited more the demand pattern of the Calcutta area which has no pronounced bias in favour of middle distillates. Prudence demanded that since offers for collaboration in setting up the Madras refinery had been invited from a dozen or so foreign oil companies, the Union Government should have decided the issue strictly on economic considerations. The way the whole matter has been handled by the Ministry of Petroleum and Chemicals and the manner commercial practices have been thrown to the winds, can have very adverse repercussions on the Government's attempt to secure foreign collaboration for future projects not only in the oil industry but in other capital-intensive industries as well. When a political decision is aimed at, it is always prudent to go in for bilateral negotiations without bringing other parties into the picture.

Political Financing by Companies

ONE OF the most controversial sections of the Companies Act relates to contributions to political parties by companies. During the discussions in Parliament over the Companies Amendment Bill consisting of 215 clauses

in 1960, almost a third of the time of both the Houses was devoted to the consideration of the clause relating to the question whether joint stock companies should be allowed to make contributions to political parties.

Recently the Santhanam Committee on Prevention of Corruption has opined that "in Indian conditions, Companies should not be allowed to participate in politics through their donations. It is true that this matter was debated at length during the discussions on the Companies (Amendment) Act of 1960 and it was decided to permit such donations subject to restrictions of amount and condition of publication. We do not feel that this is sufficient and feel that nothing but a total ban on all donations by incorporated bodies to political parties and purposes will clear the atmosphere".

As the law stands at present, companies may contribute in any year an amount not exceeding Rs. 25,000 or five per cent of the net profits of the company, *whichever is greater*. Section 293-A of the Companies Act, inserted by the Amendment Act of 1960, which permits this, reads as follows:

"Notwithstanding anything contained in Section 293, neither a company in general meeting nor its Board of Directors shall, after the commencement of the Companies (Amendment) Act, 1960, contribute —

- (a) to any political party or
- (b) for any political purpose to any individual or body,

any amount or amounts which or the aggregate of which will, in any financial year, exceed twenty-five thousand rupees or five per cent of its average net profits as determined in accordance with the provisions of sections 349 and 350 during the three financial years immediately preceding, *whichever is greater*".

This section applies to all companies, public and private; and in the case of each company it extends to all political contributions made, whether directly relating to the company's business or not relating to such business.

Section 293A of the Companies Act quoted above restricts the amount of political contributions which companies may make and is definitely an improvement over the position existing previously. Prior to the coming into force of the Companies Act, 1956, there was no restriction at all on the powers of companies to contribute to charitable and other purposes, the only limit being the limit, if any, placed by the Memorandum of Association of each company as regards the objects for which its monies could be used. Section 293 (1) (e) of the Companies Act, 1956, which came into force from the 1st of April, 1956, for the first time restricted contributions to charitable and other funds including political contributions. According to Section 293(1) (e), the Board of Directors of a public company or a private company which is a subsidiary of a public company may contribute to charitable and other funds not directly relating to the Company's business any amounts not exceeding in the aggregate Rs. 25,000 or

five per cent of the average net profits of the three preceding financial years of the company, whichever is greater; and with the consent of the company in general meeting further amounts without limits may also be contributed.

Notwithstanding the fact that Section 293A of the Companies Act of 1960 is more restrictive than the position obtainable till then, it must be pointed out that the total amount that can be drawn from the corporate sector by the political parties is a colossal amount. Since there are about 25,000 companies at work in the country and the payment of sums up to Rs. 25,000 is not even subject to the availability of profits, the amount which political parties can tap from this source comes to Rs 62.5 crores. Since there are a few companies whose five per cent of the net profit exceeds Rs. 25,000, the estimate of the maximum amount that can be tapped by political parties may even be safely put at Rs. 65 crores. This, however, would only be a theoretical possibility. In practice, corporate donations to political parties are neither a regular nor a common habit in this country. In fact the number of companies which have been making such contributions is quite small compared to the total dimensions of the corporate sector.

The real issues are: (i) Can company managements whose operations are largely subject to Government control, resist the temptation of trying to win favours of the Government by subscribing to the party in power? (ii) Will political parties like to miss the chances of making easy money by championing the causes of companies as distinct from the people at large? On these matters, opinions are bound to differ sharply. But it will be generally agreed that democratic institutions can develop only if the voter exercises his choice independently and one of the important ways in which he could be induced to think would be by asking him to contribute his mite, however low it may be, towards the cost of the election. If political parties are freed from this necessity of getting funds from the voter, an important means through which democracy grows would be lost.

There is also another point. The only consideration, apart from philanthropic motives, which should induce anybody to contribute to political parties, is that either one feels strongly for the beliefs of the party or that it would be possible for one to benefit by the success of the party. Can companies whose main operation is to increase the production of goods and services afford to fritter away their energies by taking any active interest in the political affairs? Further, are companies justified, at least in the Indian context, in getting a party to power which is either pledged to reduce company taxation or committed to a bigger private sector or some other immediate good to the corporate sector?

Before examining the position on this subject in

(Continued on page 914)

Highlights of the Week

GARRULITY AT GUNTUR

THE RESOLUTION on the food situation passed by the All-India Congress Committee at Guntur was, in line with similar past resolutions, uninspiring in the sense that it threw no new light on the subject. All that it did was to endorse the official policy regarding the fixation of the producers' prices, the decision to establish a foodgrains corporation and the imposition of an ordinance to punish the profiteers and the corrupt colluding officers. Realising that these steps were not sufficient, Mr. C. Subramaniam, the Union Food Minister, announced that "a final shape would be given to the food policy at the meeting of the Chief Ministers in Delhi on November 17 and 18." At a time when distress signals are being received from various parts of the country — and food riots have been reported from Kerala — to continue to postpone the taking of vital decisions is a symptom of indecision which is likely to aggravate the position still further. The tangle between the surplus and the deficit States still remains to be resolved, the surplus ones refusing to surrender a sizeable portion of their produce. Great reliance is now being put on the next bumper harvest, though Mr. C. Subramaniam hastened to caution the members that the relatively improved crop is not likely to ease the situation altogether and that the Government would have to evolve a food policy extended over the next four or five years.

As was expected, the Chinese blast of the atom bomb created a sharp division in the party on the question of nuclear armaments and there was a strong section which wanted the country to join the nuclear armament race. A firm declaration by the Prime Minister that India would in no

circumstances manufacture or use the atom bomb sealed all speculation and criticism. The resolution on foreign affairs was passed unanimously and all amendments to it were withdrawn. Most of the leading Congressmen participated in this debate and laid stress on the moral commitment of this country to the policy of peace and non-violence, which could not be reversed because it would amount to betrayal of the policies laid down by Mahatma Gandhi and the late Prime Minister, Mr. Jawaharlal Nehru. Moreover, the atomic race involved stupendous expenditure and the country was not in a position to afford such vast sums for the manufacture of the atom bombs. Great reliance was put on arousing the conscience of the world through UN against the manufacture of nuclear weapons not only in China but in other countries as well.

At the concluding session of the All-India Congress Committee, some non-official resolutions were also discussed, the most important being the one relating to a ceiling on urban property. Some of the members stressed a ceiling on urban property on the analogy of the ceiling imposed on agricultural land. The amended resolution stated that "suitable legislation be enacted to introduce a ceiling on urban property commensurate with the ceiling imposed on agricultural land in terms of the election manifesto of 1962."

EVASION OF TAXES

IN A PRESS Conference at New Delhi last week, the Chairman of the Direct Taxes Board, Mr. J. P. Singh, outlined the measures which the Government had decided to take in order to catch the tax evaders. Broadly, there are two kinds of

(Continued from page 913)

the UK and the USA, it should be pointed out that Section 37(1) of the Indian Income Tax Act permits the deduction of payments to political parties for computing the chargeable income. This has the result of reducing the tax receipts to Government along with an increase in the contributions to political parties by companies. Since the rate of company taxation changes every year and the deduction of contributions to political parties affects the highest tax slab of the income of companies, it is always possible for the Government in power, by increasing the tax rates at the highest slabs during the pre-election year, to increase company contributions to political parties.

In the United Kingdom there has never been any legal or other restriction on political contributions by companies. The Labour Party in the UK which has been returned to power is, however, pledged to change company law so as to require the disclosure of companies' contributions to political party funds. When the payments become open, according to them, it will be subject to taxation. In India, by Section 293A (2) of the Companies (Amendment) Act, 1960, "Every company shall disclose in its profit and loss account any

amount or amounts contributed by it under sub-section (1) to any political party or for any political purpose to any individual or body during the financial year to which that account relates, giving particulars of the total amount contributed and the name of the party, individual or body to which or to whom such amount has been contributed". By disclosing the amount in the Profit and Loss Account, we are already ahead of Company Law in the UK.

On the other hand, in the USA there is a total ban on contributions to political parties by corporate bodies and restrictions on these by individuals in several States. This, in some cases, has led to indirect transfers of corporate monies to political parties in several ways and it cannot be said that the legislature has fully succeeded in its objective.

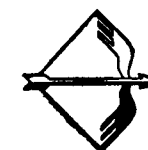
In conclusion, it is possible to argue that the cause of clean politics as well as clean business may perhaps be best served in this country not so much by banning or even by restricting further corporate donations to political funds as by legislating for the full and open admission and accounting of such receipts by the political parties concerned.



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SUMMARY TRIALS

THE PRIME MINISTER, Mr. Lal Bahadur, had promised at the recent meeting of the National Development Council that summary trials of profiteers in foodgrains and other essential commodities and the corrupt public servants would be instituted without much delay. The President has now promulgated an ordinance to amend the Essential Commodities Act, 1955, and the Criminal Law Amendment Act, 1952, in order to arm the executive with powers for summary trial of dealers and public servants for listed offences under the Essential Commodities Act. The ordinance has provided for the maximum sentence of imprisonment of one year. The most objectionable part of the ordinance relates to the summary trials of alleged hoarders and profiteers who have not been given the right of appeal against a sentence of imprisonment not exceeding one month or a fine not exceeding Rs. 2,000. The ordinance has empowered all Magistrates (First Class) and Presidency Magistrates to try "in a summary way" all offences relating to its contravention.

Apart from the fact that the ordinance is likely to breed corruption, it has a number of other defects. It has, for example, failed to define a profiteer and, at the same time, it has violated the basic tenet of the Constitution which guarantees freedom to the individual to follow his profession. It amounts to denying the "rule of law" to the citizen. While the problem of shortages in foodgrains and other consumer goods will be solved only through increased production, the ordinance has further accentuated the situation in discouraging the normal channels of distribution to be able to function in a routine fashion. The fear of being hauled up and sentenced summarily is in itself a deterrent and will stand in the way of all the traders extending their activities. Reduced volume of activity will have an unfavourable effect on supplies, thus leading to further hardship to the consumer.

Wide Powers

The ordinance will apply not only to the dealers in foodgrains, but also to the dealers in edible oil and oilseeds. It will rope in not only the dishonest traders but the delinquent and corrupt officials also who operate in their nefarious activities in collusion with the traders. The Magistrates who have been given these vast powers will have to use them with caution so as not to cause harassment to honest and law-abiding citizens. There is considerable scope for mischief in the case of summary trials and its successful operation in the national interest rests on the degree of caution which they are able to observe.

The new controls on distribution have imposed certain burdens on the traders especially those relating to maintenance of accounts. Because of the harsh nature of the new ordinance, it is in the interest of the traders to maintain these accounts properly even if it enhances their costs. At this hour when the country is passing through a food crisis, the traders must act patriotically and extend their full co-operation to the Government in maintaining the price level and even to reduce the profit margins. In its present mood the Government will unmistakably deal with a heavy hand any trader or public servant who refused to behave. There are reports of a bumper food crop in the next harvest and as when foodgrains start flowing into the markets, prices will sag, making the rigorous ordinance useless and without purpose. Till that time the traders will have to conduct their business cautiously, putting up with the harshness of the ordinance which, no doubt, will be on the Statute Book for a short period only.

tax evaders. To the first category belong those who have taxable incomes, but have so far not been brought into the network of the taxing machinery. The second category is of the assessee who do not disclose their true incomes and, thus, are able to evade a part of the taxes due to the Government. Taking both these categories together, the volume of evasion is variously estimated — one estimate puts it at more than Rs. 200 crores per annum. Wild guesses apart, there is no denying the fact that there has been some tax evasion in this country though nobody can vouchsafe with confidence the approximate level of this anti-national activity. The Government is, no doubt, justified in its efforts to track the evaders down, but in its search for tax evaders the activities of the Tax Department have bordered on witch-hunting.

Searches and raids on the basis of suspicion have been intensified and given wide publicity in recent months. Mr. Singh stated that these activities were being intensified; higher incentive was being offered to the people who would give information leading to the detection of large-scale evasion. Hitherto, the reward to such informants was only 2.5 per cent of the extra tax realised, but it will now be raised to 7.5 per cent of the additional tax realised by the Government. In certain cases where the informant has taken extraordinary risk for securing the information, the reward may be raised to 10 per cent of the additional tax realised. The reward will not be subject to income tax and all efforts will be made to keep the identity of the informant a secret. The Commissioner of Income Tax will be empowered to sanction as a reward upto Rs. 10,000 without any reference to the higher authorities.

Door to Door Survey

One of the methods adopted by the Department to trace the tax evaders is to conduct door to door surveys and in this regard some progress has been made in the big cities. The Ministry of Finance is confident to track down not less than 5,00,000 new assessee during the current calendar year as it has already spotted not less than 3,50,000 new assessee. An assurance has been held out that the Income Tax Department would be lenient to all such people who make voluntary disclosures of their concealed incomes. The Department would be lenient in regard to the penalty and no prosecution would be launched against such people.

It was revealed at this Conference that the recent searches and raids organised by the Department had yielded about Rs. 93 lakhs of concealed income. It was in the shape of jewellery, ornaments and cash. The total number of such searches so far conducted was 60. The enthusiasm for these searches, according to Mr. Singh, had not abated. He said that the Department had, on the other hand, intensified its activities, the only change being that under the instructions of the Ministry, publicity of these raids had been reduced.

Mr. Singh also pointed out that tax administration and legislation had undergone some drastic changes in the current year's Finance Act, giving the Department powers to bring the tax evaders to book. The secrecy provision in the Income Tax Act had been abolished and the provision relating to imposition of penalty for evasion of taxes had been tightened. If an assessee under-estimated his income by more than 20 per cent as assessed by the Department, the onus for establishing that the under-estimation was not deliberate now lies on the assessee.

While it is to be conceded that evaders of income tax should be brought to book, the activities of the Department should not lead to unnecessary harassment of the people.

WINDOW ON THE WORLD

Britain's Import Cuts

PAUL BAREAU

LONDON:

THE FIRST ten of the first hundred days in which the Labour Government was to change the economic face of Britain have not been altogether reassuring. The bustle and activity have been impressive. More than a hundred ministers have been appointed, a total never before reached in British history. A large number of experts and economists, some of them highly controversial, have been brought into the Government machine from outside. But as regards deeds, the record so far is not particularly impressive.

The scope for action was admittedly restricted and defined by the vast balance of payments gap which the new Labour Government found on its ministerial doorstep. The latest estimates make it "not less than £700 million and perhaps £800 million for 1964" and smaller, though still quite unacceptably large for 1965. This is no compliment to the previous Conservative administration. It reveals real shortcomings in the art of timing its economic moves.

It is without a doubt the price which the country is paying for postponing the election from June to October and thus creating a period of four months during which every instrument of economic policy was necessarily put in neutral gear. The size of the deficit, the strain which it had put on the gold and convertible currency reserve and the extent to which it had already compelled Britain to borrow from other central governments, made it absolutely necessary to take measures that were both severe and quick acting.

The immediate initiative falls under two heads. The first is a modest subvention for exports. This takes the form of the right given to exporters to reclaim from the revenue an appropriate proportion of the amount paid by them in certain excise taxes. This will come as a welcome bonus to firms which are already heavily involved in export trade. It is unlikely to be sufficiently attractive to induce many smaller firms to leave the lush pastures of the domestic market for the much tougher going abroad.

Drastic Effect

The major item in the measures is, however, the special 15 per cent import duty. Its effect on the balance of payments is expected to be drastic. The estimate is that it will cut our import bill by £200 million in a full year. This may be severe and even brutal but the brutality has been reserved almost exclusively for our foreign customers. The storm of resentment and complaint that has been stirred up by this can be readily understood. No country with which we trade is protected from this initiative — not even countries like India whose modest exports of manufactured goods will have to

bear the new duty. The main victims are the industrial countries of Europe and North America. In the case of the six countries of the Common Market, no less than 60 per cent of their exports to Britain are affected.

What has sharpened the edge of foreign criticism is the fact that these increases in import duties constitute a technical breach of a number of international agreements including the General Agreement on Tariffs and Trade, the convention of the European Free Trade Association and a number of Commonwealth trading agreements. The GATT, the basic document, allows a country in balance of payments difficulties to protect itself for a time by introducing quantitative restrictions on its imports but subject to some form of prior consultation. Great Britain has thus breached the agreement in two respects. It has introduced an across-the-board tariff surcharge which is not specified in the GATT escape clause. Furthermore, it has done so without apparently indulging in any prior consultation but facing all countries concerned with the "fait accompli". The first of these technical breaches can be excused. It arises from the fact that when the GATT was written quantitative restrictions were the only effective measures by which countries in balance of payments difficulties protected themselves. The tariff surcharge is in fact a much fairer and less discriminatory way of achieving the same objective and were the GATT being rewritten today the relevant clause would no doubt be adjusted.

Serious Breach

It is the second breach which is the more serious. It has rubbed salt into foreign wounds. It has already aroused a violent wave of complaints from our trading partners in the Common Market and EFTA. It may well undermine the cohesion of EFTA and encourage its members, some of whom have already been flirting with the Common Market, to join that community and leave Britain in splendid isolation in Europe.

What makes this offence to our foreign customers more immediately threatening is the fact that we depend on them for financing a part of our deficit. Already Britain is reputed to have borrowed more than the equivalent of £150 million from European and the US central banks under the so-called swap arrangements. These loans must be repaid in the very near future. In the normal course they would be repaid by drawing on our standby credit with the IMF. A difficulty has however arisen. The Fund is not altogether satisfied with the assurances given by the British Government about the method by which it proposes to deal with the balance of payments deficit.

Moreover, the currencies which Britain needs to borrow



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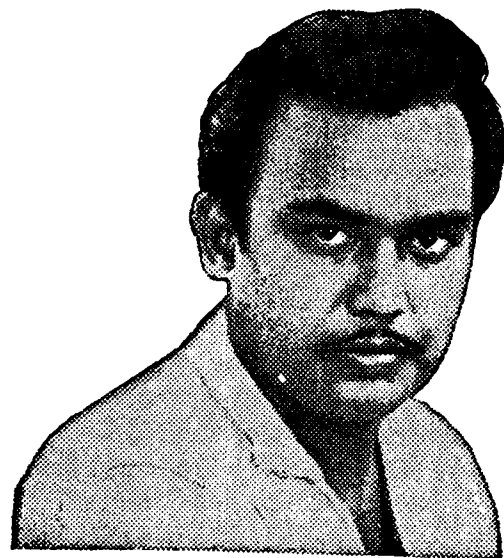


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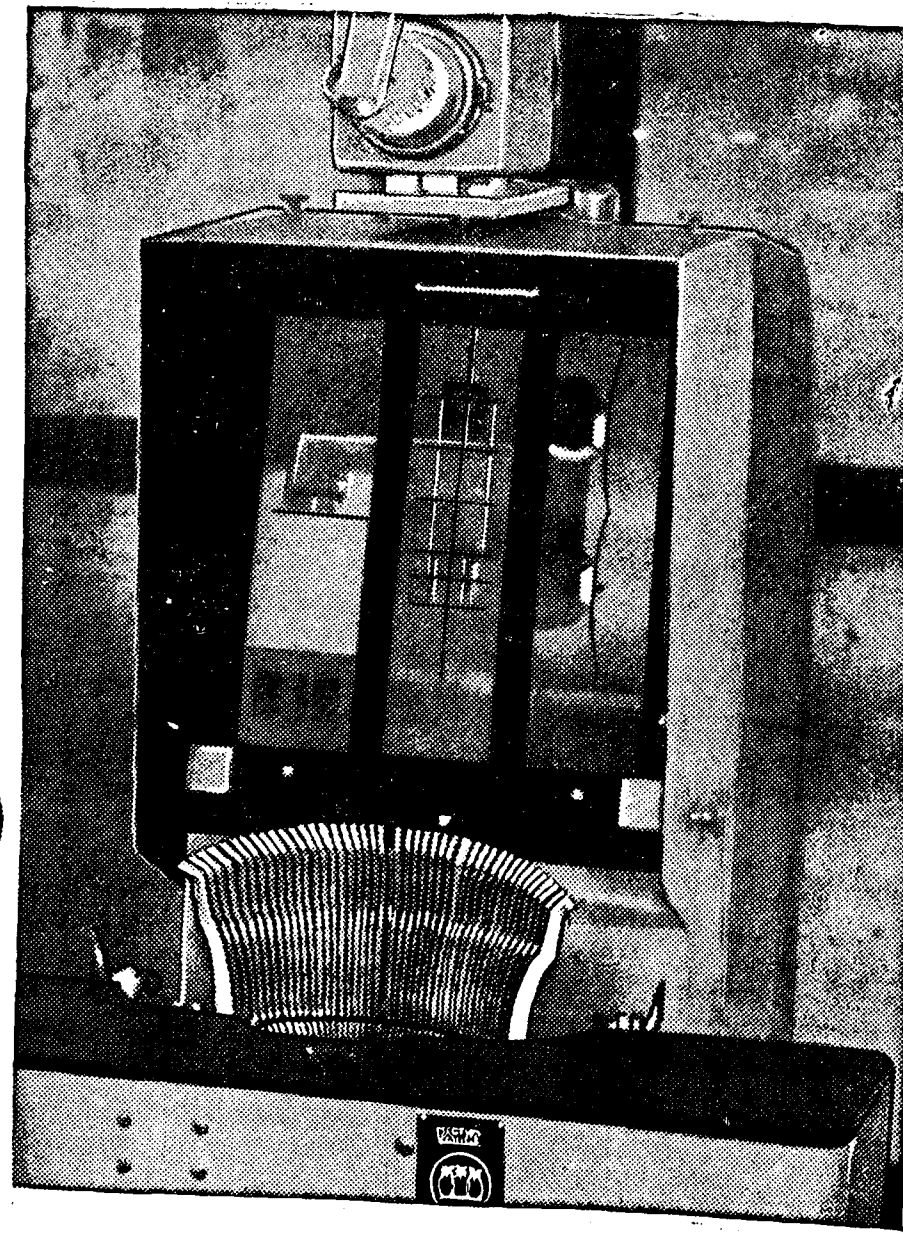
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are the German marks, French francs, Dutch guilders, Italian lire, etc. which must be provided by the countries which have taken greatest offence at the new import duties. Those currencies will have to be provided under the General Agreement to Borrow by which the ten most important countries in the IMF set up a special fund equivalent to \$6 billion. Under that agreement the countries which lend retain the right to exercise some supervision over the manner in which their credit facilities are used. Britain, therefore, is not wholly certain that credit facilities that will enable it to finance its continuing deficit will be readily forthcoming.

The main objection to the Government's measures lies, however, in their likely impact on the domestic economy. Increased protection will make the domestic market still easier

and more attractive for British industry. This is decidedly not the way in which the edge of our competitive efficiency can be further sharpened. Rather will it be blunted if this 15 per cent surcharge endures for any length of time.

The final verdict on these measures cannot, therefore, be wholly favourable. Drastic initiative was justified by the nature of the emergency that had to be met. But that justification will only endure if supplementary steps are taken that will make it possible to withdraw rapidly this damaging protection of British industry and the domestic market. In any case the measures, however temporary and justified, should have been brought into operation with a great deal more tact and consideration for countries on whose financial support we are at present depending.

Voters Endorse Johnson Economic Policies

GUY SIMS FITCH

WASHINGTON:

IN THE usual post-election parlance, President Lyndon B. Johnson has received a mandate from the American people. This means that the policies of this administration, and those of the late President Kennedy before him, have won overwhelming popular approval. Much of this approval undoubtedly stems from recognition that the American economy is in good shape. The economy, which was lagging when President Kennedy took office in January 1961, has been moving ahead for more than three and one-half years. Jobs and incomes, profits and purchasing power have been climbing to ever-higher peaks, and the fruits of this sustained and dramatic growth have been widely shared among the people.

This has not been the result of accidental good fortune. Well-timed and carefully formulated public policies, coupled with responsible action by private capital and labour, have helped release the nation's tremendous productive forces, bringing United States closer to realizing its ever-growing economic potential. In voting for President Johnson, and for his Vice-Presidential running mate, Senator Hubert H. Humphrey, the American electorate was in effect accepting this view of the socio-economic system. It is not a planned, totalitarian system, nor is it 'laissez-faire' system in which impersonal market forces alone determine economic performance.

What the electorate was ratifying is the healthy combination of private initiative and public co-ordination which has been evolving in the United States for more than 30 years in its own peculiarly pragmatic way. This combination has endowed the nation with the vigour and flexibility to grow economically and to adapt to changing conditions and requirements—in technology, in urban and rural development, in social relationships, in world affairs, in everything that goes into the making of a modern and enlightened society. In this system the American people have been able to do more than achieve unparalleled levels of prosperity, important as that may be. They also have been able to aspire to ever-widening horizons of personal fulfilment and well-being.

Fiscal Policy

In more specific terms, economic issues once considered controversial have been winning increased acceptance by an informed public opinion. Perhaps the outstanding advance in the past four years of the Kennedy and Johnson administrations has come in the realm of fiscal policy. No longer, for instance, is a balanced budget considered "prudent" 'per se'. In voting for President Johnson, Americans were in effect expressing their approval of a major tax cut even in the face of an unbalanced budget. This cut went beyond earlier thinking in that it was not aimed at countering a recession—which did not in fact exist. It was designed openly to stimulate further the growth of an economy which, despite its gains and

its acknowledged pre-eminence, still was operating below its capacity and was not utilizing fully its manpower and material resources. Such a course would have been unthinkable, except perhaps to some of the experts, even a decade or two ago.

In a larger sense, when Americans were casting the r votes for Mr. Johnson they also were casting their votes for the concept of what he has called "The Great Society." This is a society in which public policy and private activity would work together to achieve ever-rising standards of living for the people, in which want would finally be eliminated, in which every person would have a chance to play a productive role free of any remaining shackles of discrimination because of race, creed, colour or other factors extraneous to American ideals of equal justice and opportunity for all.

This concept is not confined to purely domestic interest. In supporting President Johnson, Americans also support that aspect of the great society which sees the United States continuing to play a responsible role around the world through expanded programmes of international co-operation.

Eastern Economist 20 Years Ago

NOVEMBER 17, 1944

With the prospects of an early end of war, at any rate in the European theatre, looming large, Britain is already turning her attention for the resumption of an export drive at the earliest. With her deteriorated international economic position, she reckons that her exports must be stepped up at least 50 per cent above the pre-war level in order to enable her to have an undiminished volume of imports. At the same time, on account of the inexorable demands made by total mobilization for war, she has been unable to spare sufficient man-power and resources for export industries, and it is estimated that her exports have declined by 60 to 75 per cent during the war. On the other hand, there has been a large increase in the exports of the United States, apart from lease-lend aid rendered during this year and already she is making massive plans for partial diversion of resources for ordinary commercial purposes. This has led to an insistent demand in Britain that her Government should also plan ahead and responsible quarters have urged that "the moment has been reached when industry must be given an idea of the future in general terms and when moreover it should be allowed the staff and equipment to undertake at least the first stages of market research, design and in the engineering field, prototype for work".

LISTENING POSTS

The State and the Food Trade

By Our Special Correspondent

NEW DELHI:

THE UNION Government has decided to rename the proposed Foodgrains Trading Corporation as the Food Corporation of India so that, when necessary, its scope may be widened to deal with foodstuffs other than foodgrains. Legislation for the establishment of FCI is expected to be introduced early in the ensuing session of Parliament.

The available details of the bill to be introduced in Parliament suggest that the Union Government will have complete control over FCI. It will nominate its Board of Directors, consisting of a Chairman, a Managing Director, three directors representing the Union Ministries of Food, Finance and Co-operation, the Managing Director of the Central Warehousing Corporation and six others. The Secretary will also be appointed by the Union Government in consultation with the Board of Directors of the Corporation. The broad policy to be followed by FCI will be laid down by the Union Government. If any doubts arise on whether an issue is policy matter or not, the decision of the Government will be final.

The headquarters of the Corporation will be at Madras. Its entire capital — Rs. 100 crores to begin with — will be provided by the Indian Government. The legislation will empower FCI to set up subsidiaries in States. The capital of these subsidiaries will be made available by FCI or the Union Government. The management of State corporations will vest in boards of managements whose members will be appointed by FCI in consultation with the Union Government and the State Governments concerned.

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The U.S. Agency for International Development (USAID) is understood to have informed the Union Government about its decision to extend credits to the tune of \$8.5 million for the Ramgarh coalmine-cum-washery project. No decision, however, has yet been intimated on the request of the Government of India for extension of loans by USAID to cover the foreign exchange component of the cost of implementing four other coal mining projects, namely Singrauli I, Umrer, Singrauli III and West Bokaro.

Following the indication given by USAID about the Ramgarh coalmine-cum-washery project, the Union Ministry of Steel and Mines has asked the State-owned National Coal Development Corporation to go ahead with the implementation of the scheme. The project report prepared by an American firm for this development programme has already been approved by the Ministry.

Meanwhile, utilisation of the Rs. 16.67 crores loan made available by the World Bank for allocation to private companies to meet their foreign exchange requirements for import of machinery to carry out the programmes of expanding existing facilities and opening new mines for increasing their annual production from 44 to 61 million tons during the third Plan period, is understood to be picking up well. Up to September 30, 1964, import licences under this loan had been issued for an aggregate amount of Rs. 19.03 crores. Licences for Rs. 2.65 crores, however, have since been cancelled. Orders have been placed for imports by collieries involving a total amount of Rs. 14.71 crores. More import licences had been

issued than the loan available as about 10 per cent of the licences granted were not expected to materialise.

With a view to fully utilising this World Bank loan expeditiously, the Union Ministry of Steel and Mines invited fresh applications from the industry in August last. The response is stated to have been encouraging. Applications seeking import licences for an aggregate amount of Rs. 1.41 crores had been received by the Coal Controller by August 31. The feasibility of acceding to these requests is being considered.

★ ★
The fourth blast furnace under the Bhilai steelworks' third Plan expansion programme is expected to be commissioned into production this month. The latest indications confirm that the expansion of the Bhilai steelworks to 2.5 million tonnes ingot capacity will be completed by the end of the current Plan period.

Production in the various sections of the Durgapur steel plant is picking up very encouragingly. The rated capacity or near-rated capacity outputs were obtained at this plant in the coke ovens and blast furnaces last month. The pig iron casting machine exceeded the rated capacity and the output at the steel melting shop reached 91 per cent of the capacity. The merchant mill gave an outstanding performance and was working well over the rated capacity. The section mill covered a wide range of sections and achieved several new day and shift records. The output of the sleeper plant also showed marked increase during October over the previous month. The despatch of pig iron at 48,427 tonnes was the highest achieved so far.

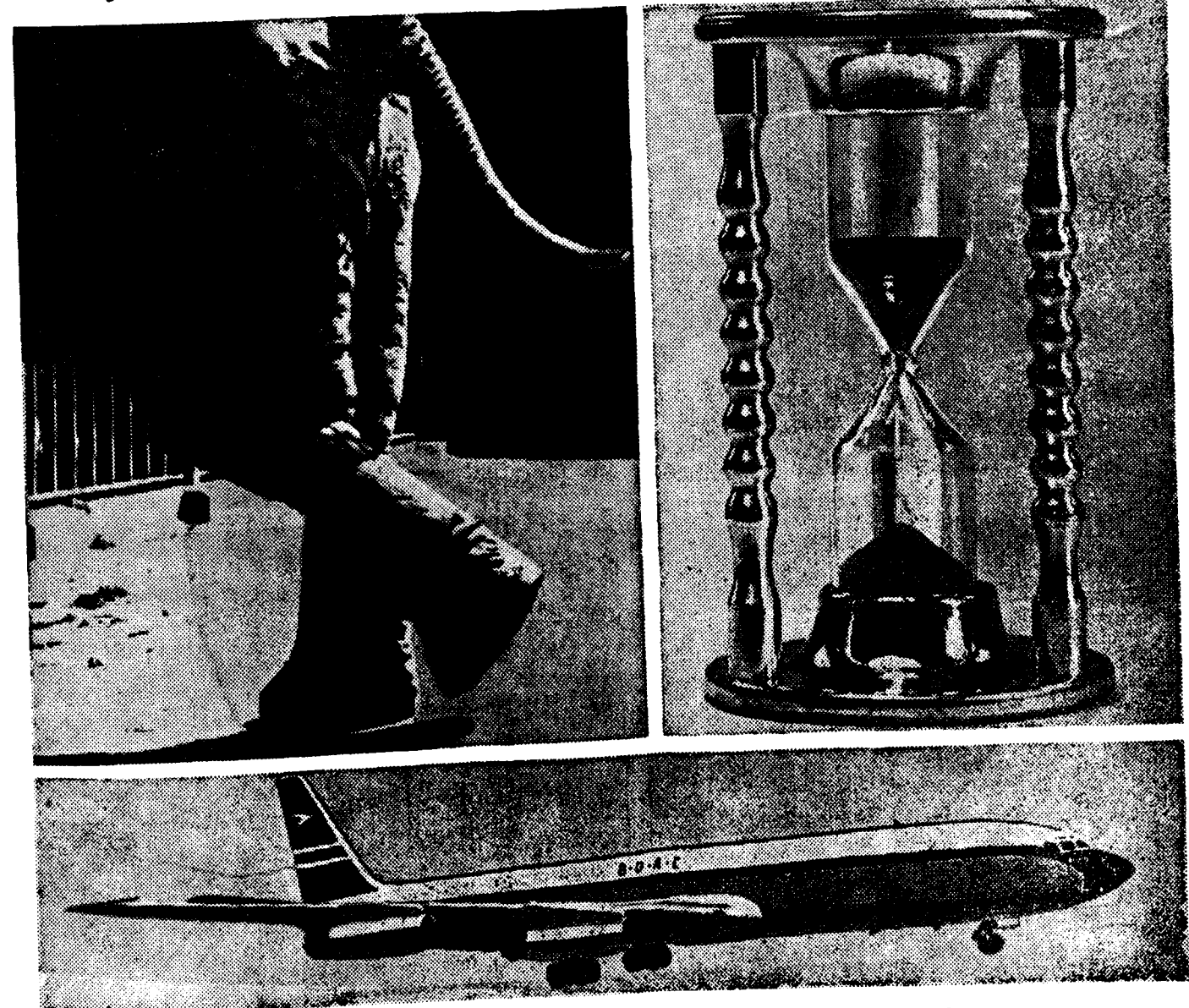
The following were the outputs of the various sections of the Durgapur steel plant in October, 1964: Coke 128,610 tonnes; Hot Metal 109,290 tonnes; Pig Iron Casting Machine 45,404 tonnes; Steel Ingots 76,164 tonnes; Merchant Mill 23,700 tonnes; Section Mill 15,778 tonnes; Sleeper Plant 6,059 tonnes; Despatch of salable iron and steel products 106,830 tonnes; Total Despatches 113,000 tonnes.

★ ★
The Union Government is understood to have decided to raise the ceiling rates of additional duties on petroleum listed under the Mineral Oils (Additional Duties of Excise and Custom) Act and to add lubricants, asphalt and bitumen to the list. A Bill to amend the existing Act is expected to be introduced in the Lok Sabha during the ensuing session.

The need to amend the Act has arisen as the present ceiling rates of duties in the case of most of the products have already been reached. The raising of the ceiling rates will enable the Government to mop up additional earnings of the oil refineries resulting from any further decline in the posted prices of petroleum products as well as in freight rates.

★ ★
The Barauni refinery, the first one million tonnes crude throughput capacity and the first stream of the kerosene refining unit of which went on stream a couple of months ago, will be formally inaugurated by the Prime Minister, Mr. Lal Bahadur, on January 15 next. The second one million tonnes atmospheric vacuum unit and the second stream of the kerosene unit of the refinery are expected to be completed by the first quarter of 1965. The lubricating complex, which will produce 40,000 tonnes of lubricating oils, will be commissioned

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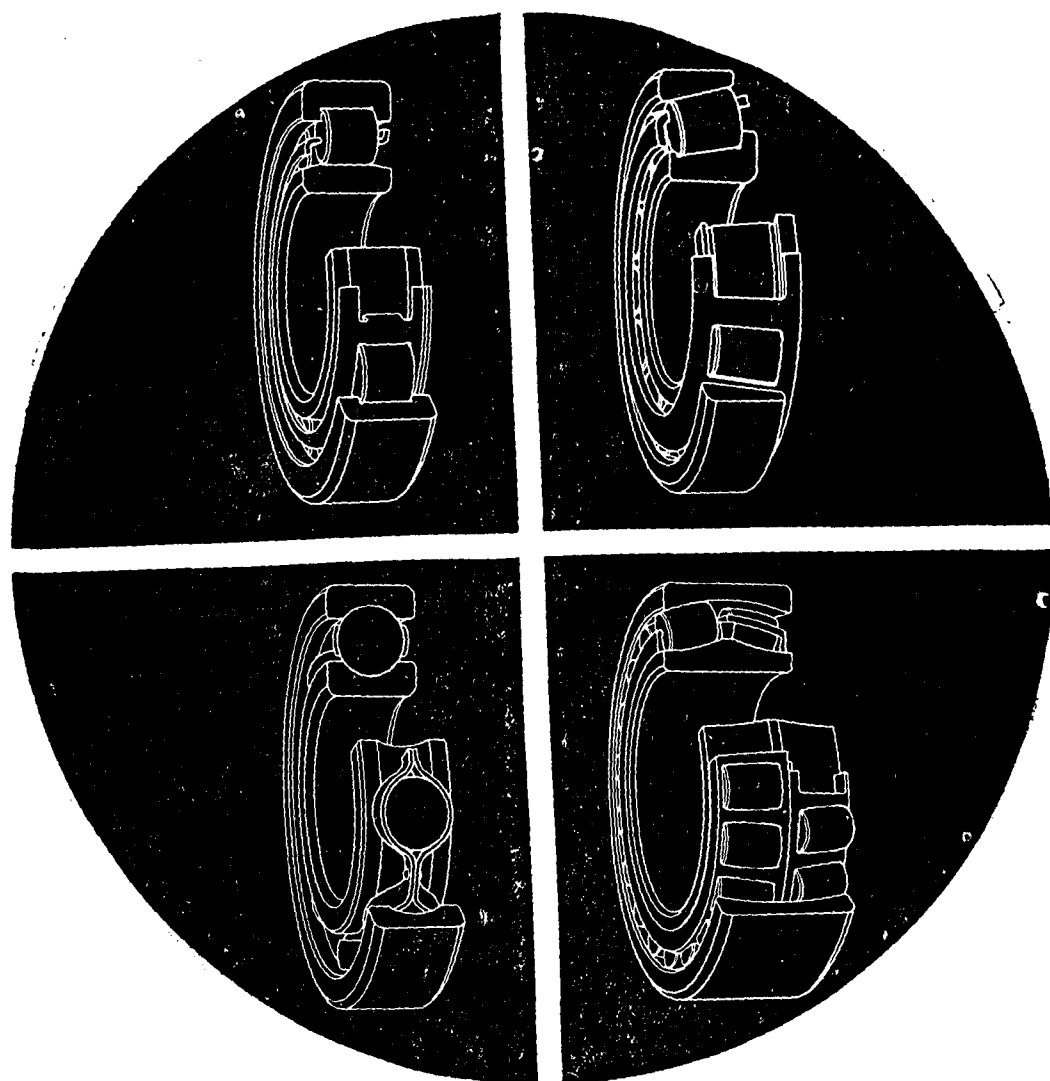
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by September next. The refinery is expected to reach three million tonnes throughput capacity by the middle of 1966. The Union Ministry of Petroleum and Chemicals, it is learnt, has decided in principle to set up a fertilizer factory near the refinery.

The Union Cabinet last week approved the proposal of the Ministry of Petroleum and Chemicals to set up a 2.5 million tonnes capacity refinery at Haldia. Work on this refinery will start by the middle of next year so that it can be commissioned into production by the end of 1968.

The offer of the National Iranian Oil Company and its US partner, the American International Oil Company, for collaboration in setting up the 2.5 million tonnes capacity Madras refinery has been approved in principle. Further negotiations are now envisaged with NIOC and AIOC to thrash out the details of the collaboration agreement and to iron out some outstanding differences on the crude oil price and the financial arrangements proposed. This refinery is expected to be brought on stream by the end of 1967.

★★
The informal Working Group set up by the Government of India in March last to examine the extent of the variation between the data of the Directorate-General of Commercial Intelligence and Statistics and the Reserve Bank of India, has presented its report. The Group consisted of the representatives of the Ministries of Finance, Commerce and Industry, with Dr. Pinto of the Reserve Bank of India as Chairman. It had also been asked to review the present arrangements for the compilation of trade and payments statistics with a view to improving them.

The Working Group, in its report, has set out at length the basis and methods of compilation of the custom and exchange control data in order to show the reasons for the differences, some of which are inherent in the respective systems of recording the data. It has been recognised that differences in the two sets of data cannot be eliminated completely as there are built-in peculiarities which centre round the manner in which exports and imports are recorded by the two agencies. It has been pointed out that all comparisons for short

periods would be misleading and should not be attempted. The major factors for the differences relate to territorial coverage, merchandise transactions by parcel posts exports for which there is a waiver of G.R. forms formalities, imports which do not involve payment, re-export, non-cash investments, imports under note-pass system, valuation, difference in the coverage of commodities, consignment exports, timings, conversion rates, etc.

The report contains important recommendations for narrowing down the area of differences between the two sets of figures to the maximum extent possible. These recommendations are now being studied by the Government.

★★
An agreement has been signed between the Governments of India and Canada concerning the construction of Stage III of the Kundah Hydro-electric Project in Madras. Under this agreement, the Government of Canada will contribute a sum not exceeding \$22.2 million (Canadian) to meet the foreign exchange component of the cost of constructing three additional power houses with a total installed capacity of 190,000 kw., the addition of an extra generating unit in each of the two existing power houses to increase their combined capacity by 55,000 kw., the construction of additional storage and diversion works in the Kundah river and its tributaries, and the erection of transmission lines and sub-stations.

In 1956, the Government of Canada assisted in the construction of Stages I and II of this project and contributed a sum of \$22 million (Canadian) for meeting the foreign exchange component of their costs.

The Government of Canada has also agreed to the use of rupee counterpart funds generated by the sale of commodities received from Canada under the Colombo Plan to the extent of \$5 million for the first two stages and \$25 million for the third stage of the project.

★★
An agreement envisaging drawing up of the project report for the Korba aluminium plant by Hungarian experts is expected to be signed towards the end of this week. The Hungarian experts are stated to have completed their survey of the plant site.

Private Sector : A Positive Role in the Economy

From Our Correspondent

BOMBAY:

THE PRIME Minister, Mr. Lal Bahadur, has come and gone after a brief three-day visit. He re-erred to the food problem at almost all his meetings. While not minimising the gravity of the situation, he assured the people that the Government would take all the necessary steps to meet the food requirements of the people. Putting the problem in proper focus, he said that food was the first and foremost problem staring the country in the face and that its solution would mean solving three-fourths of our problems and also stabilising our economy. It is a measure of the degree of firmness of the Prime Minister that, in spite of the very good foodgrains crop prospects in the current year — nearly 88 million tons, according to unofficial estimates — and the free availability of US wheat aid under PL 480, he was not prepared to reconsider either his decision to introduce food rationing or his proposal for summary trial of offenders against food laws. The Prime Minister also expressed the hope that the measures proposed by him would ensure that there was no anxiety on the food front for at least the next three years.

Inaugurating the third mill of Anil Hardboards, Mr. Lal

Bahadur made the notable point that while industries had to grow up with the help of the Government, the initiative lay with private entrepreneurs. Both at this function and at the reception by the business community of Bombay, he expressed concern at the slow growth of industrial production and said that something had to be done to expand production by setting up new industries and improving the efficiency of the existing ones. Saying that somewhere things were not moving as well as they ought to, the Prime Minister said that this matter had to be carefully examined. Meanwhile, he did not hesitate to own Government's procedural delays in examining and scrutinizing new projects and issuing licences. He did not single out any Ministry for blame for this, but he was sporting enough to admit that he too was responsible collectively for these delays, and promised to eliminate them in future.

The Prime Minister made it very clear that he wanted industries to prosper because, he said, they provided employment to lakhs of workers. In this connection, he said it was essential that there was perfect co-operation between the public and the private sectors, for each had its distinct role to play in the great venture of building a new and prosperous

India. "Since private sector has a role to play in the nation's economy", Mr. Lal Bahadur said, "there should be no confusion about it. The private sector should know its role, its extent and the attitude of the Government towards it. All this should be clearly defined". At the same time, he went on to say, the Government should set up consumer goods industries in the public sector, in order that there should be no shortage of basic necessities of life and insinuated that there was not enough initiative from the private sector. It is worth recalling here what he said at the last National Development Council: "In the context of rising prices and the difficulties the common man has to face about basic consumer goods, it would be necessary to develop some of the consumer goods industries also in the public sector." He specifically mentioned textiles, sugar, cement and drugs.

If the Prime Minister had merely stated that it was necessary to increase the supplies of these essential goods and that, therefore, the Government would have to start a few units of its own, his thesis would have been unexceptionable. But giving a dog a bad name to hang it in the process as he has done by holding the private sector responsible for the shortfalls in the production of these goods is, to say the least, most unfair, especially in the prevailing circumstances. Whether it is the size of the unit, or the price of the raw material, or the rate of wages, or the price to be charged to the consumer, let alone the return to the entrepreneur, it is the Government that has all the say in the matter, as everybody knows. Further, before levelling the charge of profiteering, one must compare the extent of rise in the prices of these commodities with these of other commodities, inasmuch as all have been equally affected by inflation. In a number of cases where capacity has not been increased or productive mechanism not modernised, the concerned industry is not so much to blame as the ideological or unrealistic official policy involved, as, for instance, in the textile industry. And, above all, it is yet to be established that a public sector unit can sell its goods cheaper than the private sector units, particularly after the stipulation that public sector units also must yield a minimum return of at least ten per cent on the capital employed.

Pragmatic Approach

Perhaps the most refreshing reference to our five-year Plans that was ever made by an important Government spokesman was made by Mr. Lal Bahadur in Bombay, when he stressed the vital need for making a success of the rest of the third five-year Plan in order that the fourth Plan would be put through effectively. Few others have said more emphatically than he that, if there was stagnation in the third Plan, it would affect the fourth Plan also. Similarly, he displayed a thoroughly pragmatic approach when, whilst addressing Congress workers, he said with reference to the investment suggested in respect of the fourth Plan, that it did not matter even if our goal was not high. It should be our endeavour to attain the goal and accomplish more than what we initially aim at. How one wishes this realistic approach informed all actions and policies of the authorities.

Some practical suggestions on education also were made by the Prime Minister during his visit to Bombay. Inaugurating a Junior Technical School, he referred to the need for more skilled workers and said that education for rural boys in the elementary stage should include vocational training for about a year, so that they could become skilled workers. More important was his advice to those in charge of education to avoid causing frustration among students. He was dead right in holding that frustration amongst students causes all demonstrations and unrest. And his advice for bringing about better discipline was that we should change

the conditions which he pointed out, could be done by ascertaining the aptitude of students before they join universities.

In regard to both technical education and medical education, Mr. Lal Bahadur indicated his unequivocal rural bias. He actually stressed the need for a wider dispersal of medical colleges and hospitals which are now concentrated in cities. He was critical too of the comfort-loving medical graduates who are averse to going to villages, and this, he added, explained why some 2,000 rural dispensaries happen to lack qualified doctors. Presumably, to remedy this, he urged Hakims as well as Homoeopaths, in addition to allopathic doctors, to practise in villages.

The firmness of Mr. Lal Bahadur was nowhere in greater evidence than when he referred to the criticism of his suggestion for the promulgation of an ordinance against profiteering for drastic penalties, including imprisonment, without the right to appeal. The Government attaches the highest sanctity to the ideals of freedom. People have every right to talk, to act the way they like. But, if anyone tries to instigate violence for solving problems, the Government will not tolerate it. The Government is determined to take all the steps to mitigate the hardships of the people. There is no sympathy for those who want to profit at the cost of the lives of our people. But, at the same time, there is a feeling that the doing away with the right of appeal, especially where summary disposals are involved, is going a little too far. There is also a school of opinion which wonders whether the Government is at all right in making a distinction between different types of offences in the matter of the right to appeal.

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The Textile Commissioner has, in a special notification, stated that he may, if necessary, recommend grant of advance licences for import of art silk or synthetic yarn to manufacturers or exporters of art silk fabrics and hosiery articles (made out of art silk or synthetic yarn) provided they satisfied some of the basic conditions. The first condition requires that the applicant for grant of advance licence should be duly registered as a manufacturer-exporter under the export promotion schemes for art silk fabrics or hosiery articles made out of art silk yarn. The request for grant of the advance licence should be for import of the raw materials required for effecting export of the fabrics or hosiery articles against firm contracts with overseas buyers; this should be supported by irrevocable letters of credit. It must also be proved that the applicant is in need of the raw materials for executing the overseas orders received by him and that the stock of raw materials with him is inadequate for honouring the export commitment. Lastly, the applicant will be required to provide to the Textile Commissioner the details of the contracts entered into by him with the overseas buyers, including the particulars relating to the fabrics contracted for export. In all such cases, the period of time within which exports of the contracted quantity have to be completed, will have to be indicated.

The Textile Commissioner has further stated that the recommendation for grant of advance licence shall be limited to 50 per cent of the total value of the entitlement (implying 50 per cent of 70 per cent of the f.o.b. value) subject to three considerations. The first consideration is that the applicant for advance licence must execute a bond with the Joint Chief Controller of Imports and Exports, Bombay, if he is interested in the export of art silk fabrics produced on power looms and hosiery articles. For the export of art silk fabrics produced on handlooms, the bond shall have to be executed with the Joint Chief Controller of Imports and Exports, Madras. The value of the bond shall be not less than 50 per cent of the

value of the advance licence recommended to be granted and should be supported by a bank guarantee from a scheduled bank. Only after the applicant has executed a bond in these terms will the advance licence be granted by the licensing authority. The applicant shall also be required to furnish an undertaking to the effect that he will forward to the licensing authority concerned periodical statements showing the details of the quantity and value of the goods exported by him from time to time. In no case will these statements be submitted later than a week from the date of each shipment of the goods. They will be continued to be furnished until the completion of export of the entire quantity of the goods covered by the export contracts for which the advance licence has been granted. When the obligation for export is discharged, the balance import entitlement would be issued to the applicant concerned after adjusting the value of the advance licence. Against exports to Nepal, Sikkim and Bhutan, no advance licence will, however, be granted.

While the Textile Commissioner has decided to issue advance licences in good faith, he has, however, failed to assess its impact on the art silk yarn prices prevalent in the domestic market at present. It will have an unfavourable reaction on the prices of both the indigenous yarn and the imported yarn, creating a crisis in a market where yarn prices have touched the new low levels in recent months. Because of the premium on import licences, it is feared that unscrupulous exporters may obtain the advance import licences and even furnish the bank guarantee which they would be prepared to forfeit by lapse on the export front because in the overall bargain, they would still be at an advantage. The very objective of granting this concession may be, thus, lost. While the aim of earning foreign exchange through exports of art silk goods may not be attained, the country may in fact spend unnecessarily valuable foreign exchange which could be used for a worthwhile objective elsewhere.

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With a view to examining the pig iron needs of various industries from the qualitative point of view, the Government of India has decided to set up a study team consisting of technical experts from the pig iron and foundry industry and from the National Metallurgical Laboratory. This was disclosed by the Union Minister for Heavy Engineering, Mr. T. N. Singh, while addressing the fifth annual general meeting of the Textile Machinery Manufacturers' Association in Bombay on November 7, 1964. As pig iron was at present manufactured only in large blast furnaces the available quantity of foundry grade pig iron was limited. In future, therefore, the Minister said, it would be necessary to set up small pig iron plants for producing specialised varieties. He held out the assurance that immediate needs of the industry would, however, be met by imports.

Referring to the future growth of the textile machinery industry, Mr. Singh pointed out that even with the expansion of the existing units there would be a gap of about Rs. 75

crores between the likely availability and the estimated demand for textile machinery during the fourth Plan period. At present, when the imports were permitted only in those cases where the indigenous industry showed its inability to meet the demand, the country was importing textile machinery worth Rs. 25 crores every year. In view of this, the Minister emphasised, the objective of achieving a fair degree of self-sufficiency in textile machinery by the end of the fourth Plan period should be pursued with persistence. He, however, expressed doubts over Mr. Prabhu V. Mehta's contention that the industry would be able to reach an installed capacity of Rs. 45 crores worth of machinery by the end of the third Plan. Production during 1963 was around Rs. 20 crores against Rs. 15 crores in 1962. If this tempo was maintained, it would be possible to attain not more than Rs. 22 crores worth of production by the last year of the third Plan, the Minister added. Mr. Singh also expressed concern over the large capacity lying idle in certain sections of the industry. The waiting period for carding engines and ring frames was 20 to 40 months while the idle capacity in carding engines was of the order of 704 numbers per annum and for ring frames 686 numbers. The shortage of raw materials could not be the only reason for the idle capacity, Mr. Singh opined.

Technical Know-How

The Minister also disclosed at the meeting that the proposal of the Planning Commission regarding the technical know-how being obtained from abroad in bulk through a centralised agency instead of obtaining the same for individual projects, had not found favour with the Government of India. He suggested that the bigger units in the industry should make available their technical know-how to the new entrants in the field. This would involve smaller payments to foreign collaborators of the bigger units than what would have to be paid for new collaborations, he added.

Replying to Mr. Mehta's suggestion that the textile machinery branch, which was attached to the Textile Commissioner's Office in Bombay, should not be transferred to the Directorate-General of Technical Development in New Delhi, the Minister said that as the decision to transfer the department had already been taken there was no going back on the issue.

In his presidential address, Mr. Mehta had suggested that a committee of secretaries of the various Ministries connected with the textile machinery industry should frame policy for the industry for a period of two years and that the same should be communicated to the administrative sections of the concerned ministries for quick and expeditious implementation. Referring to the exports of textile machinery Mr. Mehta said that the Association had organised exports of complete textile mills. The recent joint ventures in textile machinery in East Africa and other parts of the world would give an opportunity to the Indian textile machinery manufacturers to export machines worth a couple of crores in the next one year or so, he added.

Demand for Jute Goods in 1970

From Our Correspondent

CALCUTTA:

THE INDIAN jute industry, which is at present assailed by doubts and uncertainties about its future prospects, may derive some comfort from the F.A.O. forecast of demand for jute goods up to 1970. According to this U.N. body's calculations, the demand will go on rising steadily, just as it has done during the period between the immediate post-war period and early 1960's. During the latter period, the F.A.O. study on trends and prospects for jute goods in world markets says,

the production of jute and allied fabrics more than doubled, from 1.4 million metric tons in 1946-48 to over 3.2 million metric tons in 1963-64. This represents an average annual growth of some 115,000 tons. If this rate of increase is continued in the next seven years, jute goods production may well reach the level of 4 million metric tons, or a rise of 25 per cent.

How is India expected to fare in the next seven years? Increasing competition from Pakistan and the growing in-

roads of substitute packaging materials into its fields, especially in the United States, coupled with its own raw material problems at home, have been worrying the industry for some time. These dangers are unlikely to lessen in future. If the demand for jute goods in world markets is expected to increase, so is competition from the rivals, especially Pakistan, and to some extent, from the European mills. During the decade between 1954 and 1963 India has increased her jute goods output by 350,000 tons, but her share of the total world production has gone down from 55 per cent to 42 per cent, although according to 1962 statistics, this country had more than half the total world loomage of 1,50,000. It is, therefore, fair to conclude that most of the additional demand for jute goods has gone to the competitors, especially the newly established industries in Pakistan and some communist countries.

Modernisation Imperative

It also stands to reason to say that India may not be able to share in the growth of the world jute goods markets to any appreciable extent unless she is able to reorganise her industry on a fully competitive basis. This means that the industry must modernise its plant and equipment with the latest machinery available. This also means that internal raw jute supplies should be ensured to manufacturers in adequate quantities, at right prices and, what is more important, the quality of fibre should be good. At present India has to import some fibre from Pakistan. The quantity admittedly is small, but it is of strategic value, for without this import India will not be able to make some of the finer grades of gunnies. It should now be the endeavour to produce all the jute at home that the industry needs. Stability of raw material prices is another major objective for the authorities. Thanks to the prompt intervention of the Jute Commissioner, raw jute prices had been subsequently brought down to around Rs. 36 per maund (basis Assam Bottoms), but in recent weeks the price has started moving up again. That this should happen in spite of the quota system guiding mill purchases, is somewhat surprising. In a month like October, raw jute prices usually come down. During this month arrivals increase as the growers sell from their stocks to raise funds for the Puja season. Arrivals have increased in recent weeks, but the prices have remained sticky around Rs. 40 per maund (basis Assam Bottoms). This is attributed to the boom in the gunny market and the belief in market circles that raw jute supplies this year are bound to be less. The authorities' point of view is that since this year's jute crop plus the carryover from the last season should be sufficient for mill consumption during 1964-65, there is no justification for any untoward increase in fibre prices. Futures dealings have been severely curbed and mill buying regulated strictly in accordance with market arrivals. Yet the fact that the prices have not fully responded to official measures should show that something more effective needs to be done.

Under the fourth Plan proposals for the jute industry, raw jute production is visualised at 10 million bales, corresponding to a rise in goods production by 400,000 tons to 1.7 million tons. Of this additional production, half is meant for exports. If the growth in world demand during the past decade has been at the rate of 115,000 tons, India's export ambitions would appear to be too high. A good feature of the export strategy, however, is that India is not planning any addition to her existing loomage, but proposes to concentrate on the modernisation of existing facilities. The additional production proposed will be obtained through working existing equipment on a multiple shift basis, which will involve only some additional preparatory and spinning machinery.

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The Calcutta Stock Exchange, as the other leading share markets in the country, is passing through a dull phase. The

dullness is due to several causes, but the main one apparently is the proposed amendment to the Companies Act in order to restrict the currency of blank transfers of shares to six months in the case of those traded on recognised stock exchanges and to two months for those outside. In the market authorities' view, this restriction is unnecessary since the Companies Act as it is, and the Securities Contracts (Regulations) Act, 1956, are quite adequate to deal with the evil which the blank transfer system might have given rise to. By enforcing the further curbs, the Government will deprive the stock exchange mechanism of its essential qualities of liquidity and stability, as the free negotiability of shares will be seriously impaired. It would therefore produce sharp fluctuations as price continuity would be hard to maintain. It is also possible that when the holder is either ill or dead or abroad, or when the transfer deed is lost or stolen, or there is some unexpected delay in the transit, serious uncertainties will arise about what is to be done about the shares concerned. Above all, the restrictions could well make the financing of corporate activities more difficult as the supply of bank and other credit facilities might be further curtailed.

Vivian Bose Enquiry

All these arguments could still be rejected if the supposed evil could be completely stamped out. It is worth recalling here that the proposed amendment to the Companies Act is based on the recommendation of the Vivian Bose Commission which enquired into the affairs of Dalmia-Jain concerns. In recommending the restrictions, the Commission gave the following grounds: (1) the system leads to concealment of beneficial owners' identity behind their nominees; (2) leads to tax evasion as those making secret profits find a safe outlet in blank transfer holdings; (3) encourages window-dressing of balance-sheets through manipulations and substitutions of inter-company advances and other transactions; and (4) leads to the creation of fictitious investment losses. In the opinion of stock exchange authorities, these evils could still be there in spite of the new restrictions. Blank transfers are not the same as nominee holdings. The latter exist independently of the blank transfer system. The proposed restrictions would not bring about any disclosure of beneficial interest. Nor would the problem of nominee holdings be solved. Moreover, restrictions on currency of blank transfers may succeed in stopping investment of secret profits in shares, but they cannot stop unaccounted money going into other channels, so tax



INSIDE GOA

evasion cannot be checked. Gilt-edged securities in the form of promissory notes may provide yet another outlet for secret profits. They can be transferred just by endorsement and are quite safe forms of holding unaccounted money. These are as good arguments against the proposed restrictions on the blank transfer system as any that can be advanced. Since the Government is professedly interested in the growth of the private sector, it must do nothing which cripples the stock exchange mechanism, the heart of the capital market for private enterprise.

While the market has remained subdued, some of the leading Calcutta-based companies have substantial plans of expansion. Philips India has approached the Controller of Capital Issues for consent to issue 400,000 rights ordinary shares of Rs. 10 each at a premium of Rs. 6. Its foreign collaborator and parent company, N. V. Philips' Gloeilampenfabrieken of Holland, will take 100,000 shares, although on the basis of present holdings it is entitled to 309,090. (The ratio is three new shares for every five ordinaries held). The proceeds of the issue will be used to finance the company's modernisation and expansion programmes. Its factory near Poona is now firmly established as the main concern in India making radio sets and components. The company has a light factory also, which is making incandescent lamps, fluorescent lamp starters and burners. Other manufacturing activities of the company include the production of tungsten, molybdenum and tungsten coils which used to be imported hitherto. Now it is building a new factory near Bombay to produce different kinds of lamps and components from next year.

Another company which is expanding its capital base is Goodyear India. The company proposes to issue 400,000 rights ordinary shares at a premium of Rs. 7 for each share of Rs. 10, in the ratio of eight shares for every four held. Incidentally, this issue will raise the share of holdings by Indian investors from the present 20 per cent to nearly 40 per cent. The company's expansion plan involves an increase in production from the existing level of 210,000 tyres to 310,000 tyres by 1965. The overall industrial licence for the company has also been renewed to make 510,000 tyres until December 1968.

Oil Refinery for Madras

From Our Correspondent

MADRAS:

MR. LAL BAHADUR'S recent visit to Madras State might well prove to be the harbinger of new happy developments in the regional economy. The Madras State Government has already acquitted itself creditably and it is generally accepted that the progress recorded in the three Plan periods has been outstanding and it is indeed a notable achievement that the per capita consumption and availability of electricity is more than double the figures relating to the other three southern States. There is naturally anxiety that the tempo of economic development should be sustained and that the State's resources in men and material should be even more effectively exploited in the coming years. The Prime Minister took advantage of the opportunity to visit the State as he had to attend the session of the All-India Congress Committee at Guntur in Andhra Pradesh. The two functions in which he participated related to the inauguration of construction work on the Tuticorin deep sea harbour and the opening of the Wet Dock in Madras Harbour. But the third development also has great significance for the regional economy. Just before his arrival in Madras City it was announced that an

The US parent company, Goodyear Tire and Rubber Company, will provide a dollar loan equivalent to Rs. 80 lakhs for importing the necessary foreign plant and machinery.

Simon-Carves India Ltd. (which was incorporated as a joint stock company during February last year) has just offered 599,993 shares of Rs. 10 each for subscription at par. Simon-Carves Ltd. of the United Kingdom have been offered 350,000 shares for considerations other than cash. The latter is also subscribing 100,000 shares for cash. As is well known, Simon-Carves is a leading firm of mechanical, civil, electrical and constructional engineers in Britain, and the Indian subsidiary will specialise in these fields in India with technical assistance from the parent company.

★★

The study by the National Council of Applied Economic Research of the coal, iron and steel traffic in the country's steel belt lying in Bihar, Orissa and Madhya Pradesh, is very interesting. The main burden of the traffic has fallen on the railways, which carry 50 per cent of the total originating traffic in the entire country. With further industrialisation and development of these industries, the burden on the railways will increase still further. But they may not find it easy to handle such enormous growth in traffic with the efficiency they have been doing for the past few years, without serious strain, congestion and even dislocation. It is, therefore, necessary to encourage road transport in the region so that the burden on the railways can be lessened and a measure of rational distribution of traffic between the railways and road transport services can be achieved. This can be achieved, as the Council rightly suggests, by suitable increases in railway freight rates and further improvement in railway operations. Side by side, road transport services should be further strengthened, particularly in colliery areas. Railways are of course the most suitable means of transport for carrying commodities like coal, iron and steel, but the traffic can be shared over short distances. In fact, there are distinct advantages in carrying these commodities by road over short distances. There is also much to be said in favour of the Council's suggestion that the railways should be relieved, as far as possible, of the burden of carrying industrial materials meant for general consumption.

oil refinery would be erected near here with the collaboration of the National Iranian Oil Company-American International Oil Company. A decision in this regard had been expected though there was a feeling that the Ministry of Petroleum and Chemicals was taking an unduly long time in choosing the foreign collaborators. There was no doubt some difficulty in determining the balance of advantage as two offers had really attractive features and it was known that there was a serious difference of opinion between the Secretaries' Committee and the Union Minister for Petroleum and Chemicals, Prof. Humayun Kabir, on the evaluation of merits of the various proposals.

The decision had naturally to be taken at the highest level. Even during Cabinet discussions there was no general agreement and a Cabinet Sub-Committee, consisting of Mr. T. T. Krishnamachari, Mr. Swaran Singh and Mr. G. L. Nanda, was asked to examine the proposals and select the collaborating firm. It is not known why NIOC-AIOC has been ultimately selected. But it is stated that the firm has offered to supply crude oil on a cheaper basis and also agreed to equity participation to the extent of 25 per cent against 49

per cent insisted on by BOC-Shell International. A higher level of equity participation has its own merits in the sense that the servicing of foreign exchange obligations would not present any problems immediately. But it has also its demerits in the sense that the dividends paid to the foreign collaborators would be much higher than the interest charges that would have to be actually incurred. Apart from the controversy about what should be exactly the extent of equity participation, the prospect of this country being able to secure an opportunity for off-shore oil exploration in Iran and purchasing crude oil supplies on a cheap basis seems to have been responsible for the final decision.

So far as the Madras State is concerned, the controversy has no great relevance as the oil refinery will be administered by the Central Government and what is really important is the prospect of this refinery, which will have a capacity of 2.5 million tonnes, coming up near Madras within a period of 24 to 30 months. The various details are yet to be finalised. But it has been tentatively estimated that the cost would be around Rs. 15 crores. There will naturally be an increase in capacity after some time especially if the efforts now being made to locate oil reserves in the Cauveri basin prove to be successful. That may not be an immediate prospect but the possibilities cannot be excluded. As for drilling in the Karaikal area, there seems to be growing confidence that oil can be struck and that it would be necessary before long to undertake drilling in the off-shore region as well. The present programme is to bore three wells in the Karaikal area in order to have some idea of the scope for finding oil and gas.

Fertilizer Plant

While discovery of oil in the State might be helpful in meeting the requirements of the new refinery, of greater importance in the immediate context is the likelihood of a number of projects coming up around the refinery. It has already been proposed that a large fertilizer factory for producing different types of nitrogenous fertilizer should be erected using naphtha as the basic raw material. This fertilizer unit will probably cost about Rs. 25 crores. There is besides a scheme for manufacturing synthetic fibres based on by-products of the oil refinery as is being done by Chemicals Fibre India Limited in Bombay. There are then proposals for producing polyvinyl chloride based also on naphtha. It is expected that it may even be possible to produce carbon black ultimately and the refinery complex will require an aggregate outlay of Rs. 100 crores! As it is expected that great emphasis would be laid on the development of petro-chemical industries in the fourth Plan period, the commissioning of an oil refinery in 1966 should prove to be very timely.

★★

The Tuticorin deep sea harbour also has immense potentialities of its own. The cost of the project in the first stage has been placed at Rs. 14 crores and the capacity of the port will be doubled to 2 million tons. Even now there is a large trade in salt, foodgrains, coal and other items and 1 million tons of cargo are being handled annually in spite of the fact that ships have to remain on anchor five miles from the shore and loading and unloading operations are being carried out with the help of lighters.

The inauguration function was only formal as an expenditure of over Rs. 1 crores has been already incurred on the construction of the project and it is programmed that the first stage should be completed in a period of six years. There will be six along-side berths in an artificially created basin. The harbour will be linked with the metre-gauge railway system and there will also be express highways connecting

important centres in Tirunelveli district. It is hoped that the hinterland will benefit on account of the availability of an all-weather port.

What is equally important is the indication by the Prime Minister that the work on the Sethusamudram Project should be taken up at an early date. Since this scheme also would require a long period to be completed, it should be taken up in a short period. Apart from the benefit that would be derived by the region after the completion of the Tuticorin Harbour, the large expenditure incurred on both the schemes can very well prove to be self-financing in character if the Sethusamudram Canal is opened up without much delay. The indirect saving in foreign exchange will consist in the shortening of the route for coastal traffic while there is the prospect of a large number of foreign ships calling at Tuticorin for bunkering and unloading facilities, since serious difficulties are experienced at the Colombo Port on account of dock labour trouble and during the monsoon weather ships are obliged to wait for a long time. The Tuticorin Harbour and the Madras oil refinery have, therefore, great significance to the State's economy, each from its own point of view.

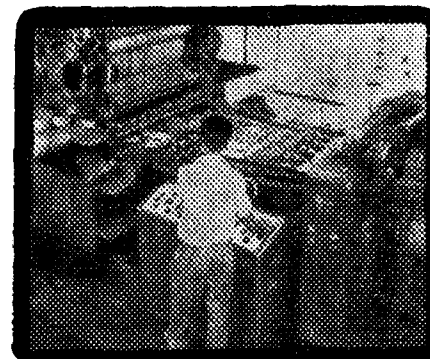
★★

The visit of the Prime Minister was also utilised to inaugurate the wet dock, named after the late Jawaharlal Nehru, which has cost Rs. 6 crores and which is part of the expansion programme for the Madras Harbour. With the construction of this huge dock six more berths have become available and it is anticipated that huge bulk carriers, having a draft of even up to 36 feet, can enter the port and be helpful in handling a much larger volume of bulk cargo. There are now in all 18 berths and the cargo handled at the port can increase to 10 million tons annually from 4.4 million tons at present. There is even now a large export trade at one million tons yearly in iron ore. But it has been found that the loading of ships has been unduly prolonged as the existing semi-mechanical loading facilities are not adequate for the purpose. It is, therefore, felt that a fully mechanised ore-loader should be constructed. As a result of the efficient execution of the expansion programme the port authorities have been able to effect a large saving in foreign exchange expenditure and there is a balance of Rs. 1.5 crores out of the \$14 million loan that was granted by the World Bank for this expansion scheme. It has been suggested that a fully mechanized ore-loader, capable of handling 3 million tons annually in the initial stages and double this capacity ultimately should be erected at a cost of Rs. 2.5 crores. The necessary permission for implementing this project is awaited. It is needless to say that unnecessary delay in the implementation of the project will cost heavily in terms of reduced foreign exchange earnings.

The Madras port has assumed greater importance on account of the proposal to locate the refinery here. Since large quantities of imported crude oil would have to be handled, it has to be examined how a big oil terminal can be constructed north of the existing harbour, so that oil can be directly pumped from ships to the refinery site. This work also will have to be taken up immediately as the oil jetties will have to be ready by the time the refinery goes on stream in 1966.

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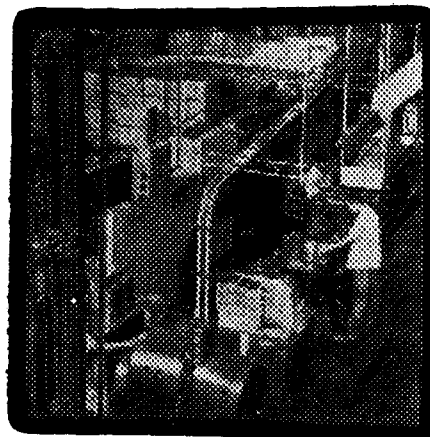
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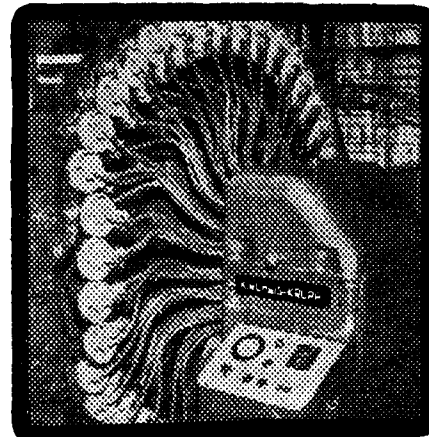
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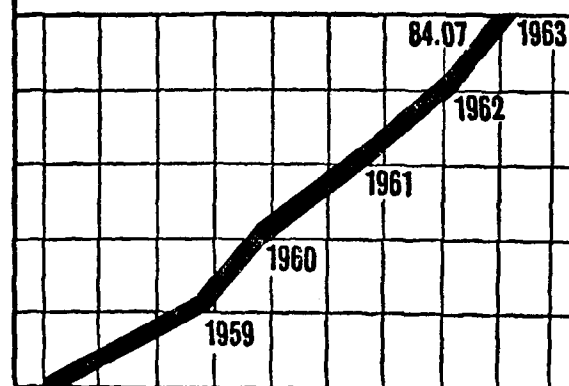
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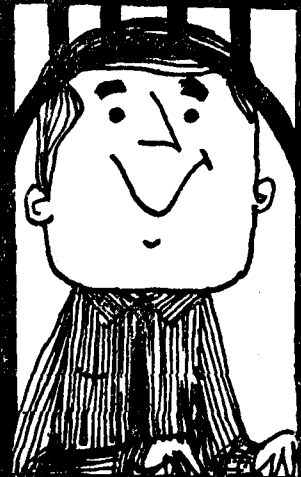
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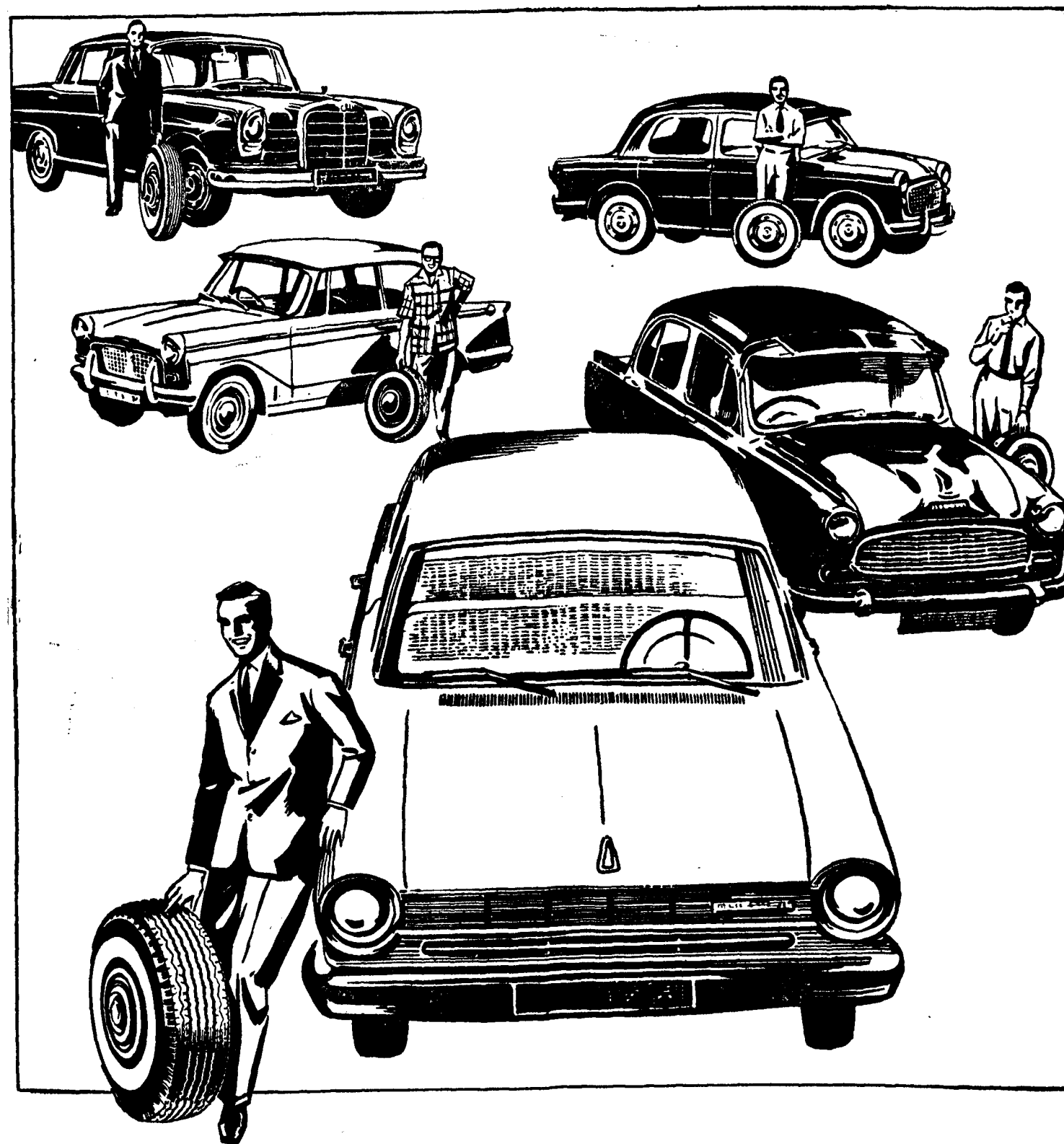
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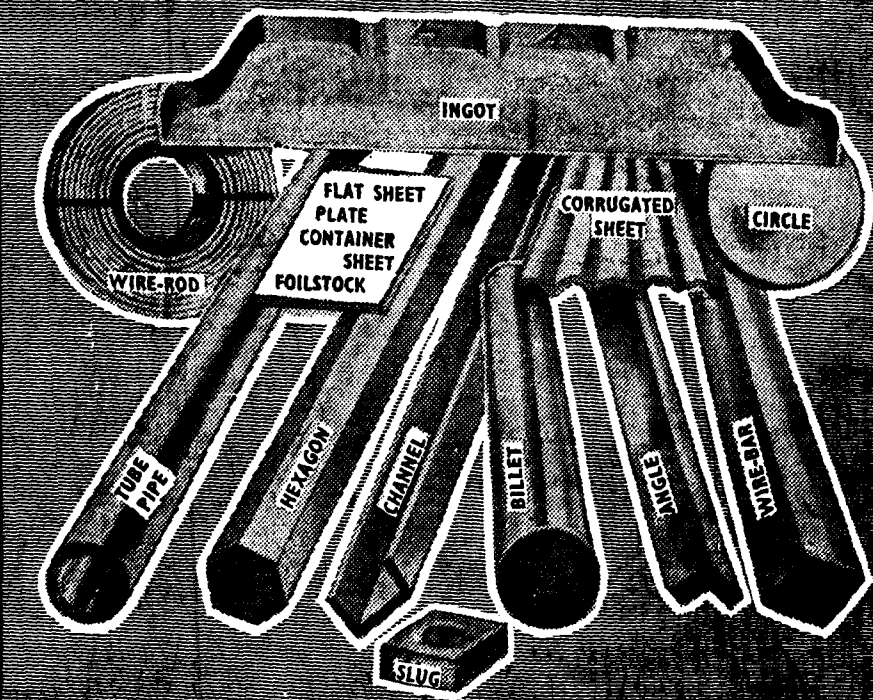


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The moving finger writes

FIVE WEEKS (since this Diary last appeared) is not a long time and I am really surprised that even within this short period this country's economic affairs have managed to deteriorate as much as they have done. The fact that I myself had been spending those weeks in communities abroad which, whatever their political or economic systems may be, have a habit of applying both common sense and purposiveness to their tasks, has not exactly helped me to reconcile myself to the mess we seem to be bent on making of our national affairs.

Communist China has staged a nuclear explosion. We for our part have had a grand display of fireworks, literal as well as verbal, at the AICC Session at Guntur. I do not know whether the fireworks set off at Guntur were all of indigenous make or whether any of it was imported, perhaps from China. But it is obvious that there is nothing original in the reaction of the leadership in the Government or the Congress to the fact of Communist China having become a nuclear Power. There may be a sound case for India not setting out to make the Bomb — personally I think there is one —, but neither the Prime Minister nor any of the other Congress stalwarts seems to have come anywhere near making out that case. If the Congress leadership or the Government believes that the case against an Indian Bomb can be established merely in terms of our peaceful, non-violent and otherwise virtuous selves, it has got another guess coming.

The country cannot continue to be patient indefinitely with woolly thinking where national security is concerned. Those who ask for an Indian Bomb can only be countered effectively with a positive alternative policy for ensuring the country's defence. The question is whether the Government is on the way to such a policy. It is curious that our Defence Minister has been showing greater concern for ensuring the annexation of Goa to Maharashtra than for reassuring the nation that some new thinking is being done on the political and military implications for this country of the Chinese nuclear explosion.

After this it is not at all surprising that Sheikh Abdullah should be threatening to start a jihad in Kashmir after he returns from his projected pilgrimage to Mecca. It seems to me that this country has an exaggerated idea of its capacity to let people play with its safety and while Sheikh Abdullah, at least, could go to Mecca for spiritual refreshment for his political ambitions, Mr. Patil and Mr. Chavan have to make do with Panjim.

Evidence of the Government's mismanagement of the economy is, no doubt, accumulating day by day with the result that any fresh proof is losing its power to shock or surprise us. Even so the recent directive to sugar industry to increase its output by producing inferior grades of sugar makes me lose what little respect I might still have for the powers that be. Earlier an attempt was made to deal with the wheat shortage by asking flour mills to mill "coarse", but that does not seem to have eased the situation in any way. Now, in the case of an industry the re-equipment and modernisation of which is being continually emphasized and the export potential of which is stated to be important to the nation, the Government is asking the manufacturers to dilute quality deliberately. I have little doubt that this step will be no more successful

in relieving the sugar situation than was similar action taken with regard to wheat. The sixth triennial General Assembly of the International Organization for Standardisation is meeting here at the time of writing. It is odd that a Government, which deems it proper to advise one of the nation's foremost consumer-goods industries to bring down the quality of its product, should have the temerity to aspire to play host to a gathering of this kind. All over the world economic and industrial expansion is assumed to flow from increased demand stimulated by falling costs and improving quality. The Government of India, in its wisdom, seems, however, to be determined to rescue this country from scarcity and make it prosperous by ensuring that the people get less and less of goods which are becoming worse and worse in quality as well as more and more expensive in price.

I see that "The Statesman" in its editorial of November 9 has committed itself to the proposition that Field-Marshal Ayub Khan is the best President that Pakistan can have. "The Statesman" may be right — and I see that so far some 18 people have died in the polling brawls in West Pakistan while trying to prove (or disprove) "The Statesman" dictum. I for my part am certainly impressed with the emphasis "The Statesman" places on "stability and continuity" as arguments in favour of the Field-Marshal. It is, of course, true that elsewhere in the world — for example, Moscow or London — a certain preference has recently been shown for Change, but then in Moscow, at any rate, editorials in newspapers are seldom given an opportunity to advise; they may merely be permitted to approve.

V.B.



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Trade Winds

INTERNATIONAL STANDARDISATION

AT THE invitation of the Indian Standards Institution (ISI), the International Organisation for Standardisation (ISO) is holding meetings of its sixth Triennial General Assembly (meeting for the first time on Asian soil), its Council, the 7 administrative bodies and 27 of its technical committees in Vigyan Bhavan from November 8 to 21, 1964. The General Assembly was inaugurated by the Vice-President of India, Dr. Zakir Husain, on November 9, 1964. The International Organisation for Standardisation came into being in 1946 as a successor to the International Federation of the National Standardisation Associations, with the object of promoting development of world standards so as to facilitate international exchange of goods and services and to develop mutual co-operation in the sphere of intellectual, scientific, technological and economic activity. The ISO, therefore, (a) takes action to facilitate co-ordination and unification of national standards and issues necessary recommendations to member-bodies for this purpose; (b) sets up international standards provided, in each case, no member-body dissents; (c) encourages and facilitates, as occasion demands, the development of new standards having common requirements for use in the national or international spheres; (d) arranges for exchange of information regarding the work of its member-bodies and of its technical committees; (e) co-operates with other international organisations interested in related matters, particularly by undertaking, at their request, studies relating to standardisation projects. The membership of the ISO consists of national standards organisations of different countries such as the Indian Standards Institution. At present, 50 such organisations from 50 countries constitute the ISO.

Considering the vital importance of standardisation for industrial development and promotion of international trade, particularly for the developing economies, India has been taking an active part ever since ISO's inception in 1946. The ISI represents India in 78 of its technical committees, mainly because the growing economy of India requires standards in all these fields, and if international standards are developed on lines commensurate with Indian needs they will help expand our overseas trade. This wide-scale participation has led to ISI being called upon to shoulder a good deal of the administrative burdens of ISO. For example, ISI has been continuously elected as a member of ISO's governing council ever since its start except for one year, and the ISI Director, Dr. Lal C. Verman, was elected as the ISO Vice-President for two consecutive terms spreading over six years. Dr. Verman is currently the Chairman of the ISO's Planning Committee and member of certain other administrative groups. Besides, India provides secretariats for three of the ISO's technical committees for lac, mica and pictorial markings for handling of goods, and for four sub-committees and six working groups.

The technical field in which international standardisation is being considered at the Delhi meetings includes subjects of primary interest in India, such as agricultural food products like spices, condiments and stimulant foods, steel, rubber, vetiver oil, screw threads, bolts, nuts and accessories.

INDO-U.S. JOINT VENTURES

At the conclusion, last week, of its seven-day visit to India, the 15-member delegation of American businessmen, industrialists and entrepreneurs was able to reach "basic agreements" with Indian industrialists for establishing joint ventures in India in the spheres of pharmaceuticals and machinery manufacture. The delegation, sponsored by the Action Committee for International Development which represents over 2,000 business houses in the USA, comprised the heads of US

medium-scale industries in the field of pharmaceuticals, electronics, steel forgings and castings, hotel industry, aircraft and agricultural implements. The delegation expressed great satisfaction at the talks they had with Indian businessmen and officials, particularly in the matter of allaying their fears concerning procedural difficulties which the new units in India have to face. The members of the delegation also expressed the view that minority foreign participation would be no hindrance for the flow of American capital into India. They said that, as a matter of fact, they would welcome a sizable share of the capital being raised through public issues in India.

In view of the success of the delegation's visit, more members of the group are likely to come to India in the near future for exploring further possibilities of collaboration. A group sponsored by the Action Committee for International Development would visit India in February 1965 to explore the possibilities of establishing joint ventures in the hotel industry.

STAPLE FIBRE EXCISE MODIFICATIONS

Although the changes in excise duty on staple fibre, as recently announced by the Union Ministry of Finance, are on the right lines, the reduced duty is still quite high for the industry. This view is held by Mr. J. J. Asher, Director of the Gwalior Rayon Silk Mfg. (Wvg.) Co. Ltd., who, while addressing a press conference in Bombay on October 30, 1964, said that if the consumption of staple fibre had to be increased to replace foreign cotton, what was needed was not just a reduction but a complete removal of excise duty. Under the new rules, (covered in these columns in "Eastern Economist" dated October 30, 1964), all staple yarns (counts below 16 being free from excise duty) will pay the same duty as is applicable to cotton. The synthetic yarns and mixed yarns have come in for higher duties.

Explaining the implications of the excise modifications, Mr. Asher said that it would now become more economic to spin staple fibre yarn of 16s in place of 20s, as at present. This would result in a saving of 40 Paise per Kg. on staple fibre, 20 Paise per Kg. on yarn duty and 10 Paise per Kg. in spinning cost. It would thus become an attractive proposition for spinners to spin yarn of 16s so as to derive the maximum benefit from the modifications in duty. For composite textile units, Mr. Asher said, it would become economical to spin medium counts of 28s, 38s and 44s by blending 16 per cent or more of staple fibre with Indian cotton to produce superior yarns which could be used in the manufacture of fabrics comparable in physical properties to any cotton fabrics — perhaps even better than cotton fabrics in appearance and feel. Another variety that could now be economically manufactured was a combination of cotton warp and staple weft (particularly 16s plain and fancy) which would especially appeal to consumers of fancy fabrics, tapestry and dress material. If the staple content in the fabrics was over 60 per cent, no excise duty would be payable on the fabric in the grey state because it would fall in the category of art silk. In this case, only processing duty at the rate of 9.7 Paise per square metre would be payable. Mr. Asher drew the conclusion that the recent changes in excise duty would popularise yarn of 16s in the Indian market and encourage blends of staple fibre in cotton, woollen and polyester spinning on a large scale. The market for staple fibres might, therefore, be expected to be brighter than ever before.

Mr. S. V. Bhende, Technical Officer, Gwalior Rayons, also addressed the conference and said that the company at present produced 100 tons of staple fibre per day and that it hoped

are still ruling at high levels and great hardship is experienced by the consumers of mustard oil in the country, the Government of India, by its notification dated November 5, 1964, has banned forward trading in non-transferable specific delivery contracts as well in the aforesaid commodities throughout the country. As a result, all outstanding non-transferable specific delivery contracts in mustardseed and rapeseed or toria, which were entered into between parties who are members of a registered association, are deemed to be closed out at the rate at which such contracts were entered into. The Government has also banned forward trading in taramiraseed and taramiraseed oilcake in non-transferable specific delivery contracts throughout the country.

TRADE TEAM FOR JORDAN

A three-member trade delegation, led by Mr. S. Than, Director of Foreign Trade, Ministry of Commerce, left New Delhi for Jordan on November 9, 1964. Besides holding talks for trade arrangements with Jordan for 1965, the delegation will explore the possibilities of Indo-Jordanian joint industrial ventures to be set up in Jordan. At present the annual trade between India and Jordan is of the order of Rs. one crore each way. The main item of import from Jordan is phosphates. Exports to Jordan include tea, jute goods, textiles and engineering items.

UTILISING PL 480 FUNDS

The Governments of India and the United States are jointly considering schemes for utilising the vast rupee resources which have accumulated to the credit of the US Embassy in India, under the P.L. 480 programme. During the last 10 years India signed nearly a dozen agreements with the United States for the supply of surplus agricultural commodities to India of the total value of about Rs. 14,000 crores. Under the terms of the agreements, 87 per cent of the rupees accruing out of the sale proceeds of the commodities are given back to the Government of India, partly as a loan and partly as outright grant for the financing of the mutually agreed upon projects. The remaining 13 per cent is reserved for use by the American Embassy in India. According to this arrangement, the funds for the use of the Embassy come upto Rs. 182 crores. Moreover, these funds would keep on increasing as and when the Indian Government pays interest on loans and returns the principal in instalments over a period of time. The annual requirements of the Embassy being limited, the problem arises about the disposal of such large amounts of money. Among the various proposals under discussion by the Indian and the US Governments for the utilisation of these funds, is the setting up of a joint agency of Indian and the US Governments or the establishment of a development foundation on the lines of the Ford Foundation or the Rockefeller Foundation. The approval of the US Congress would ultimately be necessary for the utilisation of the funds.

INDO-CZECHOSLOVAK TRADE

An Indian Trade Delegation led by the Union Deputy Minister, Mr. S. V. Ramaswami, which visited Prague last month, negotiated with the Czechoslovak authorities trade plan for the years 1964 and 1965. Both the sides agreed upon increasing and expanding trade between the two countries during the year 1965. As a result, some more tea, tinned fruits, fruit juices, tyres and tubes would be exported from India to Czechoslovakia. India will import more of tractors, machine tools and capital goods from Czechoslovakia. Further possibilities of trade in non-traditional goods, including hand tools, batteries, rolling stock and shoes, have also been explored.

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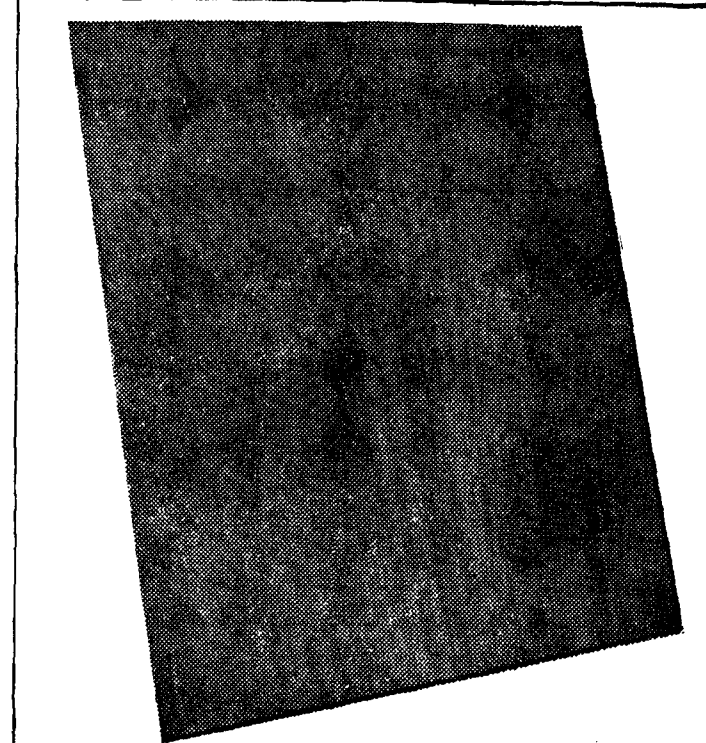
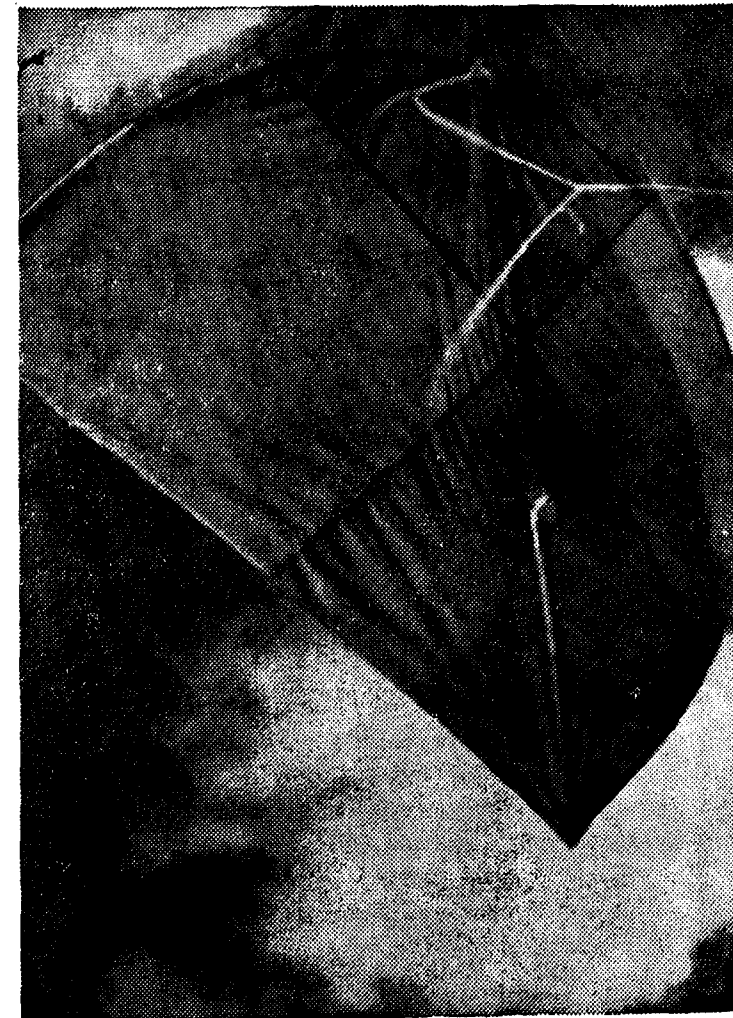
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Subscriptions will be received in cash or cheques from the 16th November 1964. But the lists will be closed without notice as soon as the total subscriptions amount to approximately Rs. 300 lakhs and in any case not later than the close of business on the 21st November 1964.

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.

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to get a licence to produce 50 tons daily of polynosic variety of staple fibre which would replace cotton to the extent of 60 per cent in the manufacture of cloth. He pointed out that staple fibre could be blended with cotton to the extent of 16.7 per cent without any material difference in the quality of fabric, while at the same time enhancing its feel and appearance. Similarly, fabrics made of wool and staple fibre mixtures would be very cheap and suitable for our climate. Wool and staple fibre could be blended to manufacture suit.ings, blankets and even knitting wool. Blends of staple fibre and terylene gave the appearance of worsted material, he added.

TAX REGULATIONS FOR FOREIGN INVESTORS

The Government of the Federal Republic of Germany has instructed the Research Institute for International Revenue Law in Munich to study tax regulations in 51 developing countries. In an announcement last month, the Bonn Ministry for Economic Co-operation, which is in charge of German development aid policies, said that an all-embracing expertise on tax regulations, to be worked out by the Institute, would greatly help prospective capital investors from Germany to assess overseas investment markets.

INDO-SOVIET ECONOMIC TIES

The Soviet Ambassador in India, Mr. I. A. Benediktov, while making his first public speech on Indo-Soviet relations after Mr. Khrushchev's resignation, at the signing ceremony of an agreement for the supply of Soviet equipment and material for the Harduaganj Thermal Project in Uttar Pradesh, said in New Delhi on October 5, 1964 that the Soviet Government would treat the problems of India with due understanding. There was no doubt that economic co-operation between the two countries would grow and expand in future, he assured.

The agreement, which was signed by Mrs. N. P. Uljanova on behalf of Machinexport of the USSR and Mr. B. B. Lal, Chairman of the Uttar Pradesh Electricity Board, provides for the supply of equipment and materials worth about Rs. 6 crores for the Harduaganj B. Thermal Power Station. The Rs. 14 crores project, which will have an initial capacity of

100 MW., will comprise two units of 50-55 MW. and will have scope for further expansion up to 300 MW. This project will meet the power demand for industry and agriculture of 26 districts in the western and central U.P. The Soviet Union had earlier helped the State of Uttar Pradesh in setting up the 250 MW Obra Thermal Plant to meet the demand of the eastern districts of the State. The Harduaganj project covers the training in the Soviet Union of engineers of the Uttar Pradesh State Electricity Board. The Soviet Union will also provide technical assistance in the erection and commissioning of the equipment the major part of which will be supplied next year. The first 100 MW. unit of the power station will be commissioned during the third five-year Plan, i.e., before April 1, 1966. All the major items of the equipment, to be delivered by Machinexport, have been specially designed for high seismicity, loose ground and tropical conditions of the Harduaganj area. Payment for the equipment will be made in rupees. The Indian specialists will actively participate in the designing of this power station and many important items of equipment and materials will be manufactured by the Indian industry.

Mr. Benediktov described the agreement as one more step in the development of trade and economic relations between India and the Soviet Union. The trade between the two countries, he said, was an important channel in the total flow of help by the Soviet Union to India in the expansion and strengthening of its industry and agriculture. The export of machinery and equipment from the USSR to India created an important basis for developing the industrial potential of India, especially in its public sector, added Mr. Benediktov.

FORWARD TRADING IN OILSEEDS

With effect from June 1, 1964, the Central Government banned forward trading in mustardseed and rapeseed or toria throughout the country. During the past few months there has been a tendency for the diversion of speculative activity to non-transferable specific delivery contracts in mustardseed and rapeseed. As the prices of mustardseed and rapeseed

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f the general reserve. The additional provision for depreciation of Rs. 11.52 lakhs has been made necessary for the last year for the third shift, which is permissible equivalent to the 50 per cent of the normal depreciation. During the year under review additions to the plant and machinery and land and buildings have been made to the extent of Rs. 43 lakhs. The new spinning building to house additional 45,000 spindles is getting ready and is expected to be commissioned before June 30, 1965. The company has placed orders for plant and machinery of the value of Rs. 7.75 lakhs.

SIRPUR PAPER

The Sirpur Paper Mills Limited has recorded good working results for the year ended June 30, 1964. According to the preliminary report issued by the company, the net profit after providing Rs. 40.89 lakhs for depreciation, Rs. 53 lakhs for statutory development rebate reserve and writing back development rebate reserve of Rs. 41 lakhs, amounts to Rs. 1.73 lakhs against only Rs. 3.03 lakhs in the preceding year. The directors have transferred Rs. 3 lakhs to contingency reserve and Rs. 11 lakhs to general reserve, carrying forward a balance of Rs. 77,350 to next year. There is no tax liability for the year in view of the carry-forward of unabsorbed depreciation and development rebate of the preceding years. A dividend of 85 paise a share is recommended on the ordinary shares, excluding the interim of 35 paise a share already paid, making a total of Re. 1.20 a share, less tax. This compares with a taxable dividend of only 5 per cent paid previously.

THAKUR PAPER

Although the company started production from February 1, 1963, Thakur Paper Mills Limited could not reach its target during the year ended December 3, 1963, mainly due to inconsistency in the supply of electricity and the delay in commissioning the pulp section. As the position regarding the supply of power has now improved considerably, the company is maintaining progressively its target. Meanwhile, the accounts for the year under review reveal a loss of Rs. 7.03 lakhs as against a loss of Rs. 4.39 lakhs incurred in 1962. No depreciation is provided. The directors state that the working result will improve in the current year due to increased production, turnover and the reduction in the rate of electricity by the Bihar Government.

NUBOARD MANUFACTURING

Nuboard Manufacturing Company Limited, a new company formed for the manufacture of particle board, will

shortly enter the capital market to raise Rs. 6.13 lakhs by public issue. The authorised capital of the company is Rs. 50 lakhs divided into 500,000 equity shares of Rs. 10 each. The issued and subscribed capital will be Rs. 25 lakhs out of which shares worth Rs. 6.37 lakhs will be taken up by the Indian promoters, their friends and shares worth Rs. 12.50 lakhs will be subscribed by the non-resident directors. Shares worth Rs. 6.13 lakhs will be offered to the public and the whole public issue is expected to be underwritten. It has secured an industrial licence for the manufacture of 7,200 tons of chip-board per annum. It has already made substantial progress and the building of the factory at Rampur in U.P. has been completed.

PODAR RIGHTS ISSUE

Podar Mills Limited will enter the capital market on November 16 with a public issue of Rs. 80 lakhs — Rs. 40 lakhs in equity shares and Rs. 40 lakhs in (9.5 per cent) cumulative redeemable first preference shares. The entire issue has been underwritten. The existing shareholders will be given preferential allotment. The list will close on November 30. The proceeds of the issue are to be utilized for setting up a new cotton mill at Jaipur and a processing house in Bombay.

COMPANY REGISTRATIONS IN SOUTHERN ZONE

During the quarter ending September 30, 1964, 58 companies with an authorised capital of Rs. 818.49 lakhs were registered in the southern region consisting of the States of Andhra Pradesh, Kerala, Madras and Mysore. Out of these companies 12 are public companies with an authorised capital of Rs. 545 lakhs and 46 are private companies with an authorised capital of Rs. 273.49 lakhs, and one is an association not for profit. Out of these registrations 9 public limited companies and 20 private limited companies were registered in Madras State, two public limited and 8 private limited companies in Andhra Pradesh, one public limited and 13 private limited companies in Mysore State and one public limited and four private limited companies in Kerala State. The total increase in the paid-up capital of the companies rose during the quarter by Rs. 306.79 lakhs and the major increase took place in public limited companies. 33 companies with a paid-up capital of Rs. 2.07 lakhs were struck off on the section 560 of the companies Act, 1963, while 22 companies with a paid-up capital of Rs. 13.95 lakhs went into liquidation.

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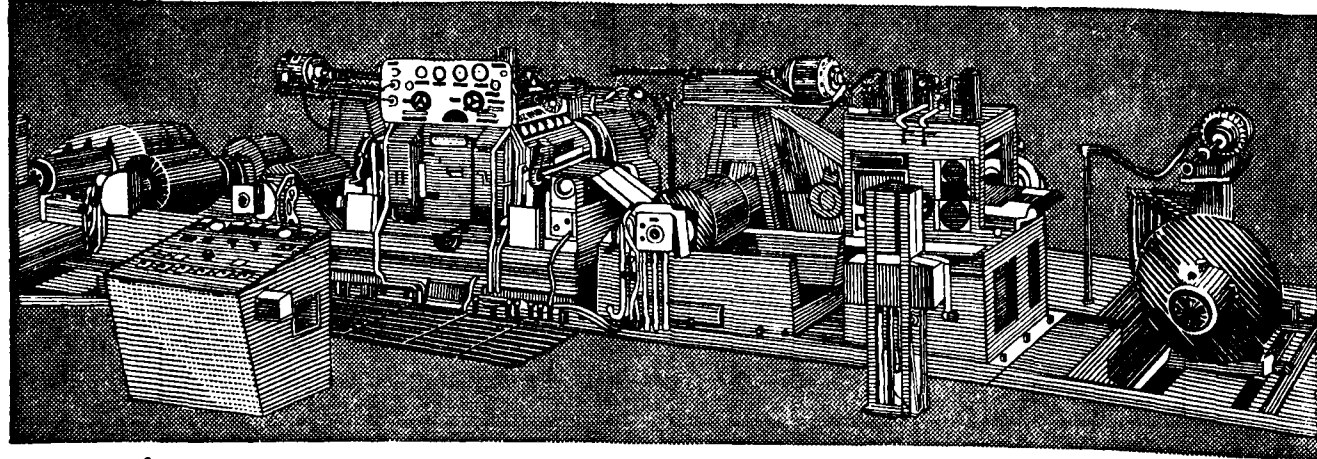
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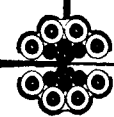
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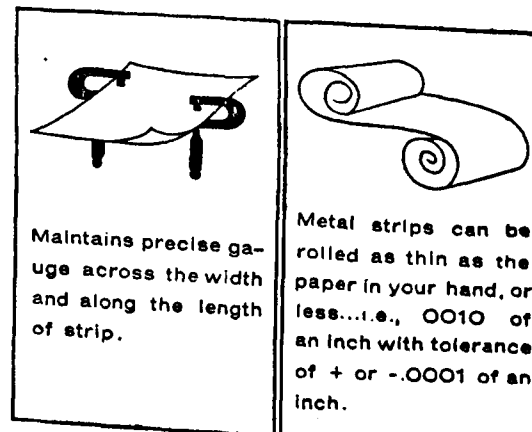
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Company Affairs

INTERNATIONAL TRACTOR ISSUE

THE INTERNATIONAL Tractor Company of India Limited, an Indo-US collaboration for the manufacture of tractors, tractor equipment and implements will soon enter the capital market to raise Rs. 61 lakhs. The authorised capital of the company is Rs. 4 crores divided into 4,000,000 equity shares of Rs. 10 each. The issued capital of the company is Rs. 1.5 crores. Out of the issued capital, 255,000 equity shares have been subscribed at par by the foreign collaborators, — International Harvester Company, Chicago, USA. Another 255,000 equity shares at par have been subscribed by Mahindra and Mahindra Limited and 124,940 equity shares of Rs. 10 each, partly paid in cash at the rate of Rs. 5 per share, have been subscribed by the directors, friends and associates of Mahindra and Mahindra Limited. Voltas Limited, their directors and friends have also subscribed 255,000 equity shares. The balance of 610,050 equity shares of Rs. 10 each are to be offered for public subscription. The entire public issue has been underwritten. The company holds manufacturing licence for 3,500 tractors and matching implements per annum. The entire foreign exchange requirements for the import of plant and machinery is covered by the contribution of the American collaborators by way of equity participation and long-term loan.

INDIAN EXPLOSIVES ISSUE

Indian Explosives Limited proposes to enter the capital market shortly to raise Rs. 37.30 lakhs. The present issue is being floated with the object of providing the rupee finance required for the erection of a new plant to manufacture plain and electric detonators. The authorised capital of the company is Rs. 4 crores divided into 4,000,000 equity shares of Rs. 10 each. Of this, 3,000,000 equity shares of the value of Rs. 3 crores are already subscribed and fully paid-up. The present issue of 430,000 equity shares of Rs. 10 each is being offered at a premium of Rs. 12.75 per share. Of the present issue, 57,000 equity shares of Rs. 10 each at a premium of Rs. 12.75 per share are intended to be reserved in the first instance for the directors and employees of Indian Explosives Ltd. and for the directors, employees and distributors of companies associated with it. The shares not taken up by them will be available for meeting the applications from the public. The balance of 373,000 equity shares of Rs. 10 each at a premium of Rs. 12.75 per share will be offered for public subscription.

The company manufactures a range of commercial explosives and ancillary products, with the exception of detonators which are at present imported. Imperial Chemical Industries Ltd., at present, holds 80 per cent of the equity shares capital in Indian Explosives Ltd., the Union Government holds the remaining 20 per cent of the paid-up capital. After this issue, Imperial Chemical Industries will hold 70 per cent of the paid-up capital, the Union Government 17.5 per cent and the public 12.5 per cent.

BOMBAY BURMA TRADING

A setback in the earnings of the Bombay Burma Trading Corporation Limited during the year ended May 31, 1964 has been attributed to the cessation of its timber operations at the Wallace Bay branch since January this year. The activities of this branch have been taken over by a subsidiary of the company known as Wallace Bay Limited. As a result the gross trading receipts of the company declined from Rs. 592.79 lakhs to Rs. 537.47 lakhs. Sales of timber came down from Rs. 270.81 lakhs to Rs. 207.20 lakhs. Sales of coffee, tea and manufactured goods, however, increased, but even then the gross profit was slightly lower at Rs. 149.18 lakhs as against Rs. 150.57 lakhs last year. After providing Rs. 18.63 lakhs for depreciation, Rs. 60 lakhs for taxation, the net profit was Rs. 70.56 lakhs. The

directors have transferred Rs. 24.78 lakhs to various reserves and other accounts and proposed the payment of dividend on equity shares at the rate of 18 per cent, taxable, which is higher than last year's distribution of 16.8 per cent. The proposed dividend absorbs Rs. 48.15 lakhs as against Rs. 44.94 lakhs last year. A bonus of 3.2 per cent, taxable, was paid last year which absorbed Rs. 8.56 lakhs.

MYSORE KIRLOSKAR

A new unit for the manufacture of drilling, milling and special purpose machines is proposed to be promoted by the Mysore Kirloskar Limited in collaboration with Messrs. James Archdale & Co. Ltd. of the UK with an authorised capital of Rs. 1 crore out of which a capital of Rs. 60 lakhs will be issued initially. The British collaborators will subscribe 40 per cent of the initial capital of the company, which will be registered on finalisation of collaboration agreement. The Mysore Kirloskar will contribute 30 per cent of the capital and the balance will be offered for public subscription. The directors of the company have sought the sanction of the shareholders of the Mysore Kirloskar to the proposed investment not exceeding Rs. 20 lakhs in the new company.

SWASTIK RUBBER

Swastik Rubber Products Limited has proposed to increase its authorised capital from Rs. 1 crore to Rs. 2 crores by increasing 50,000 equity shares and 50,000 redeemable cumulative preference shares (9.3 per cent) of Rs. 100 each. The new shares will be offered in the first instance to the existing shareholders. The proposed increase in capital is meant to finance the growing requirements of the company as a result of an increase in its business activity. The company, which has received orders for combat boots, ground sheets and other defence requirements, proposes to construct new buildings for its factory. It also proposes to invest a sum not exceeding Rs. 7 lakhs in the share capital of industrial Glass Fibre Private Limited, a new company which is permitted to manufacture annually 720 tons of glass fibre.

KERALA RUBBER AND RECLAIMS

The Kerala Rubber and Reclaims Limited will enter the capital market shortly to raise a part of the finance required to establish a factory for the manufacture of reclaim rubber by the 'reclamator process' patented by Messrs. U.S. Rubber Reclaiming Company Limited. This will be the first time that 'reclamator process' will be adopted to reclaim rubber in India. The factory will be established near Cochin in Kerala in collaboration with the US company. The authorised and issued capital of the company will be Rs. 30 lakhs out of which shares worth Rs. 10 lakhs are to be taken up by the directors and their friends. Underwriting arrangements to cover the balance shares worth Rs. 20 lakhs are being finalised. The foreign exchange loan of Rs. 11 lakhs has been sanctioned by the ICICI to meet the entire foreign exchange requirements for the purchase of machinery.

MORARJEE GOCULDAS SPG. & WVG. COMPANY

The working results of the Morarjee Goculdass Spg. & Wvg. Company Limited for the year ended June 30, 1964 reveal a gross profit of Rs. 51.22 lakhs. After making adjustments, there is a sum of Rs. 44.72 lakhs for disposal and the directors have proposed to provide Rs. 40.37 lakhs for depreciation, Rs. 2.25 lakhs for taxation and Rs. 2.10 lakhs for development rebate reserve. The directors have recommended the payment of dividend on cumulative preference shares at the rate of Rs. 6.43 per share subject to tax, and on equity shares at the rate of Rs. 15 per share, subject to tax. The payment of dividend to the extent of Rs. 8.87 lakhs is to be paid out

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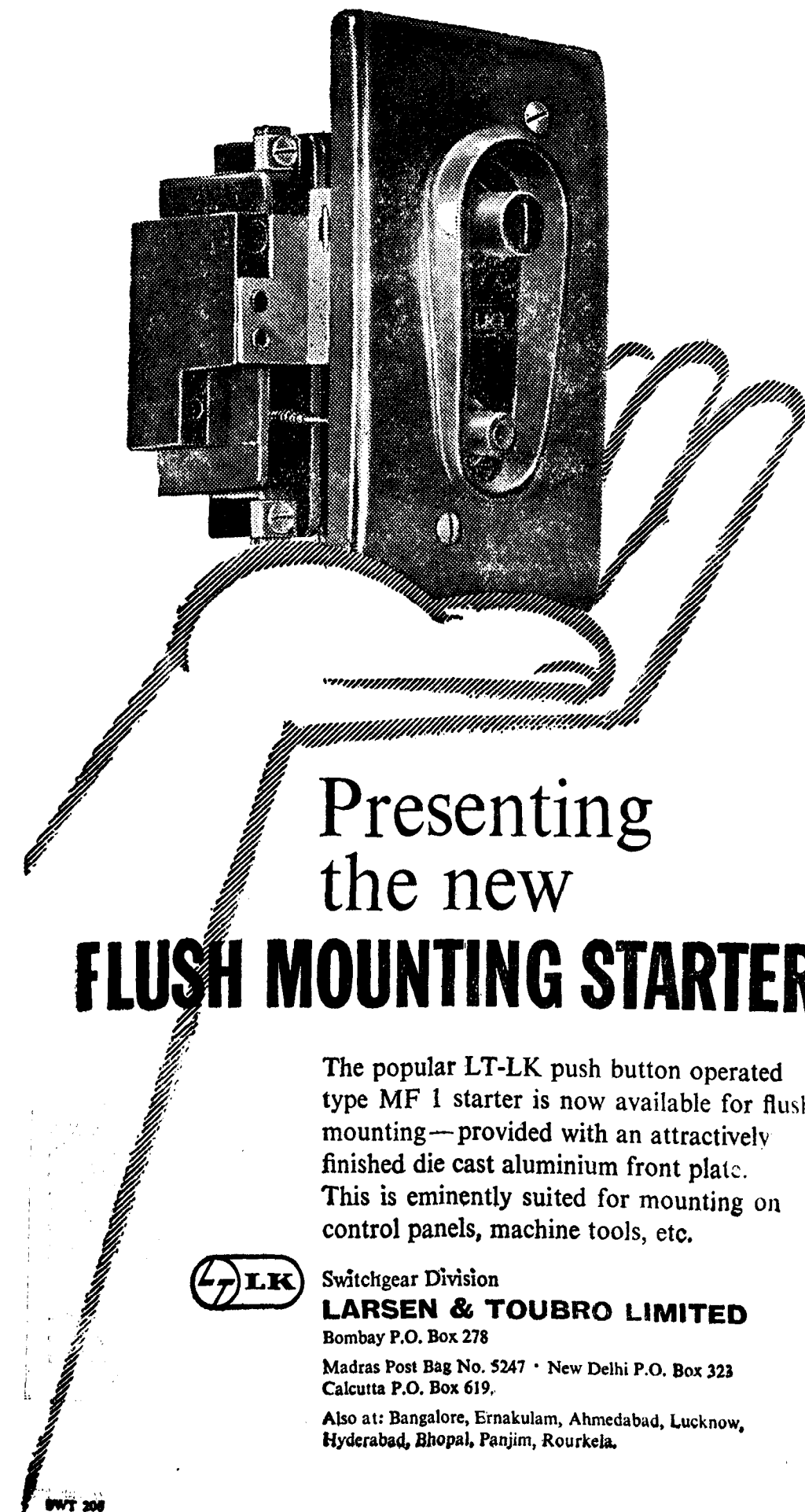
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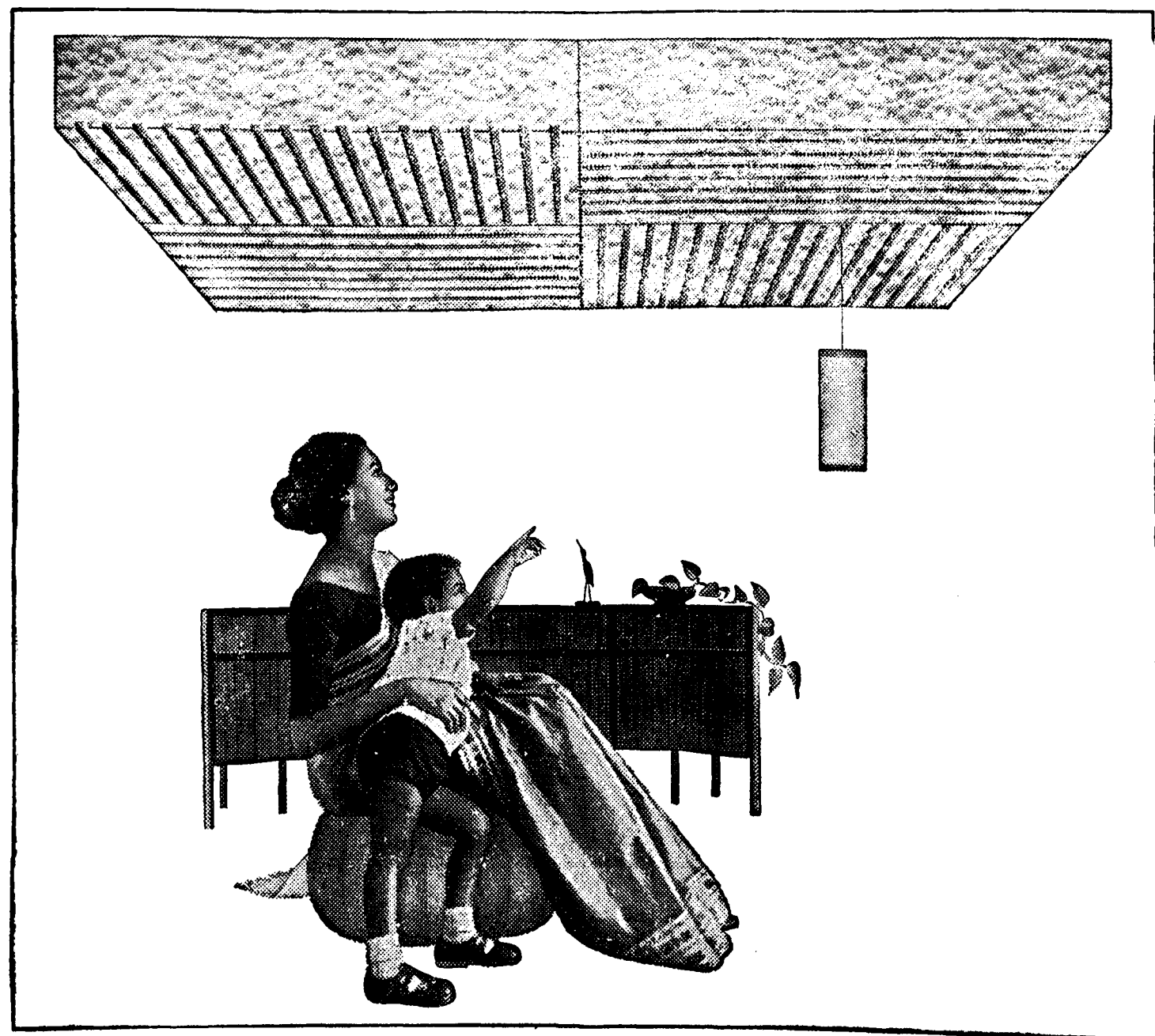
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BOOKS BRIEFLY

Plan Mathematics

Capital Formation and Economic Development: Edited by P. N. Rosenstein-Rodan; George Allen & Unwin Ltd., London; 1964; Pp. 164; Price 30 Sh.

Reviewed by **D. KRISHNASWAMI RAO**

THIS BOOK is the second in the series of 'Studies in the Economic Development of India' brought out by P. N. Rosenstein-Rodan, Director of the India Project at the Center for International Studies, Massachusetts Institute of Technology. It is a collection of papers on mathematical methods in planning for development as applied to India's third five-year Plan.

The first paper in the volume is on 'The Mathematical Framework of the Third Five-Year Plan' by S. Chakravarty who attempts to formulate the different hypotheses in the models used in Indian planning and to unravel "the essential interconnections implicit in the planning calculations." He makes the useful point that the foreign trade aspect has not been clearly dovetailed with the other facets of the economy, attention having been devoted only to the inflow of foreign capital needed to finance the trade deficit expected to arise during the Plan.

Next is P. N. Rosenstein-Rodan's note on 'Alternative Numerical Models of the Third Five-Year Plan of India' in which is pointed out the dangerous optimism of assuming a capital-output ratio of 2.2:1 and an alternative ratio of 3:1 is suggested as being more realistic under Indian conditions. The marginal rate of saving in the economy is also put at a figure lower than the estimate that underlies the Plan.

In the next paper S. Chakravarty outlines a mathematical method of programme evaluation which would deal with a 'whole constellation' of inter-related projects rather than individual projects independently, because that would better bring out inter-sectoral dependence. The same writer also considers in another paper the use in programme evaluation of 'shadow prices,' that is, the marginal value productivity, of factors of production in preference to their current market prices, because in underdeveloped countries structural shortages and the absence of perfect competition make market prices of factors deviate considerably from their marginal productivity. He claims that the use of even approximate shadow prices would conduce to a more efficient allocation of resources.

S. Chakravarty and R. S. Eckaus are the joint authors of a paper on 'Choice Elements in Intertemporal Planning.' They discuss four such elements: (1) the proportion of output from

initially available resources which can be diverted from consumption to capital formation; (2) the choice of a time horizon for planning; (3) the rate at which consumption is to be permitted to grow during the planning period; and (4) the economic goals which it is sought to achieve at the end of the planning horizon. The significance of alternative decisions on these options in long-term planning are then illustrated by examples that approximate to Indian planning. In another contribution these two writers present a mathematical model of multi-sectoral intertemporal planning.

A paper by R. S. Eckaus and Louis Lefebvre works out in mathematical terms a model to show some of the elements involved in the accumulation of capital. In view of the recent accent on 'realistic' rates of interest in our country, much interest will attach to their observation that "the role of the rate of interest is to guide allocation of effort between producing consumption goods and capital in each time period toward the fulfilment of an ultimate goal. The latter can be determined exogenously, that is, independent of the rate of interest, or endogenously, in which case the rate of interest will be a partial determinant of the goal as well as a guide to its attainment." (Page 94).

Louis Lefebvre's paper on 'A Simple Optimizing Planning Model,' that is, one that tries to find the best possible pattern of allocation of resources over a period and among different sectors, and the essay by S. Chakravarty and R. S. Eckaus appraising alternative planning models will have considerable appeal for the econometrically minded. So will the concluding paper in the volume — Chakravarty's on an optimum savings programme (originally published in *ECONOMETRICA*).

One is constrained to point out in concluding, however, that Indian planning experience seems to offer to-date little ground for reliance on mathematical formulations of the type that are presented in such profusion in this book. In a country where the quantification of even the basic economic aggregates is at best so approximate and the imponderables so great that no reliable correlation could be worked out even between the level of developmental expenditure and the rate of growth of the economy, econometric methods would have more severe limitations than elsewhere. In the simile that Keynes had used in speaking of another set of economic theorists, the mathematical economists might in the Indian context turn out to "resemble Euclidean geometers in a non-Euclidean world who, discovering that in experience straight lines apparently parallel often meet, rebuke the lines for not keeping straight — as the only remedy for the unfortunate collisions which are occurring."

Readers' Roundtable

PRICES AND PLANNING

Sir, — The National Development Council discussions and official pronouncements on the fourth Plan make sad reading. They show that despite the bitter experience of rising prices and decline in the tempo of development owing to wrong planning strategy adopted in the second and third Plans, an air of unreality still persists in our efforts towards planned economic development.

The way decisions are taken on the Plan is amusing, were it not also alarming. National needs and overall perspective have been altogether lost sight of.

If this haphazard approach to planning continues and the projected Rs. 21,500-crore plan is attempted to be put through, then with the resulting distortions in the economy and inflation

— the most cruel form of taxation — the fixed income groups are likely to be decimated.

Experience since 1956 (inception of second Plan) has demonstrated beyond doubt that bureaucrats and politicians cannot deliver the goods on the economic front. But the planning strategy and targets indicate that they will force upon the country their ideas of production, distribution and consumption of goods instead of democratically allowing the people to give the necessary direction to the economy. The tragedy will be magnified by the entry of the state into consumer goods industries field, whereas much better results could be ensured if only the heavy hand of the fiscal authorities and irksome controls on existing private industries are removed.

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RECORDS AND STATISTICS

Financial Resources for the Fourth Plan

ON THE basis of preliminary estimates, it is anticipated that resources of the order of Rs. 21,500 crores would be available for financing the fourth Plan outlays, of which about Rs. 7,000 crores are expected to be mobilized by the private sector. The estimate of resources for the public sector is based on the assumption that a number of policy measures will be taken to keep down non-Plan expenditure and maximise revenues at the existing rates of taxation: that, very tentatively, a credit of Rs. 2,500 crores may be assumed for budgetary receipts corresponding to external assistance; and that additional resources mobilisation of the order of Rs. 2,500 to 3,000 crores may have to be undertaken in the fourth Plan period. These additional resources will be secured through increased taxation, reduction of tax avoidance and evasion and adjustment of prices charged by public sector undertakings specially for this purpose. Preliminary estimates of resources, which are at present under closer scrutiny, will be reviewed further after the Budget for 1965-66. Provided the growth rates actually achieved in the initial years of the fourth Plan are sufficiently high, it should be possible to mobilize even larger resources than what has been assumed here.

Domestic Resources

A basic condition for mobilization of financial resources on this scale is that the physical programmes, especially in the productive sectors, will be implemented with speed and efficiency and the outputs from them realised on schedule. The estimates are based on the view that at the present tax rates, tax revenues may be expected to go up by about 8 per cent per annum. The realization of this increase in tax yields will depend on the achievement of production levels as anticipated, particularly in industries such as petroleum, sugar, steel, cement, paper and cotton textiles; and greater responsiveness of income and corporation taxes, sales tax, taxes on motor vehicles and the like to growth in production and incomes.

Non-tax revenues of the public sector as a whole are also expected to grow at a rate of around 8 per cent per annum if certain measures are taken to ensure their realization. Interest receipts are a major component of non-tax revenues and efficient recoveries of loan advances and interest payments are necessary to ensure larger resources. Similarly, enhancement of contributions to Government revenues from public sector undertakings, as also of surpluses available with those undertakings for financing the Plan, will require special efforts to keep down costs and improve efficiency. Public sector undertakings will have to pay considerably greater attention than in the past to the reduction of inventories, economy in the use of raw materials and optimal utilisation of the labour employed.

Efforts at securing larger revenues by the Government will not automatically enlarge the finances available for Plan purposes if strict discipline is not exercised on the expenditure side. For working out the first estimate of financial resources for the Plan, it has been assumed that, as a matter of deliberate policy, the Central and State Governments will restrict the growth of administrative expenditure on tax collection, general administration etc. to 5 per cent per annum and of non-Plan development expenditure (other than committed expenditure) on revenue account to 3.5 per cent per annum. The State Governments would be making their proposals to the Finance Commission on the levels of their non-Plan expenditure. In order that resources for the Plan are not reduced below the

level anticipated at present, it will be necessary for them to ensure that the proposals which they present to the Finance Commission conform to these percentages. It is further assumed that there will be no large increase in Defence expenditure over the levels presently planned and that food subsidies and non-Plan expenditure on displaced persons will be kept down to a minimum. It is also essential that all outlays on projects of a developmental nature should be undertaken only within the framework of the Plan.

The resource estimates indicated above take credit for a substantial step-up in receipts from market loans, small savings provident funds, annuity deposits and miscellaneous capital receipts. These, again, will require special efforts such as intensification of the small savings drive and a major expansion of the scope of provident funds and adoption of new instruments for promoting voluntary savings at all income levels. As a matter of sound fiscal policy, it will be necessary for the Central Government to limit its borrowings from the Reserve Bank to an amount justified by the increase in the demand for money as a result of higher production and increase in monetization of the economy. On their part State Governments will need to avoid any continuing use of over-draft facilities with the Reserve Bank of India.

Fiscal Discipline

It will be seen, thus, that for securing financial resources of the order mentioned above, it is imperative that tax administration should be rendered more effective and strict fiscal discipline observed by all public authorities for avoiding unnecessary or wasteful expenditure. Over and above this, steps will have to be taken for ensuring larger resources mobilisation since the preliminary estimates of likely resources fall short of the requirements of the minimal programme necessary in view of the economy's needs. Ways and means of securing adequate financial resources for the Plan are being further examined and it will be some time before the lines along which specific actions needed to be taken are worked out. Nevertheless, even at this stage, certain directions of policy emerge for consideration. Since the Plan visualizes a substantial increase in agricultural incomes, the scope for mobilization and adequate operation of it for development purposes requires urgent consideration. In this context, the linking of additional receipts from taxation on agricultural income to local developmental works would be a useful step to take. There is scope for examination of schedules of sales tax rates with a view to raising the burden on non-basic consumer goods; in this field, as with regard to direct taxes, the reduction of avoidance or evasion can make a sizable contribution to revenues. The proper valuation of urban property would also secure additional revenues, and the possibility of further taxation of increments in the value of urban property deserves serious consideration.

Reference has been made earlier to the need for public undertakings to bring down costs with a view to providing resources for the Plan. In a number of instances, it will also be legitimate for the undertakings to charge higher prices with the specific objective of raising resources. Capital is a scarce resource and the prices of public enterprises must be so set as to provide an adequate return on the capital employed in them. A return of 12 per cent on the invested capital would be an appropriate criterion for determining the price policy of most public undertakings. There is need for a quick and

systematic examination of the present financial position and prices charged by various public sector undertakings with a view to pre-adjusting the prices in such a way that the rate of return on capital mentioned above becomes realizable. A committee has recently studied the rates charged for electric power and concluded that there is need for increase in electricity prices in almost all the States.

The mobilization of additional resources on the scale required for the programme outlined is a difficult task. There can, however, be no escape from a major national effort in this respect. If the Plan is to be put through without accentuating inflationary pressures in the economy, State Governments as well as local authorities, equally with the Central Government, have to contribute their utmost in this effort. In order that the sharing of this responsibility is equitable and the measures taken are complementary to one another, steps should be taken as early as possible to evolve broad national policies for administration of complex measures like urban land and property taxation, taxation of agricultural incomes, pricing policies of public undertakings and so forth. Finally, the scope for mobilizing local resources for local development works should be fully explored in the case of both urban and non-urban public authorities.

Private Sector Resources

The programme envisages the mobilization of resources by the private sector for financing investment of the order of Rs. 7,000 crores over the five-year period. The expectation is that, with the anticipated increase in national income, savings of this magnitude will become available for corporate and non-corporate investments. It will, however, be necessary for private enterprises to make special efforts for enlarging their surpluses through cost-reduction and increased efficiency, and augmenting the profits retained for re-investment. Similarly, it will be necessary for households, especially those in the higher-income brackets, to reduce inessential expenditure and save more. New institutions and instruments that can be utilized for promoting larger savings by the private sector and making these savings available for investments according to Plan requirement are being examined. What needs to be recognised at this stage is that in the private sector, as in the public sector, all possible steps will have to be taken to ensure that the required resources are generated.

One of the critical constraints in formulating the fourth Plan is the need to ensure that supply of foreign exchange from exports earnings and foreign aid will be sufficient to cover the requirements of imports (for maintenance and for investment) and for meeting the obligation on account of interest and amortization of foreign loans.

On present indications the total earnings from commodity exports during the fourth Plan are expected to be of the order of Rs. 5,100 crores. The requirements of commodity imports exclusive of PL 480 imports, are tentatively estimated at about Rs. 7,200 crores. It is, however, difficult at this stage to indicate precisely the allocation of aggregate imports between capital equipment for fourth Plan projects and materials and components needed for maintenance of production. The details will become clear only after the sectoral plans have been formulated in terms of specific projects and their phasing. The volume and composition of imports will also depend in large measure on the course of actual indigenous production, particularly of metals, machinery and chemicals.

Subject to these qualifications, the deficit on merchandise account during the fourth Plan is at present estimated at about Rs. 2,100 crores. In addition, resources will have to be

found for payment of interest and repayment of principal on foreign debt. The obligations on this account during the fourth Plan are placed at Rs. 1,000 crores—Rs. 500 crores by way of repayment of debt and Rs. 600 crores by way of interest. The receipts and payments in respect of invisibles in the balance of payment accounts (other than debt servicing) may be more or less in balance.

Thus, the gap between total payments and the total receipts of foreign exchange during the fourth Plan may be of the order of Rs. 3,200 crores. This gives a measure of the volume of external assistance which will be needed during the fourth Plan in the form of aid from foreign governments and international agencies, as well as in the form of private foreign capital both in the public and the private sectors.

A necessary condition of keeping the aid down to this figure is the obligation to step up exports as planned. To secure export earnings of Rs. 5,100 crores during the fourth Plan would by no means be an easy task. It would require an intensification of the export drive in many directions; export programmes should have the first claim on available resources even if as a result a measure of sacrifice on the part of the domestic consumer becomes necessary. Detailed studies have to be undertaken concerning the various measures that would be required in terms of production, restraint on domestic consumption, reduction of costs, attainment of high quality and standards etc., to ensure that exports do in fact get a high priority.

A sustained and planned effort to build up the industrial structure in a manner which makes it possible progressively to reduce dependence on imports of commodities which can be produced economically within the country is an equally essential condition for ensuring a viable balance of payments. This in fact has been the guiding consideration in determining the pattern and priorities of industrial programmes in the fourth Plan. The possibility of executing a steadily growing investment programme and sustaining a rising tempo of domestic production without the balance of payments problem becoming unmanageable is directly linked with the success of this strategy.

Employment

The performance of the third Plan in terms of employment, as estimated on the latest data available, will be in the neighbourhood of 13 million as against 17 million employment opportunities required to match the growth of the labour force during the third Plan period. A re-assessment of unemployment, as at the beginning of the third Plan showed an over-estimate to the extent of about a million in the estimate quoted in the third Plan. Thus, with an estimated backlog of 8 million from the second Plan and a deficiency of 4 million employment opportunities under the third Plan, the fourth Plan may have to start with a backlog of unemployment nearing 12 million. With a 23 million addition to the labour force during 1966-71, the employment problem for the fourth Plan can be considered as sizable, that is, 36 million employment opportunities.

On an outlay ranging from Rs. 21,500 crores to Rs. 22,500 crores in the fourth Plan, the employment potential on the non-agricultural side is estimated to be of the order of 15.5 million to 16.2 million.

The third Plan target of 14 million employment opportunities includes an estimate of 3.5 million employment opportunities in agriculture on the basis of physical targets of additional area brought under irrigation, soil conservation, land

reclamation and schemes of a similar nature. It was also suggested that more employment opportunities would be possible under these and other programmes for increasing agricultural production, but these additional work opportunities would help relieve pressure on under-employment. On similar assumptions, it seems possible that employment opportunities in agriculture during 1966-71 will be of the order of about 4.5 million. Thus, on current thinking, it will be possible to justify for the Plan of this order, an employment potential of 20 million to 21 million as against the original target, namely, 23—25 million.

As will be appreciated, it is not possible to be categorical about employment opportunities arising out of a given totality of investments. The crux is the tempo of economic activity in the early part of the Plan which can have a multiplier effect in the second half. The structural pattern of industrial development is equally important, for instance, a big spurt of agro-processing and small-scale industries, as now contemplated, may lead to much larger generation of employment than has been estimated. It is also possible that the massive step-up of the agricultural production programmes and the subsidiary foods may create more employment opportunities which cannot be foreseen at this stage. On the whole, the position appears to be that the employment potential contemplated in the fourth Plan will be nearer to the equivalent of new entrants to the labour force than in the past.

It will be seen that, on such estimates as can be made at present, there may be a gap between the increase in the labour force over the Plan period and the anticipated increase in employment opportunities. There is, besides, the estimated backlog of employment at the end of the third Plan. In the circumstances, at a later stage in the preparation of the fourth Plan, it will be necessary to consider whether and to what extent provision should be made for a supplementary rural works programme. In working out the details of programmes in different sectors, specially in the plans of States, every effort should be made to ensure that areas in which there is considerable unemployment and under-employment receive due attention and that Plan provisions are utilised so as to make the maximum possible contribution to the creation of new employment opportunities and the relief of existing unemployment and under-employment. When this has been done it would be necessary to assess the size and composition of the residual problem of unemployment in rural areas and to identify those areas in which a supplementary rural works programme could make a significant contribution. At this stage, therefore, the scheme of Plan allocations makes only a small token provision for Rural Works.

The addition to the labour force in the fifth Plan will be of the order of 30 million. Unless, therefore, employment can be provided to 23-25 million persons in the fourth Plan, the task in the fifth Plan will be correspondingly heavier.

Agricultural Production

The third Plan accorded the first priority to increase in agricultural production. It also provided for resources, material and financial, for agricultural development which, it was thought, would make it possible to achieve a high rate of growth. These expectations have not been fulfilled during the past three years. To an extent the shortfalls may be traced to the fact that progress in physical terms in irrigation, soil conservation and other programmes has been smaller than the Plan had envisaged. It is also true that the supply of the Plan had envisaged. It is also true that the supply of material inputs, specially fertilizers, has been appreciably below the levels contemplated in the Plan. Unfavourable weather conditions too have played a large part. Nevertheless, the setback in agriculture since the end of the second

Plan is a cause of deep concern and has, in turn, led to fresh consideration of the assumptions, methods and techniques as well as the machinery of planning and plan implementation in the field of agriculture. This examination has not yet been completed. However, it is possible to indicate the broad lines along which agricultural plans have to be reoriented, so that there may be more adequate preparation for the larger tasks of the fourth five-year Plan.

Scientific Agriculture : During the past decade and more, substantial investments have been made in agriculture, irrigation and allied programmes of development. The results achieved have been significant enough but, having regard to the growth of population, the larger demands for food, agricultural raw materials and improved standards of consumption, they cannot be described as commensurate with the requirements of the economy. While there is evidence of progress in a number of directions it is yet true that there has been a marked lag in the application of the results of scientific research, in the adoption of better implements and more scientific methods of agriculture and, generally, in the extension of imported agricultural practices. The proportion of cultivators who have taken to scientific agriculture is still quite small. No doubt, due to the slow implementation of measures of land reform, the structure of the rural economy has not changed to the extent postulated in the earlier Plans.

Economic Incentive

At the same time, in those parts of the country in which a growing number of farmers have begun to adopt scientific methods, the need to strengthen and extend the existing facilities for agricultural research and its application is being increasingly felt. It is crucial to the success of agricultural plans and the growth of the national economy as a whole that the utmost emphasis should now be placed on the transformation of agriculture from a predominantly traditional way of life into an industry, based more and more on the adoption of science and technology making efficient use of the resources available, providing the necessary economic incentives for greater investment on the part of the farmer, and giving him a fair measure of protection against price fluctuations, unduly high costs and, to the extent possible, against risks of crop failure on account of national calamities. In other words, having regard to the experience of recent years, all possible steps have to be taken to create a more favourable technological and economic environment for rapid advances in agriculture and the strengthening of the rural economy as a whole.

Estimates of Demand : In view of the growth of population and allowing for some improvement in consumption standards, the demand for foodgrains at the end of the fourth Plan is estimated at around 120 million tonnes. Requirements of oilseeds are reckoned at about 12 million tonnes, of sugarcane (gur) at about 13 million tonnes, of cotton at about 9 million bales and of jute at about 8 million bales. At the end of the third Plan, on present anticipations, the level of foodgrains production may be of the order of 90 to 92 million tonnes, of oilseeds about 7 to 8 million tonnes, of sugarcane (gur) about 11 million tonnes and of cotton and jute at over 6 million bales each. Shortfalls in relation to the original targets of the third Plan make the task of attaining the levels of output required by the end of fourth Plan specially difficult. In drawing up the outlines of the fourth Plan, to the extent possible, the aim must be to ensure inputs such as would support increase in agricultural production at a rate of not less than 5 per cent per annum. Even this rate of growth will not be adequate in all respects. The existing gap in supply is considerable and, with all the efforts that may be made, the possibility of unfavourable weather conditions cannot be disregarded. It is important that the Plan for agriculture should remain sufficiently flexible to permit a larger

effort wherever there are prospects of achieving a breakthrough or wherever greater intensification is feasible. In this sense the resources provided for agricultural development in the Plan are to be regarded as a general frame within which the most intensive possible effort has to be organised. At whichever point it may be possible to strengthen this effort, the aim should be to make the necessary material and financial resources available. It should be emphasised here that the physical target to be achieved in agriculture have to be largely built up from below, through detailed work in the States, specially at the district and block level. A fuller picture will, therefore, emerge only when States have been able to complete their agricultural plans and these have been considered in co-operation with them. From this aspect, it will be desirable to arrange for consideration of agricultural programme between the Central Government and the States well ahead of the series of discussions next year on the draft plans of States for the fourth Plan period.

Approach of Intensive Areas : One of the principal lessons stressed in the Mid-term Appraisal of the third five-year Plan was that much greater emphasis should be given to the development of scientific and progressive agriculture in an intensive manner in areas with relatively favourable agricultural conditions. In particular, in areas with irrigation and assured rainfall, everything possible should be done to secure high yields per acre. This was considered essential if, over the country as a whole, despite unfavourable seasonal conditions here and there, a steady and continuous increase in agricultural production was to be realised from year to year. Accordingly, in January 1964, at the suggestion of the Planning Commission, the Agricultural Production Board agreed that about 1500 development blocks, covering roughly 20 to 25 per cent of the cultivated area of the country, should be selected for intensive agricultural development. The fifteen districts in which the Intensive Agricultural District Programme was in operation covered about 300 development blocks with a total area of more than 8 million hectares. In addition to these, about 1200 development blocks were to be selected and brought under intensive development over the three years 1964-65, 1965-66 and 1966-67. While these areas might be selected with due regard to their predominant crops, the scheme of intensive development should take into account the entire crop economy of each area. This decision of the Agricultural Production Board was followed by the appointment in the Ministry of Food and Agriculture of a Director-General of Intensive Areas. So far about 600 development blocks have been selected in 75 districts, but more systematic planning of programmes of development, supplies and credit in each of the intensive areas is an urgent necessity.

Intensive Agriculture

For achieving substantial increases in production it is necessary to select the blocks for intensive development on the basis of careful study. It is desirable to take up in each district all the blocks which present favourable prospects and satisfy the criteria of selection, as this would make it easier to provide the higher level scientific and technical personnel needed to guide and assist extension staffs in the development blocks. The agricultural programme for any area selected for intensive development has to be closely related to its special conditions and possibilities. Thus, areas with assured water supply, whether from irrigation or rainfall, areas enjoying protective irrigation from canals, tubewells and other sources, areas with good underground resources and dry areas will call for different combinations of agricultural programmes. It is, therefore, important that in developing agricultural programmes in detail the requirements of each area should be gone into in detail and, generally speaking, schematic formulations such as have been frequently proposed in the past from the national or State level should be tested on the ground and modified to meet local conditions. In other words, each area should be regarded as a 'project' for which appropriate

programmes are worked out, the necessary inputs are made available, and programmes for the utilisation of existing irrigation, development of new irrigation, soil conservation, plant protection, improved agricultural practices and other methods of raising yields per acre are carried to the farthest extent practicable. In these areas the extension machinery has also to be strengthened, both in numbers and in quality, as this is an indispensable condition for achieving a significant impact.

Briefly then, agricultural programmes for the fourth Plan have to be formulated in terms of (i) a systematic effort to extend the application of science and technology, (ii) creation of more favourable economic environment, (iii) strengthening of the machinery for extension and community mobilisation for agriculture, (iv) assuring adequate supplies and resources, and (v) intensifying agricultural programmes to the maximum extent possible in areas with irrigation and assured rainfall where there are fair prospects of achieving rapid increase in production.

OUTLAYS ON AGRICULTURE IN THE PUBLIC SECTOR (Rs. crores)

Head of Development	Anticipated Third Plan Outlay	Proposed outlay for the Fourth Plan		
		Total	Investment	Current Outlay
Agricultural Production	226.07	774.00	276.44	497.56
Minor Irrigation	178.76	450.00	403.33	46.67
Soil Conservation	72.73	215.00	204.00	11.00
Forestry	51.39	120.00	92.50	27.50
Animal Husbandry	54.44	152.00	100.00	52.00
Dairying & Milk Supply	36.03	58.00	46.85	11.15
Agricultural Marketing	41.53	49.00	47.24	1.76
Fisheries	26.36	110.00	105.00	5.00
Community Development	322.00	260.00	95.00	165.00
Co-operation	91.38	212.00	154.00	58.00
GRAND TOTAL	1098.69	2400.00	1524.36	875.64

TENTATIVE TARGETS OF DEVELOPMENT

Programmes/Unit	Third Plan		Fourth Plan Proposed
	Target	Anticipated	Target
1. Irrigation			
(a) Major (Million acres)	12.80	8.6	13.00
(b) Minor (Million acres)	12.80	13.80	17.00
2. Soil Conservation (Million acres)	11.00	11.80	20.00
3. Land Reclamation (Million acres)	3.60	3.00	2.50
4. Extension of area through double cropping (Million acres)	—	—	22.50
5. Consumption of chemical fertilisers			
(a) Nitrogenous (N) (Million tonnes)	1.00	0.65	2.00
(b) Phosphorous (P ₂ O ₅) (Million tonnes)	0.40	0.25	1.00
(c) Potassic (K ₂ O) (Million Tonnes)	0.20	0.15	0.35
6. Area under improved seeds — foodgrains (Million acres)	240.00	164.00	274.00
7. Organic and green manures			
(a) Urban compost (Million tonnes)	5.00	4.42	5.40
(b) Green manures (Million acres)	41.00	27.90	64.00
8. Plant protection (Million acres)	50.00	40.00	160.00

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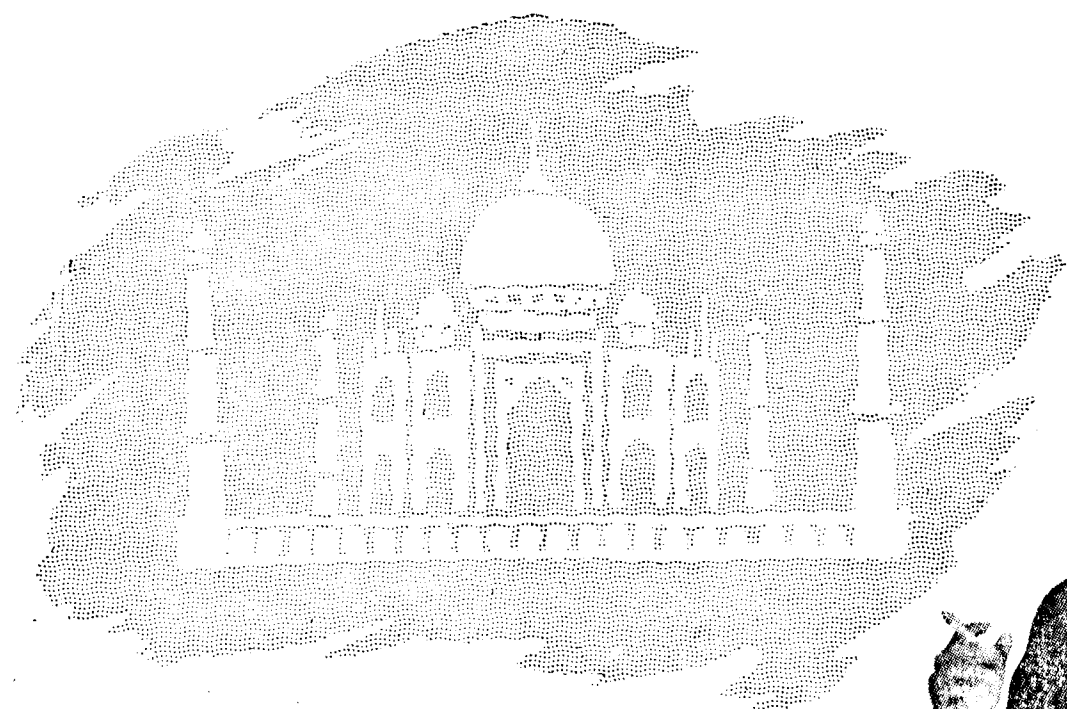
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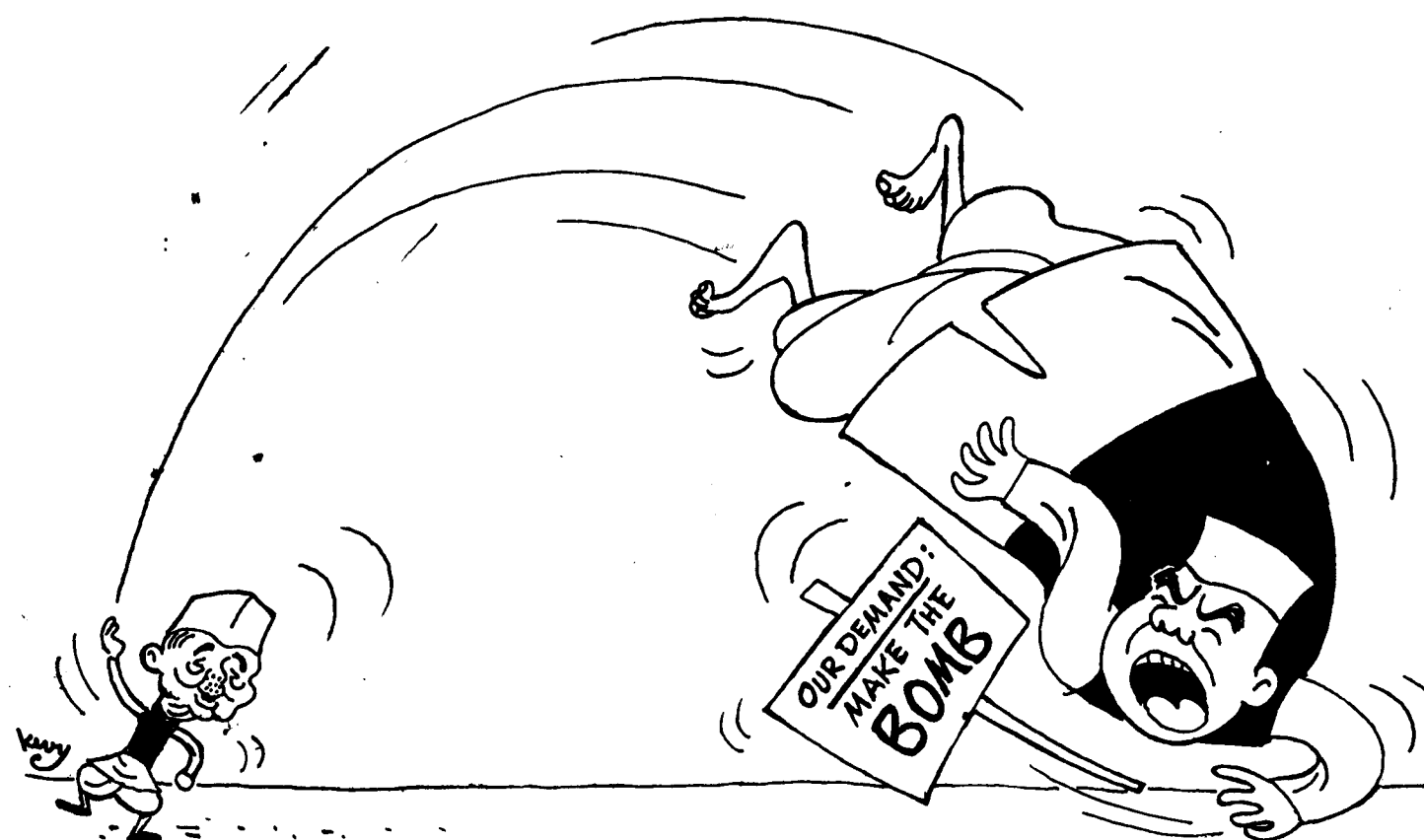
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they do not consider sound but which they must nevertheless agree to administer.

With the stage thus set for the Chief Ministers' Conference on Food later this month, a Gilbertian situation is being created and it is, therefore, up to Parliament to try to rescue the country from the consequences of the Central Government's folly. This it can do only if, during its current session, it resolves and manages to discuss food policy not as an issue of party policy but as a basic national interest. Here a very great responsibility clearly rests on the Government. Granted that the nation's food difficulties have been aggravated by opposition groups attempting to exploit them, it follows that no Government policy for food, however sound in itself, has a fair chance of succeeding unless a proper political climate is created for it in the country. It would be wishful thinking on the part of the Home Minister to imagine that such a climate can be secured by breathing fire and brimstone against opposition politicians. The only constructive opening left to the Government is to avail itself of the opportunity of the current session of Parliament for obtaining consensus in favour of a demonstrably sound food policy. The Government should be all the more ready to seek this consensus on a national basis since the ruling party itself is by no means of one mind on the wisdom of some of the major proposals for food management emanating from the Cabinet. We have no hesitation in

declaring that the massive, mechanical majority which the ruling party commands in Parliament would be of no relevance at all as a sanction for the Government's food policy so long as the soundness of that policy continues to be debated not only in the country but also within the ruling party itself. We, therefore, recommend strongly that Parliament, in its present session, should be given all reasonable opportunities by the Government for a full and frank discussion of all major issues of food policy so that a consensus could be evolved as a guide to the Government's management of the nation's food affairs. This process of constructive consultation between the Government and Parliament will become really fruitful if a representative but compact committee of legislators is constituted to sit with the Ministers concerned for a businesslike discussion of the essential issues of food policy so that the members of this committee could subsequently participate more effectively in discussions on the floor and guide them along practical and purposive lines. It is often said that India is a poor country; and Parliament is certainly an expensive institution. The people, therefore, have every right to expect of the Government and the legislators that they co-operate among themselves in order to ensure that this session of Parliament, which is meeting at a time when the country is faced with so many grave and urgent problems, turns out to be something more than a talking shop.

The Bomb and the P.M.

AT THE A-ICC session at Guntur, the Prime Minister returned a categorical and imperative 'no' to the clamour that this country too should go to work on the making of an atom bomb since Red China has now succeeded in forcing an entry into the club of nuclear powers. While his firm stand against the Bomb has received general support among Congressmen as well as in the country at large, it is too much to hope that he has succeeded in killing the controversy before it has had time to gather force. On the contrary, it is very likely that the Bomb will figure in the forthcoming session of Parliament as an alive and lively item on the agenda. It is consequently a matter of some importance that this issue should be discussed in relevant and adequate detail.

This purpose, however, will not be served if sentiment is allowed to be mixed with sense as was the case at Guntur. We do not see what useful purpose is served by pleading India's alleged addiction to peace and non-violence as an argument for never making the Bomb. These ideals have certainly — and rightly — not come in the way either of our having a standing army or employing it or expanding it for the purpose of defending our country. It is true that in the matter of protecting our national security we have not been as successful as

we should have been. But this has nothing to do with any idealistic partiality on our part for the principles of peace and non-violence. On the contrary, errors in political or military judgments have had to do more with the defects or deficiencies in our defence than any abstract pursuit of Virtue for Virtue's sake.

Leaving, then, idealistic protestations aside, we should opt for the more useful exercise of considering the problem of the Bomb in strictly pragmatic terms. Here a point of some relevance would be the stand which this country has been taking on international platforms on the issue of the use of atomic energy for destructive purposes. It is well known that the Government of India has frequently declared itself to be against the spread of nuclear armament. Although, here as elsewhere, much was owed to the inspiration of the late Jawaharlal Nehru, it is not possible to dismiss this national stand on nuclear armament as any particular individual's personal credo. Actually, the present Prime Minister, as Prime Minister, has committed himself and his Government to this policy on nuclear weapons every whit as firmly as his predecessor.

Thus, as recently as in August last, Mr. Lal Bahadur, in a message to the United Nations International Con-

ference on the Peaceful Uses of Atomic Energy held in Geneva, declared solemnly for the benefit of this country's conscience as well as the world's that "India believes today, as it has always believed, that atomic energy should only be used for peaceful purposes and for the welfare of humanity and is resolved to use it only in this manner as far as its own efforts are concerned". This is a serious undertaking seriously given from a world forum and it is obvious that this country cannot lightly depart from it without doing grave injury to its name and reputation in the community of nations.

We are, of course, not suggesting here that because in certain circumstances India has given on its own a certain pledge to world conscience, it cannot reconsider it in any event or, more particularly, even when it has become necessary that it should do so for the strict purpose of self-preservation. But we do maintain that a deliberate statement of national policy, which in this case amounts also to an international commitment, cannot be discarded unless it has become demonstrably the case that certain new developments have taken place which compel a reconsideration of the old attitude on the ground that otherwise the nation's very existence might be imperilled.

The issue, therefore, is whether the nuclear explosion which China has now managed to set off is really in the nature of such a new development. The answer, in our view, is that it is not. Peking after all had been known to be working on a nuclear bomb project for some time now and India's commitment to employ atomic energy solely for peaceful purposes has been made in the full knowledge of this fact. It is true that there has all along been a tendency to depreciate Chinese progress in nuclear technology and it does seem to be the case that China has managed to set off a nuclear explosion much earlier than what the rest of the world believed likely. It seems also to be the case that Peking has not only anticipated the time-table which other countries have been patronisingly setting for its nuclear programmes, but has also reached a stage of sophistication in nuclear bomb technology which, even more than the earliness of the explosion, seems to have surprised some hitherto cynical commentators. The fact remains, however, that Chinese intentions and efforts in the field of nuclear bomb-making have been well and widely known, and consequently all other countries of the world which have an interest in this matter should have been prepared for China sooner or later achieving some success in this project. It follows that if India has nevertheless been repeatedly declaring that it will not use its atomic energy resources or potentialities for making a Bomb, it has been doing so in clear awareness of the possibility that China, at whose hands it has already experienced aggression and from whom it must be prepared to meet

further aggression in the coming years, may well come to equip itself with a nuclear weapon system in the foreseeable future.

It is, therefore, reasonable to assume that the Indian policy of abjuring the atom bomb is based on the judgment that the development of nuclear weaponry by Red China need not necessarily mean that the military power pattern subsisting between China and this country is altered in such a way as to make a retaliatory nuclear armoury an unavoidable necessity for our defence or self-preservation. We submit that if this, indeed, is a correct evaluation of the Government of India's thinking, there is sufficient warrant for the Prime Minister taking the stand he did at Guntur. To start with, China does not need a nuclear weapon system to establish its military superiority over this country. That superiority is an admitted fact even in terms of conventional armament. It may be argued, of course, that China could flourish the big stick of a nuclear bomb to dictate to this country in the matter of the border dispute or otherwise try to bully it into a position of political submission. But the short history of nuclear weaponry in world politics has already been able to demonstrate the strict limitations of the bullying power or potential of the Bomb. In an interesting broadcast talk, Dr. H. J. Bhabha pointed out recently that the importance of the possession of a minimum supply of nuclear weapons coupled with an adequate delivery system is that it confers on a State capacity to destroy more or less totally the important cities and industrial centres in another State, thereby enabling the former to deter another nuclear power from using nuclear weaponry against it. While this argument may certainly be used in favour of this country seeking a nuclear equation with China's military power, the more important implication of Dr. Bhabha's point seems to us to be that such political and military advantage which China may expect to achieve in due course with the development of a nuclear weapon system would largely be in the direction of its being able to bargain better with the great nuclear world powers, such as, the United States and the Soviet Union, for a place of power and prestige in the world political system. Without a nuclear armoury China may feel vulnerable and exposed in its attempt to establish an acceptable political equation with other world powers, but with it, its negotiating powers could considerably improve. In our view, this is the most likely direction in which the political and diplomatic aspects of China's nuclear weapon strategy are likely to develop. In other words, we do not believe that the major or particular repercussions of the Chinese nuclear weapon programme would be felt in the military or political power relationship between China and this country. It stands to common sense that, if China is arming itself with nuclear weapons, it must be doing so more in terms of its relations with other great powers

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Food and Parliament

THE NATION'S Parliament now in session has a serious responsibility in the matter of evolving a sound national policy for food. The Government having so far failed to provide able and adequate leadership to the country in this matter, it has now become the duty of Parliament to attempt to do so.

Unfortunately, this important task before Parliament has not been rendered any the easier by the public statements of the Prime Minister and the Home Minister who have been in an indecent hurry to blame Kerala's food troubles on the agitational tactics of Communist opposition groups. Mr. Lal Bahadur may, indeed, be justified in blaming opposition parties for instigating dock workers in Cochin to go on a strike thereby causing arriving grain shipments to be held up at the port. Mr. G. L. Nanda, again, may have cause for denouncing attempts at exploiting food shortages for political purposes by inciting people to looting and lawlessness, but it is surely not the case that, even if the behaviour of opposition politicians had been at its angelic best, the disgraceful food muddle in Kerala would not have been perpetrated. It is just not possible for the Prime Minister or for the Home Minister to gloss over the fact that the Governor of Kerala, who is a senior member of the ruling party, has said publicly that the responsibility for the food crisis in that State must rest squarely on failures in the Central Ministry of Food and Agriculture. Mr. V. V. Giri's charges cannot be lightly regarded because there is also other evidence showing that the Central Government had not been adequately prepared for maintaining even minimum flows of grain into deficit areas in the South in the critical weeks before the arrival of new crops.

In these circumstances, if the Prime Minister were to yield to the temptation of looking for scapegoats in opposition parties, he would clearly be doing no service to the country since his attitude would cause both provocation and justification for the inevitable discussions in Parliament on food being turned into destructive and purposeless inter-party mud-slinging. This would be a waste of Parliamentary time which the country just cannot afford at the present time. On the contrary it is a vital national interest that a proper climate should be created and maintained for a constructive discussion in Parliament of the requirements of a national food policy. It is no secret that the ruling party is sharply divided over major issues of food policy. Thus, although the Central Government seems set on a scheme of limited State trading through a statutory public food corporation, it is by no means the case that this proposal enjoys the support or confidence of the ruling party as a whole. Differences of opinion among Congressmen seem to be even more pronounced with regard to the wisdom of introducing rationing in the country. It is a pity that at the recent session of the A-ICC at Guntur, there was not enough of free and frank discussion in the party of these differing points of view. As it is, it has been left largely to the Chief Ministers of State Governments to import a critical element into the discussions of the Centre's proposals or projects. Strangely enough, the Chief Ministers, instead of being complimented on their pragmatism, are being condemned in the Press and elsewhere for alleged non-co-operation with the Central Government. In the last few days one unthinking commentator after another has been calling upon the Prime Minister to assert the authority of his office and drag on the State Governments in support of policies which

A small cost at the initial stage in analysing the marketability of the product is worthwhile instead of repenting after millions of rupees have been sunk.

The ICICI attempts to strengthen a project through its scrutiny. The promoter is asked to obtain assurances regarding supply of raw materials, power and transport. He is also required to enter into or obtain modifications in technical collaboration arrangements. All these are necessary requirements which some of the promoters do not like. The criteria now evolved by the ICICI are the outcome of the past experience. Mr. Mehta explained that "an institution like ours has to have uniform criteria for all projects; flexibility is exercised in relation to and not at the cost of these criteria."

Discussing the equity-debt ratio, Mr. Mehta said that in many of the proposals received by the ICICI, the equity of a company is much smaller than the debt proposed by it. Many reasons impel the promoter to keep the equity smaller in relation to loans. The ICICI has always insisted that the new projects should have a high initial equity-debt ratio so as to tide over the early difficult period. If the equity basis is small, there is every possibility of the project running into difficulties at the early stages for paucity of funds. Exceptions are, no doubt, made and in this regard he gave the case of the aluminium industry which is highly capital-intensive. It has also been found that the promoters tend to underestimate the cost of the project. They ignore the preliminary and the operative expenses which very often go up to 30 per cent of the project cost estimates. Promoters need assistance and advice in this regard; the technical knowledge which the ICICI has is made available to the promoters.

Mr. Mehta stressed the need for co-ordinating the activities of the various financial institutions which are currently in the field. Many of the projects in recent years have come into being with the support of not only the ICICI, but also the Life Insurance Corporation, the Industrial Finance Corporation of India, the National Development Finance Company, the International Finance Corporation, etc. All these institutions have the same objective of determining the viability of the project. Their procedures are not uniform. Some common code needs to be laid down so as to "co-ordinate the approach to these institutions to avoid delay in arranging finance."

The ICICI, according to Mr. Mehta, has so far assisted more than 300 companies; the total assistance amounted to a little less than Rs. 100 crores. Many of the industries which have received assistance from the ICICI are non-traditional ones. The ICICI saw to it that not only the projects were successfully completed but also that they have long-term growth and prosperity.

CALLAGHAN'S LITTLE BUDGET

THE NEW Chancellor of the Exchequer in Britain, Mr. James Callaghan, has announced certain taxation proposals in a Supplementary Budget which have been termed as his "Little Budget". The proposals include an increase in both direct and indirect taxes. The standard rate of income tax will be raised by 6d from April 1, 1965, thus, taking it to 8s. 3d. in the pound. It is estimated that this raise in the standard tax will increase the revenue of the Government in the 1965-66 financial year by as much as £122 million. The Chancellor has also announced an increase of 6d. a gallon in the duty on petrol, hydro-carbon oils and diesel oil. The yield from this fresh impost is estimated at £32 million in the current year and £93 million in the next financial year. He also stated that he was planning to introduce a far-reaching capital gains tax next year which would apply to gains from all assets. The tax would not exceed the difference between the value of any particular asset on budget day in 1965 and the amount realised when it was eventually disposed of. No reliefs to capital losses would be provided. Another measure would be a new Corporation tax which would replace the income tax and profit tax on the income of com-

panies. The rates of taxation will be decided according to the economic climate next year. The new Corporation tax would bring about a cut on the current rate of taxation on undistributed profits. He expressed the hope that these reforms would tone up the economy so as to face the future. Another important announcement made by the Chancellor was that the 15 per cent surcharge on imports of manufactures would be valid until November 30, 1965. Earlier, when he imposed the 15 per cent surcharge, he had indicated that it was a temporary measure and that it would be scrapped as soon as the balance of payments position of the country improved. He has now named a firm date when the surcharge would be withdrawn.

LINK LANGUAGE

WHEN THE Union Education Minister, Mr. M. C. Chagla, announced the appointment of an Education Commission in July this year (see "Eastern Economist" dated July 24, 1964) to look into the various aspects of the educational problem in this country, it was known that the Commission will have to spend a number of years in order to do full justice to all the terms of reference. It was also expected that the Commission would be asked from time to time to submit interim reports regarding those facets of the problem which demanded immediate action. It has now been made known that the Education Minister has sought an interim report from the Commission on two aspects of the language question, besides the one relating to the medium of instruction in the universities. The Commission has been asked to report on the working of the existing three-language formula and give its opinion if it has worked well. If not, the Commission has been asked to suggest the changes required to make it workable. The Commission has also been requested to prepare a report on the importance of a link language in India and to give its opinion if Hindi can play that role efficiently. The Commission will state the steps which should be taken for a smooth change-over to Hindi. Further, it will investigate if it will be necessary to continue with English as the link language till Hindi can completely take over.



"Let me in; I want to ask for a grain of rice to paint his portrait on."

On Legalisation of Abortions

DR. KAMAKSHI SUNDARAM

WHILST THE Government of India certainly deserves to be congratulated on its decision to seek the advice of an expert committee on the question whether abortion should be legalized, it is necessary to point out that the committee could carry out its assignment properly only if its scope and purposes are properly defined.

It is not yet clear, for instance, whether abortion is to be considered as a method of family planning or as the last resort for those who, by sheer mischance, are faced with an unwanted pregnancy in spite of their having adopted family planning methods. Time and again we have come across people who have been fully motivated to plan their families but who, on account of method failure (from lack of proper understanding of the method) or because of the non-availability of the required contraceptives or through carelessness, have to countenance an unwanted conception. The question that baffles the family planning workers is whether women who have conceived thus should be persuaded to accept their lot or whether the medical authorities should be authorised to extend the facility of legalised abortion. While the law of the land remains unchanged in this regard, the affected couples are forced to find their own means of terminating unwanted pregnancies. In the process, the women are invariably found to have contracted some infections or are so badly bruised as to require hospitalisation. One of the most painful experiences for the medical profession in our hospitals is the endless parade of cases awaiting treatment for the consequences of crudely or amateurishly contrived miscarriage. It cannot be denied that people resort to abortion irrespective of the preventive laws and it is very often the case that those who perform the operation are normally not qualified to do so. Actually, the prevalence as well as the acceptance of the procedure raises the question whether it is not permissible to emphasize its reality as a family planning method and thereby facilitate its easy administration.

It is not widely known that abortion, in certain circumstances, is already legal in this country, but it is possible only when the cause is therapeutic. By therapeutic abortion is meant an abortion induced in a woman under strict surgical supervision in an operation theatre by qualified personnel on grounds of the medical unfitness of the mother to continue to the strains or hazards of the pregnancy. If family planning is considered essential for the health of the mother, then it follows that the incidence of too frequent pregnancies could properly be cut short by terminating them as they occur. Naturally, surgical precautions and aseptic conditions are absolutely necessary to rescue the pregnant woman from the resulting infection, tetanus, etc. If the reasons for therapeutic abortion can be stretched so as to include cases of recent deliveries, heart diseases, T.B., hereditary and contagious diseases etc., the medical profession may be able to

assist the programme in an authorised and guiltless manner.

There have been a few haphazard studies of attitudes towards abortion. It is known that neither education nor religion nor economic conditions have hindered the truly motivated person from resorting to such a procedure with a feeling of justification. All that can be done in such circumstances is to assist such a determined person with medical care which she can get if abortion is legalised.

Educating Public Opinion

How far will society accept "legalised abortion" to its full extent? There are bound to be vehement objections in this country to the killing of an embryo. This will call for education of the public opinion and the clarification of procedures. Opposition could be minimised by emphasizing the safeguards against the abuse of the facility. Thus persons seeking the relief may be required to give an undertaking that other family planning methods will be followed more carefully in the future. This also involves an efficient system of education in the abortion ward itself and thorough follow-ups of the "aborted" cases. It will be appropriate to mention here that abortion refers to the termination of pregnancy prior to the 28th week, for the child is not viable until that stage of pregnancy is reached.

Any committee examining the legalisation of abortion will have to consider the following questions:

Whether abortion is to be used as a means for cutting down the birth rate as in Japan?

Should abortion be limited to those women who are already practising family planning and have suffered a method failure or is it to be made possible for everyone who seeks abortion for purposes of restricting the size of the family?

Is the induction of abortion to be restricted to married persons only or to unmarried persons as well?

Will there have to be restrictions on the number of abortions practised on a woman?

Will easy abortions make man indifferent to family planning techniques and can this be avoided by restricting the number of abortions?

Will restriction result in one "open" abortion being followed by surreptitious ones unless a well-regulated follow-up programme is initiated?

There are bound to be "conscientious objectors" amongst the doctors, nurses and others who are expected to participate in this programme — are they to be forced to acquiesce?

Are the Primary Health Centres in the rural areas to be equipped to take on abortion cases under strict aseptic circumstances?

Legalised abortion will no doubt attract some evils but in the case of its adoption as a means of curbing India's population increase, the committee of experts will have to devise ways and means for controlling the opportunities for abuse.



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which are already entrenched in powerful nuclear positions than in terms of its relations with this country which not only has no nuclear armoury but has also disavowed any intention of ever embarking on a nuclear bomb project.

There has been some interesting discussion on the economics of bomb-making. Dr. H. J. Bhabha has attempted to counter the popular impression that none but the major world powers could really afford nuclear bombs. Explaining that plutonium for nuclear explosions could be obtained as a by-product from the nuclear power stations which are being constructed or are planned in many countries, including ours, he estimates that a stockpile of some 50 atomic bombs could be built within an expenditure of under Rs. 10 crores, while even a stockpile of 50 two-megaton hydrogen bombs may not cost very much more than Rs. 15 crores. He points out quite rightly that these expenditures would be small compared with the military budgets of many countries. But, at the same time, it should not be ignored that a nuclear weapon system would mean much more than a stockpile of nuclear bombs. As Dr. Bhabha himself has noted at another place in his broadcast, an adequate delivery system is an integral part of a nuclear weapon project. There is also the fact that a country thinking in terms of a nuclear striking force for itself must necessarily and simultaneously be prepared with a system of interception and defence against a nuclear attack on itself. The point is that a military strategy conceived in terms of nuclear weaponry may be an altogether different one from that based on conventional weapons. The aggregate cost of such a military strategy has therefore to be evaluated in much larger terms than that of what it merely costs to build a minimum stockpile of nuclear bombs. Unless this more comprehensive exercise is satisfactorily executed, the country can have no reasonable opportunity of learning what a nuclear weapon system would really cost it. In these circumstances, the amounts of Rs. 10 crores or Rs. 15 crores mentioned by Dr. Bhabha as the cost of Bomb stockpiles constitute information which is not only inadequate but which may be altogether misleading.

At the same time, it must be conceded that the question of cost in the ultimate analysis cannot be a decisive consideration. There can really be no financial argument against the country aiming to provide adequately for its safety. This country has a five-year defence programme aiming at an annual rate of spending of some Rs. 1,000 crores on the nation's defence preparedness. Apart from the fact that it might be possible to accommodate a nuclear weapon system within this or a slightly larger military budget, there is also the possibility that should this country decide in favour of a nuclear weapon project, it would naturally have to reconsider and redesign its ideas and attitudes on such matters as military alliances — in which case it would

become possible surely to ensure that this country does not have to bear the entire burden, in terms of financial or physical resources, of its nuclear armoury. It may not, however, be useful — and it is certainly not necessary — to pursue the question of cost further at this point since the answer in our view to the basic issue whether the Bomb has become a military necessity for us must clearly be in the negative.

It is important to add, however, that while there is no need for us to imitate the Chinese in nuclear bomb-making, it would be a mistake to conclude that no new political or diplomatic initiatives are called for. The arrival of an aggressive nuclear power at our door-step has certainly heightened the importance and urgency to ourselves of real and early progress towards world nuclear disarmament. If there is any point at all to Dr. Bhabha's thesis on the relative inexpensiveness of nuclear bombs or the reasonableness of the temptation to countries generally to seek to provide themselves with nuclear armoury as a deterrent to nations stronger than themselves, it is that there must be renewed international activity on a large and vigorous scale for committing the world and the world's entrenched nuclear powers to the employment of nuclear technology solely for peaceful purposes. India has always been playing a great role in this effort and she can respond best to the Chinese nuclear explosion by redoubling her exertions. While it is true that nuclear disarmament is something which can be effected only by nuclear powers, it is equally true that the promotion of a world conscience and the generation of the pressure of world opinion in favour of nuclear disarmament can best be undertaken by countries such as ours which are not only in the position of not having become nuclear powers yet but have also pledged themselves not to become nuclear powers ever.

Eastern Economist 20 Years Ago NOVEMBER 24, 1944

The International Business Conference, which concluded its sessions at New York last week is, in many respects, a unique one. It is the first non-official conference in the international field, being sponsored by influential bodies of American business opinion and represented by business spokesmen of fifty-three nations. Official conferences there have been, for instance, on security, monetary stabilization, aviation and post-war relief, which have attempted to attain some measure of combined action in the international sphere, but on the fundamental question of the right commercial policy on which depends future world prosperity, governments are still fighting shy of taking the initiative, even though they all talk idealistically of expanding international trade. Meanwhile business men from different nations, thanks to American initiative, have come together in conference to exchange ideas and see whether a consensus of opinion on international economic issues cannot be created at least among those engaged in business.

Highlights of the Week

FOOD CORPORATION

MR. C. SUBRAMANIAM, the Union Minister for Food and Agriculture, introduced in the Lok Sabha this week a Bill providing for the establishment of the Food Corporation of India — an autonomous body — to undertake "trading in foodgrains in a commercial manner but within the framework of an overall Government policy". The Government found it necessary to set up such a Corporation in the interests of both increased agricultural production and the common consumer. It is of the opinion that only by the establishment of such a Corporation will it be possible to implement effectively any official policy of ensuring that the primary producer obtains the minimum price fixed from time to time and the consumer is protected from the "vagaries of speculative trade".

Outlining the objectives of the Bill, Mr. Subramaniam stated that the establishment of the Food Corporation of India is one of the essential and important steps in the implementation of Government's policy. The Corporation will be the first organised attempt to take up State trading in foodstuffs on an appreciable scale; it will also be used to build up gradually the vitally-needed buffer stocks. The Corporation will "engage itself in the purchase, storage, movement, distribution and sale of foodgrains." If necessary, it will also deal in other foodstuffs. In consultation with the Central Government, the Corporation will also discharge certain incidental functions. It is anticipated that it will have a strategic and commanding position in the foodgrains trade of the country. Since it is necessary that the Corporation must work with the active and continued co-operation of the State Governments and their machinery, the Bill has provided for the setting up of boards of management and State Food Corporations to secure such co-operation.

The initial capital of the Corporation will not exceed Rs. 100 crores, though its quantum will be fixed by the Central Government and will be provided by it from time to time after Government approval is made by the Lok Sabha. The Bill has provided for increasing the capital of the Corporation by the Central Government, if need be. The Bill has also provided that the capital of a State Food Corporation should not exceed Rs. 10 crores; the exact quantum of the capital of each State Food Corporation will be fixed by the Central Government after consultation with the Food Corporation of India. The capital of State Food Corporations may also be increased by the Central Government in consultation with the Food Corporation of India. The Bill has provided for the guarantee by the Central Government of the repayment of principal and the payment of interest etc. in respect of loans and advances made to a Food Corporation by a scheduled bank or any other bank or financial institution against stocks of foodgrains. The Bill has empowered the Food Corporation to guarantee any money lent by a scheduled bank or other financing agency to a grower of food crops on the basis of agreement entered into by that Corporation with the grower of foodgrains for the purchase of foodgrains. The management of the affairs and business of the Corporation shall remain in the hands of a Board of Directors authorised to exercise all such powers provided in the Bill.

The Head Office of the Corporation shall be at Madras. The Corporation may establish offices or agencies at other places inside or outside India.

SUGAR PRICE POLICY

THE GOVERNMENT of India has announced the new ex-factory prices of sugar in different regions which, according to the official communiqué, have been fixed after taking into account the increases allowed in the cane price and estimates of duration and recovery for the 1964-65 season. The prices fixed for sugar of ISS Grade D-29 are: Rs. 118.00 per quintal for factories in the Lucknow Division of Uttar Pradesh, Ma-

harashtra and Mysore; Rs. 118.75 per quintal for factories in East Uttar Pradesh, Rohilkhand and Agra Divisions of Uttar Pradesh, North Bihar, West Bengal, Gujarat and Andhra Pradesh; Rs. 121.25 per quintal for factories in Dehra Dun and Saharanpur districts of Uttar Pradesh; Rs. 123 per quintal for factories in Madhya Pradesh, Orissa, Madras, Pondicherry and Kerala; Rs. 129.25 per quintal for factories in Meerut, Muzaffarnagar and Bulandshahr districts of Uttar Pradesh, Punjab, South Bihar and Rajasthan; and Rs. 126 per quintal for the factory in Assam.

The maximum fall in price in relation to the preceding season has been in the case of Rajasthan from Rs. 138 per quintal to Rs. 129.25 per quintal. The other areas for which the new prices are lower than the prices in the last season are Punjab, Lucknow Division of Uttar Pradesh, East Uttar Pradesh, Rohilkhand and Agra Divisions of Uttar Pradesh, Dehra Dun and Saharanpur districts of Uttar Pradesh, Meerut, Muzaffarnagar, Bulandshahr districts of Uttar Pradesh, North Bihar, Madhya Pradesh and West Bengal. The prices have remained unchanged in the case of Maharashtra and Mysore while there have been marginal increases in the case of the remaining areas. The new prices have thus been lower than the prices in the preceding season for a major proportion of the sugar factories.

The case of the industry is currently being investigated by the Tariff Commission. Till the report of the Commission is completed, it is not possible to arrive at an objective conclusion regarding prices but, prima facie there is a case for raising the ex-factory sugar prices if the larger objective of increasing production is to be attained. The total installed capacity of sugar factories at the moment is around four million tonnes while production in the next season is not likely to be more than three million tonnes. If this downward revision in prices had not been done but, on the other hand, a further incentive had been given to the industry, there is no doubt that production would have come up to expectations. The vicious circle of soaring sugar prices consequent upon inadequate production can only be broken by increased production which, in turn, will emerge only if the industry is allowed sufficient room for manoeuvrability in its competition with the gur and khandasari producers. By lowering the ex-factory sugar prices, the Government has increased the difficulties of the sugar producers who will not be able to attract sugarcane by offering competitive prices.

HINTS FOR ENTREPRENEURS

AT THE conference of ICICI constituents last week at Bombay, Mr. G. L. Mehta made some interesting points in his welcome address. He not only traced the achievements of the ICICI during the last decade but also gave some useful hints for the entrepreneurs seeking loans from the financial institutions. The ICICI had, according to Mr. Mehta, endeavoured to keep the procedures simple and the requirements minimum in order to ensure "a quick and viable decision." Certain elementary considerations, however, need to be borne in mind, the most important being the viability of the project in the long run. Despite the best efforts of the ICICI to scrutinize carefully each and every project presented to it for financial assistance, many of them have during the last two years faced a variety of problems. Some of them are having teething troubles at the operation level; some faced raw material or skilled labour shortage; some others have come up against marketing problems. The emergence of marketing problems in the case of some of the projects is a significant pointer because there is a common belief in this country that the size of the Indian market is enormous and any and every product which is produced in the country will be sold. In view of this experience, the ICICI rightly expects from the promoter a market analysis for the product he proposes to manufacture.

able the Ministry to keep ready some coke oven projects so that they can be implemented expeditiously when exigencies arise.

Broadly speaking, the proposed study will contain material regarding the various sites considered suitable for setting up coke ovens, having regard to the availability of coal from indigenous sources, land, water, power, transport facilities, etc. It will also indicate the production processes, by-product utilisation and capital and operating costs. The sites will have to be recommended in order of priorities with reference to cost, materials, production and distribution of end-products.

★★

A 38-member team of West German business men and industrialists is expected here about the middle of January next for exploring new avenues of Indo-West German collaboration. The team, it is understood, will include representatives of West German banks and large and medium-sized concerns dealing in or manufacturing such items as machine tools, pumps, precision instruments, gelatine, radio and tele-communication equipment and garments. An official each of the West German Association of Machine-builders and the German Bank for Reconstruction, will be included in the team.

The team is expected to remain in India for about three weeks. During their tour of the country, the members of the team will hold discussions with the Union Government, organisations of industry, trade and banking and prominent industrialists.

Dr. Herman J. Abs, who headed the team of "three wise men" which visited India four years ago to assess the foreign exchange requirements of the current Plan, is also expected here towards the end of January for assessing India's fourth Plan foreign exchange requirements and how West Germany can assist in meeting them.

★★

A seven-member international team of experts in foreign trade, consisting of Dr. Robert J. Clark, Mr. Masayuki Katoh, Mr. William Thomas Pearce, Mr. Alexander O. Stanley, Dr. Elio Tosarelli, Mr. Herbert William Vallender and Mr. Minora Yoshida, has arrived here to study India's export efforts and to suggest improvements in them. The study will cover the practices and techniques of foreign trade, working of trade organisations in India and trade representations abroad, commercial intelligence, market survey techniques, product and commodity research, export organisations, product adaptation, quality control and testing, and manpower and training for foreign trade.

In its study, the team would be assisted by an Indian group of experts under the leadership of Dr. P. S. Lokanathan, Director-General, National Council of Applied Economic Research. The other members of the counterpart Indian group will be Mr. B. N. Adarkar, Additional Secretary, Ministry of Finance, Mr. G. L. Bansal, Secretary-General, Federation of Indian Chambers of Commerce and Industry; Mr. H. D. Shourie, Director-General, Indian Institute of Foreign Trade; Mr. S. Hamid, Joint Secretary, Ministry of Commerce; Mr. S. S. Marathe, Economic Adviser to the Government of India; Mr. S. Subramanian, Chairman, Tariff Revision Committee; Dr. R. M. Hanavar, Officer on Special Duty, Ministry of Commerce and Mr. C. R. Krishnaswamy Rao Sahib, Joint Director of Export Promotion.

Meanwhile, the Union Ministry of Commerce has proposed to set up a Federation of Export Organisations in the country. The Federation will co-ordinate and supplement the activities of individual export promotion bodies.

According to the information received here, the UK Government has exempted Indian kips from the 15 per cent surcharge levied on imports into Britain. The Union Government has approached the UK Government for grant of similar

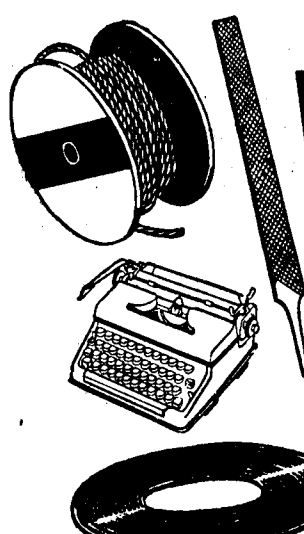
exemption to jute goods, handlooms and coir manufactures. It is hoped that some concessions will be made by the UK Government in the case of these exports from India in the near future. During his visit to London next month, the Prime Minister, Mr. Lal Bahadur, is expected to discuss with the British Prime Minister, Mr. Harold Wilson, the adverse impact of the 15 per cent surcharge on India's exports to Britain.

★★

The five-member trade delegation, consisting of Mr. S. V. Ramaswamy, Deputy Minister for Commerce (Leader), Mr. S. Ramachandran, Deputy Secretary, Ministry of Commerce, Dr. H. Shah and Mr. P. L. Sehgal, Industrial Advisers, Chemicals and Engineering, respectively, in the Technical Directorate, and Mr. B. L. Sahay, Regional Director, STC, which toured Czechoslovakia, Rumania, Bulgaria and Hungary for four weeks ending November 14, 1964, has negotiated stepping up of trade with these countries in 1965 by about 25 per cent from the current year's level. The most significant achievement of the delegation, however, is that it has inculcated interest in the East European countries for purchase of heavy engineering goods from India. Czechoslovakia and Hungary are likely to buy a fairly large number of railway wagons. A delegation each from these two countries has arrived here for finalising the details of purchase of this non-traditional item on India's export list.

The trade with Czechoslovakia, currently around Rs. 15 crores each way, is expected to be raised next year to Rs. 24 crores each way. Czechoslovakia has agreed to utilise all the rupee funds accumulated by her for purchase of goods next year. She will buy from here increased quantities of tyres and tubes, tea, tinned fruits, etc. Besides showing interest in importing railway wagons, she has also expressed desire to import Vitamin intermediates and Hormones intermediates.

The trade with Rumania is expected to be increased to Rs. 8 crores each way. Rumania has agreed to buy fairly large quantities of Indian iron ore for her Galatz Steel Plant in spite of competition from Brazil, and Egypt and Indian textiles to the tune of Rs. 1.5 crores, including handlooms worth Rs. 50 lakhs. She will supply to India 10,000 tonnes of caustic soda and a similar quantity of heavy and light soda ash, Rs. 40



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WINDOW ON THE WORLD

“Political” Economy in Britain

PAUL EINZIG

LONDON:

THE TERM “political economy” has ceased to be fashionable during the present century and has been replaced by “economics” or “economic science”. Its use should be revived, however, in connection with Socialists’ economics that is gradually emerging from the policies and actions of the new Labour Government in Britain. For the economics of that Government is nothing if not political. In other words, political considerations prevail in its economic policies over economic considerations.

It would be idle to deny that the Labour Government has inherited a strongly unfavourable situation from its predecessor. Mr. Maudling, who was easily the worst Chancellor of the Exchequer in my long experience, had completely abstained from taking any steps to correct the balance of payments deficit and to mitigate the overload on the economy. His only excuse — and it was a very poor one — was that the Labour Government had behaved in exactly the same way in 1951. Lord Attlee’s Chancellor of the Exchequer, Mr. Gaitskill, candidly admitted that he did not even keep himself informed about the heavy outflow of gold during the election campaign, let alone do anything about it. But earlier in the year he did impose some unpopular charges on National Health Services in an attempt to mitigate inflation.

Returned to power, the Labour Government, having forgotten nothing and having learnt nothing during the 13 years out of office, is now making a valiant effort to out-Bourbon even the Bourbons, and to beat its own record as well as that of the Conservative Government in irresponsible behaviour in face of growing inflation. In 1951 Lord Attlee’s Government, faced with a balance of payments crisis, adopted at any rate some National Health Service charges. In 1964 Mr. Wilson’s Government, faced with an even graver balance of payments crisis, is actually removing those self-same charges! At the same time it is actually increasing other social service benefits. Admittedly, such increases are overdue. But to choose for them precisely the moment when the balance of payments crisis has to be dealt with as a matter of urgency illustrates the extent to which political considerations outweigh economic considerations in the Labour Government’s policies.

Elementary Economics

It is a matter of elementary economics that when a country is over-importing it has to curtail its domestic consumption. Admittedly, for the time being imports will be checked by the 15 per cent surcharge imposed on them by the new Government. But the adverse reaction to that move in foreign opinion has exceeded expectations, and there is bound to be irresistible pressure from all over the world for its early removal. The only justification for the surcharge is that it gives the new Government a breathing space during which it could apply measures to curtail consumption if it wished to do so. Instead of doing just that, Socialist “political” economy pursues precisely the opposite course. It is embarking on a large-scale redistribution of incomes through increasing the purchasing power of the lower income groups and through increasing taxation of the high income groups.

Is it possible that Mr. Wilson, who is after all an economist in his own right, and his twin economic advisers, Dr. Balogh and Dr. Kaldor, have forgotten their elementary Keynesian economics, according to which a more equal distribution of incomes makes for inflation? Such a measure

would have every justification if the economy were under-employed, but it is out of place in existing conditions when the economy is already over-employed. All economic arguments are against the timing of the measures, but it seems that political considerations will prevail.

Admittedly, the Government would be able to get away with such ill-advised economic policy, if only it could persuade the trade unions to agree to the adoption of an incomes policy and to a removal of their restrictive practices. It would increase the output and would thus obviate the necessity for curtailing consumption. It might even justify the policies resulting in an increase in consumption. Unfortunately the way in which the Government has set about to achieve that end is fated to failure. Having given away his bargaining weapons by renouncing the use of “stop-go” methods and by undertaking to soak the rich even before the trade unions have committed themselves to a promise on the principle involved, there is very little inducement for the latter to comply with the Government’s wishes.

Profits: a Residual Item

When the appointment of Dr. Balogh and Dr. Kaldor was announced it gave rise to hopes that, even though they are essentially political economists, they would keep the Government on the right lines on such elementary economic matters as the impossibility of limiting profits. It seems, however, that they have failed to explain to their Ministers — if indeed they have tried to do so — that profits are a residual item which are bound to be subject to fluctuations. In order that they should be treated similarly to wages in an incomes policy it would be necessary that wages, too, should go down when profits go down, and that is clearly inconceivable. To try to explain this even to Labour leaders, let alone to the rank and file of their supporters, would be good economics but bad politics. Therefore, it seems that any concessions to be made by the trade unions will have to be paid for in the form of measures which are bound to be detrimental to expansion of production.

The only way in which the immediate consequences of such “political” economy could be mitigated, in the short run at any rate, would be by allowing inflation to proceed unhampered. Amidst rising prices there would be some inducement to increase production notwithstanding the discouraging effect of efforts to keep profits down. Such a policy would aggravate, however, the balance of payments crisis. In order to be able to inflate with comparative impunity, the Government will feel impelled to resort to economic isolationism. In view of the probable reluctance of foreign countries to bolster up British domestic inflation by means of granting credits to support sterling, there would be no choice but resorting to exchange controls, to be followed by bilateralist trade methods.

Beyond doubt the new Government would deserve every sympathy in a genuine effort to clear up the mess it has inherited. But instead of doing that, it seems to have set out to aggravate the difficulties by disregarding economic considerations for the sake of political considerations. To spend in advance what the Socialists hope to earn through raising productivity in the future is as inflationary as the issue of paper money in Faust by the Emperor on the advice of Mephistopheles, secured on gold in the bowels of the earth, to be recovered in the future.

LISTENING POSTS

“Wages in Kind” Scheme Shelved

By Our Special Correspondent

NEW DELHI:

MEETING HERE last week, the Standing Committee on Industrial Truce Resolution approved the outline of a Bill seeking to make it compulsory for employers, both in the public and private sectors, to set up fair price shops at which would be supplied to the low-paid employees rice, wheat or wheat substitutes and sugar at controlled prices and cotton textiles, cooking media and pulses at wholesale prices. The Bill will cover only such industrial establishments as employ 300 or more persons.

The Committee felt that it was not necessary to proceed separately with the scheme of payment of wages in kind. However, the various benefits which were to accrue to the employees under this scheme should be incorporated in the Bill for fair price shops. A sub-committee was appointed to examine the draft Bill clause by clause.

The Committee accepted the definitions of fair price shops and industrial establishments given in the draft Bill. An industrial establishment will include a factory, any railway, tramway or motor omnibus service, dock, jetty and mechanically propelled inland vessel, mines, oilfields, quarries, plantations, banks, insurance companies, etc.

The Committee recommended that a worker should be entitled to buy from a fair price shop commodities of the total value amounting to 40 per cent of his monthly earnings or Rs. 150, whichever is less. Such fair price shops will be set up under rules made for the purpose by the Government.

It also recommended that certain consumer articles, in addition to the six items mentioned above, might be sold at these fair price shops. The additional items will be decided by joint committees of management on which workers would be represented. Another recommendation of the Committee was that a fair price shop would be set up provided a minimum of 200 employees opted for the scheme for a period of at least six months.

The Committee approved that there should be a provision in the Bill to the effect that where an employee asked for it, the employer should sell the commodities stocked in the fair price shops on credit and notwithstanding anything in the Payment of Wages Act, the employer would be entitled to recover the dues by deduction from pay at the rates prescribed.

The Committee agreed to the penalty clause in the draft Bill. This clause proposes imposition of a penalty on the offending employers in the shape of fine on conviction and enhanced penalty for a continuing offence. By another provision in the draft scheme, protection would be given to the existing benefits under any arrangement or agreement or award which are greater than what this Act would confer.

★★

The Union Ministry of Steel and Mines is understood to have planned a crash programme for prospecting and development of minerals, especially non-ferrous metals, in which the country is sorely deficient at present. Called the “Operation Hard Rock”, the scheme envisages embarking on an intensive survey of mineral resources through airborne surveys so that favourable prospecting areas within the Indian geosynclines are pin-pointed from the air by aeromagnetic, electromagnetic and radiometric methods. The zones thus located will be further examined by exploration field teams, suitably staffed and equipped for the requirements of parti-

cular areas. Subsequently, the selected areas will be subject to ground geological, geochemical and geophysical examinations. In the event of the likelihood of finding economic deposits, diamond drilling, test pitting and other conventional methods will be used.

The “Operation” will require about Rs. 2 crores, including approximately Rs. 94 lakhs for contractual airborne survey and the salaries of the foreign experts who will be appointed by contractors, nearly Rs. 47 lakhs for contractual diamond drilling and about Rs. 24 lakhs for purchase of equipment.

The U.S. Agency for International Development is understood to have indicated willingness to advance a loan of about \$3.5 million to cover the foreign exchange cost of the programme.

When all the details are finalised, the scheme will be submitted to the Union Finance Ministry and the Planning Commission for clearance.

★★

According to an agreement reached last week between the Union Ministry of Steel and Mines and the Hungarian Aluminium Delegation, the Hungarian Foreign Trade Company Chemikomplex, has been entrusted with the task of preparing a detailed project report, in collaboration with the Indian organisation, the National Industrial Development Corporation for the aluminium plant to be set up in the public sector at Korba, in Madhya Pradesh. The plant will have a capacity to produce 120,000 tonnes of alumina per annum, which would yield 60,000 tonnes of metal. The alumina to be manufactured at the Korba plant, in the initial stages, may be supplied to the existing aluminium manufacturing units in the country. It may partly be used for feeding a 30,000 tonnes aluminium smelter which is proposed to be set up at Korba. No firm decision in this regard has, however, been yet taken.

The preliminary project report will be submitted by the Hungarian company in about 10 months and the final report in 18 months. The plant will be commissioned into production in about 30 months after the acceptance of the preliminary project report by the Union Government. The total cost of setting up the plant will be \$25/30 million (Rs. 12/14 crores). Hungary will be extending a credit for financing the foreign exchange component estimated around 25 per cent of the total cost.

The Hungarian Delegation is understood to have told the Union Ministry of Steel and Mines that it is satisfied with the prospects of aluminium production in Madhya Pradesh. The work on the project report is expected to begin early next month.

The Hungarian Delegation has indicated to the Union Government that besides designing of the plant, Hungary can participate in the delivery of equipment, training of Indian technicians and construction and start-up of the plant right up to the aluminium manufacturing stage.

★★

The Union Ministry of Steel and Mines is understood to have decided to commission a study of the possible sites for the locations of coke oven plants intended to produce hard coke and various valuable by-products. As in the case of the feasibility studies already commissioned for the establishment of pig iron manufacturing units, the main objective of this study is to en-

apprise the Government of their findings. In this connection, he regretted the fact that there was not adequate co-operation between the bankers and the Government. Bankers, some in their superior wisdom may think, know only to collect deposits and advance money, but this was not correct, he said, as bankers come into close contact with people in different walks of life and have many opportunities of studying the people and their problems.

Mr. Birla availed himself of the occasion and referred to the important role of not only the Dena Bank, but of banks generally in the economic development of the country. During the last few years, he said, Indian banking institutions had registered tremendous progress and drew attention to the spectacular growth of deposits (nearly three times since 1948) and advances (more than four times since 1948) alike. Indian banks had rendered great service to the growth of the Indian economy, trade and commerce and had helped the country achieve its targets, he said, and this, he was sure, the public at large also appreciated. But, he went on, there were some who did not take so pragmatic a view and demanded nationalisation of banks. Personally, he thought the banks would render greater service in the days to come. As the country moved to more difficult times, as seems inevitable, the experience of bankers is bound to come in very handy. Had there been closer collaboration between the bankers and the Government, he believed, many of the mistakes committed in the past could have been avoided. At any rate, there would have been no occasion for a pattern of credit squeeze policy such as the present that had to be planned, replanned and modified, all during the past 12 months.

It is only appropriate that, on this occasion, something must be said about the progress of the Dena Bank over the past 25 years. At the end of this period, the Dena Bank finds itself as a strong, stable and dynamic institution. To quote from the tribute paid to the Bank by a former Governor of the Reserve Bank, "this Bank has made rapid strides, particularly during the last few years, and has now become one of

the major banking institutions in the country... Without sacrificing soundness, it is showing itself receptive of new ideas and new procedures."

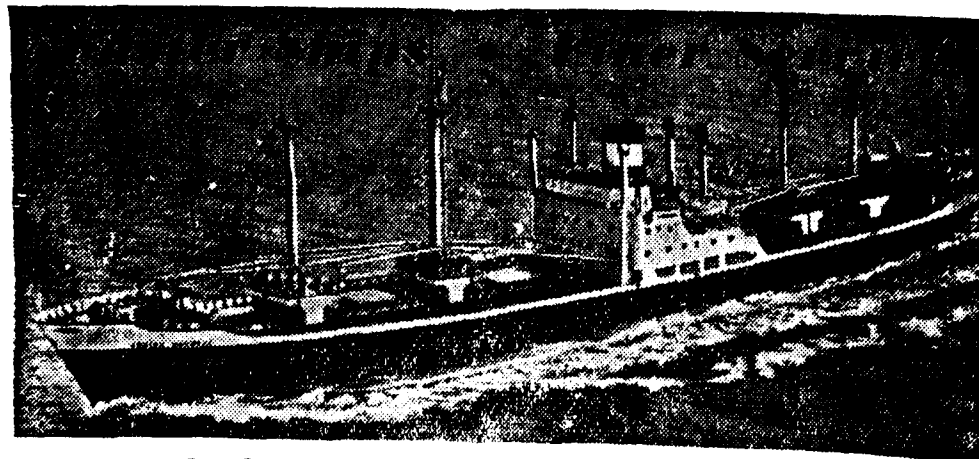
25 YEARS' PROGRESS AT A GLANCE

	1938		1964
1	Number of Offices	147	
156	Number of Accounts	Over 3 lakhs	
Rs. 6.25 lakhs	Paid-up Capital	Rs. 1 crore	
—	Reserve Funds	Over Rs. 1.10 crores	
Rs. 5.19	Deposits	" " 64.66	"
Rs. 7.51	Investments	" " 18.86	"
Rs. 3.62	Advances	" " 43.13	"
Rs. 18.14	Working Capital	" " 75.46	"
Rs. 2,000/-	Net Profit	Over Rs. 26 lakhs (in 1963)	
21	No. of Shareholders	Over 2,400	
22	No. of Employees	3,300	

With this notable record to the credit of his Bank, Mr. Lalitchandra C. D. Nanjee, the present Chairman of the Bank, could justifiably claim: "The pulse of the banking system today is very sound and vigorous. It has been beating quite satisfactorily in accordance with the normal trends of healthy and enduring growth". He also said: "The banks have been acquitting themselves creditably, as the artery of the nation's finance, in the beneficent work of rendering assistance in a substantial manner to nation-building programmes both in the private as well as in the public sectors. All this success has been because of the dynamism displayed by the present banking system, functioning as a free arm under the concept of mixed economy, accepted as the most suitable for conditions of economic growth in India. Banks will have to continue to play a more dynamic and a varied role as the perennial source of finance required for our developing economy".

★★

The Unit Trust of India has announced that the total number of applications for the purchase of units, which were



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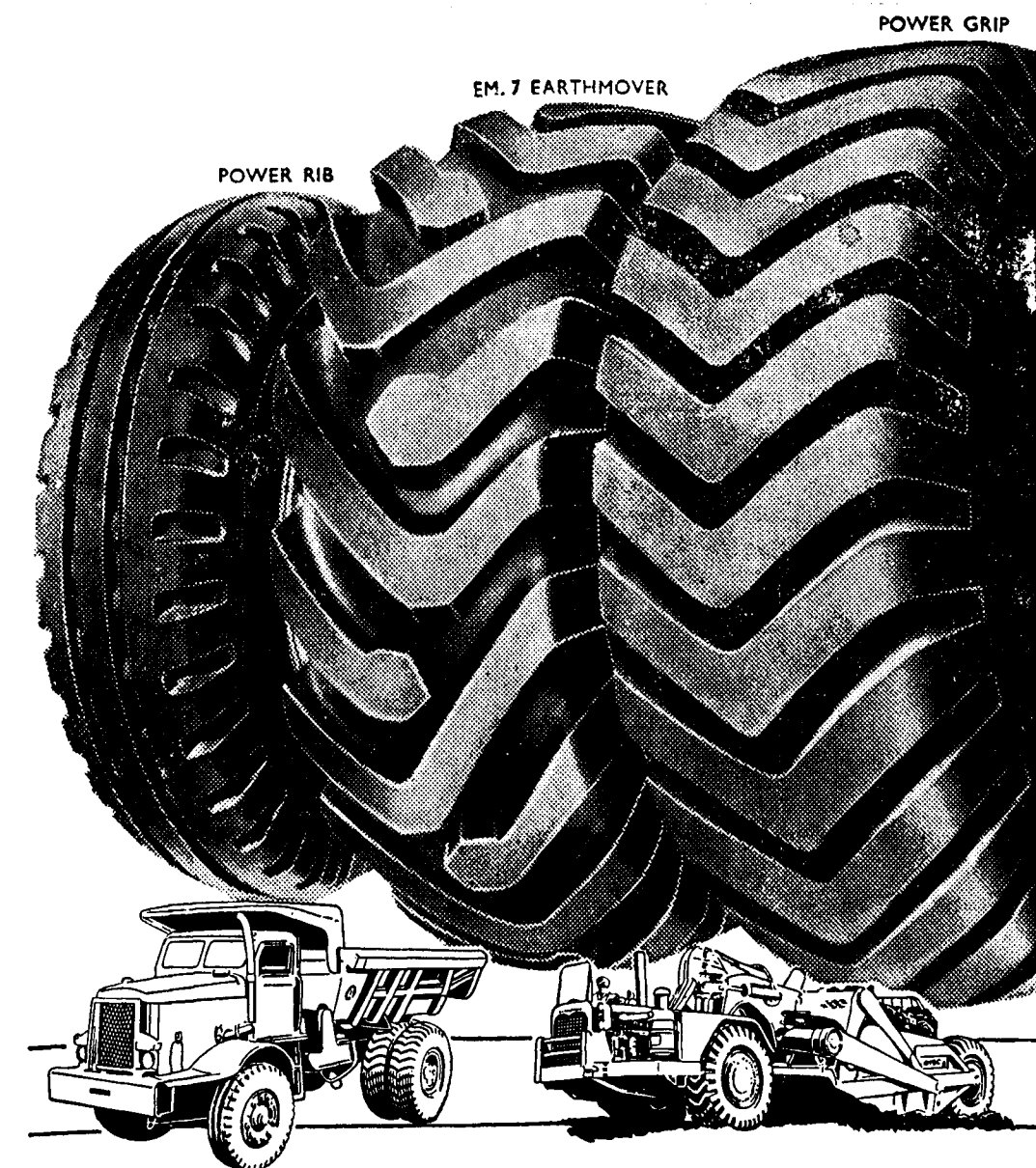
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The trade with Bulgaria is expected to go up to Rs. 5.5 crores each way. India will be importing more caprolactum from Bulgaria next year. As against this, Bulgaria will import more iron ore from here. Bulgaria has also promised to quickly fulfil her commitment of exporting Rs. 30 lakhs worth zinc to India this year.

The trade with Hungary will be raised to Rs. 14.5 crores each way. Besides exporting railway wagons, India will sell to Hungary larger quantities of cotton textiles, leather footwear, chemical products and engineering products. Hungary will increase her exports of chemicals and various kinds of drugs, including sera and vaccines, but curtail exports of wheels and wheel sets as these are due for production indigenously at Durgapur.

★★

The two Houses of Parliament re-assembled this Monday for the winter session. No legislative business was transacted on the first day as both the Houses adjourned after paying homage to the memory of the late Union Minister for Industry, Mr. H. C. Dasappa. The proceedings in the Lok Sabha on Tuesday opened on an ominous note with both the Opposition and Congress members exercised over the acute food situation in Kerala. The Opposition seized the opportunity and pressed forth an adjournment motion which was admitted as the Treasury Benches made no serious attempts to resist it. With the overwhelming majority of the ruling party in the House, the motion, however, met the expected fate — it was defeated by 180 votes to 42.

During the debate on the adjournment motion, member after member from Kerala, without regard to party affiliation, gave vent to his feelings of sorrow at the miserable conditions created in the State by the rice shortage. They lashed out at the Government for its failure to avert the crisis and referred to the Kerala Governor's reported statement (blaming the Centre for having let down the State and urging a probe to fix the responsibility for the muddle), time and again. As

Credit Squeeze Has Hampered Production

From Our Correspondent

BOMBAY:

IF FOR the Devkaran Nanjee Banking Co. Ltd., Bombay, its Silver Jubilee last week was a great occasion to celebrate, which it no doubt did in a truly grand scale at the Royal Western India Turf Club, it was for the others present on the occasion a rare opportunity to hear Mr. G. D. Birla. There must have been many speculations on what the theme of Mr. Birla's presidential address on this important occasion would be, but few anticipated his categorical castigation of credit curbs. Whatever may be the theoretical justification for the present credit squeeze policy he felt convinced that it would not help the country hold the price line. "In the prevailing scarcity conditions", he maintained, "the only remedy to bring down prices is to increase production. You must create a glut of goods," he said, and "unless there is a glut of all kinds", he added, "prices will not come down, nor will the country be able to build up exports".

How important price stability is does not still seem to be appreciated by all in this country, certainly not by those whose primary responsibility it is to hold the price line. If they have done so, as they claim, the steps taken by them so far do not support it. It is time that, at least in responsible quarters, the implications of Mr. Birla's sombre remark that "political stability and everything else depends on the stability of prices" are pondered over.

Reviewing the course of prices in recent years, Mr. Birla

the debate progressed, its original tempo, however, was not kept up and repetitive arguments detracted very much from the desired effect. Specific charges made by the Opposition were comparatively few considering the tempo of the House. Mr. Hiren Mukerjee, the Communist leader, pointed to the lack of co-ordinated policy and failure to deal effectively with hoarders despite the fanfare with which the emergency powers had been assumed by the Government. The S.S.P. leader, Mr. S. N. Diwedi feared that the Food Corporation of India would create a new type of anarchy and could not be expected to straighten the matters out. The Swatantra leaders, Mr. N. G. Ranga, differed from both the Communists and the Socialists on the need for controls and suggested resort to subsidy for the distribution of stocks procured internally.

The Union Food Minister, Mr. C. Subramaniam's reply to the debate was candid. He fully accepted the moral responsibility for the Kerala crisis, and shared the anguish of the critics.

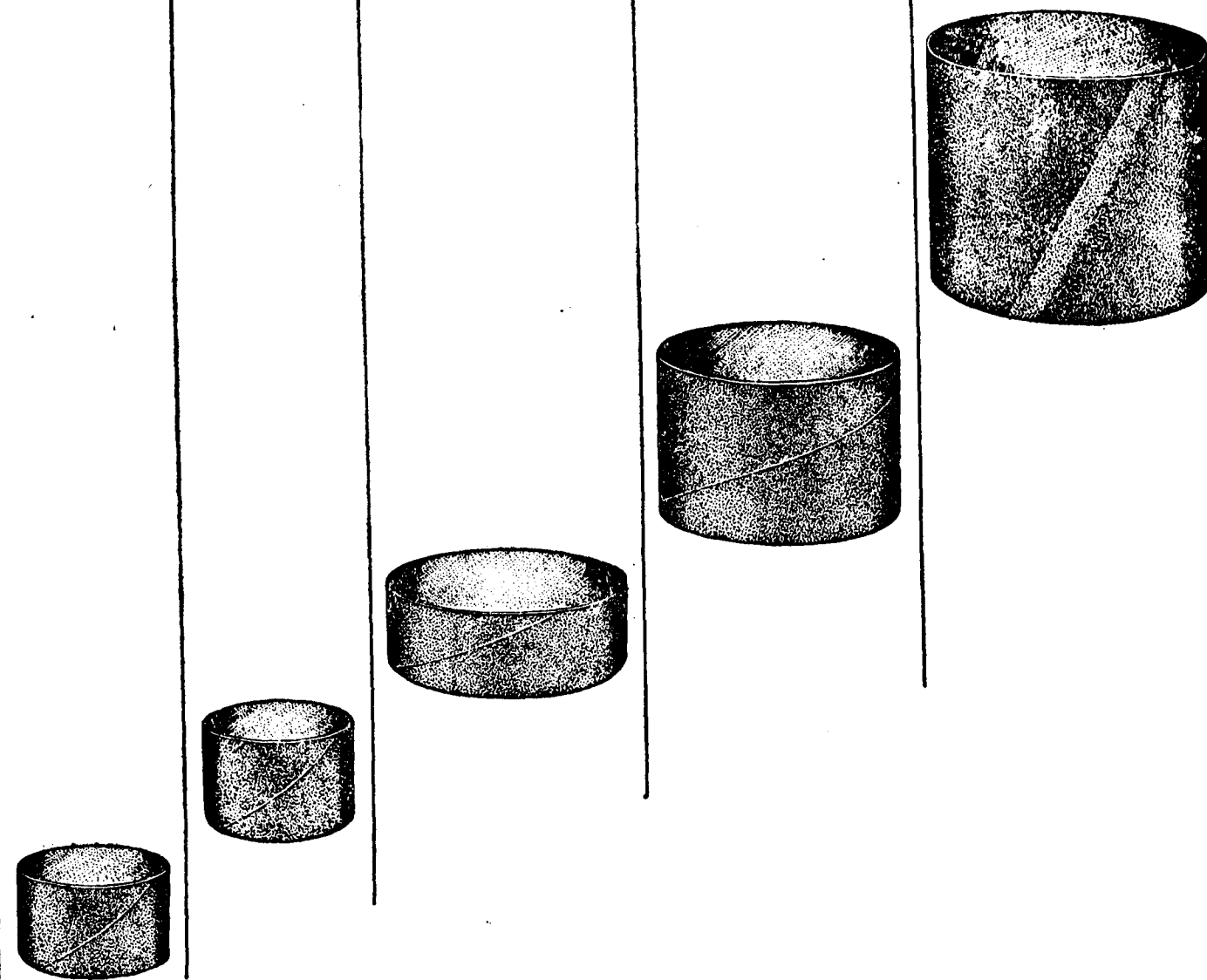
In a lengthy statement laid on the table of the House, he frankly told the true story even though it did not present the Government in a favourable light. He described how the arrangements made for free movement of rice in the four southern States did not work. The Andhra and Madras Governments imposed formal restrictions on the movement of rice to Kerala because the price control was not observed there. Later on, the Madras Government could not supply the promised quantity of rice because of its own difficulties. Nor did the movement from Andhra Pradesh take place as expected. Mr. Subramaniam also referred to the go-slow attitude of labour in the Cochin Port to which two wheat ships had been diverted.

With the remedial measures being taken — rushing of food supplies from Andhra Pradesh and elsewhere in the country — the situation in Kerala, the Minister said, was improving. He hoped that the recent unhappy experience of Kerala would not be repeated — neither in this State nor anywhere else in the country. He told the Rajya Sabha earlier that if he failed to bring the food situation under control, he would not hesitate to pay the political price.

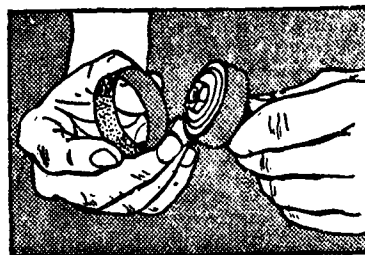
recalled how, from 1957 to 1962, prices had remained stable in spite of the fact that money supply had gone on increasing but how thereafter there was a reversal of this trend, especially after the "momentous budget" of 1963. Though he could not pin-point from when precisely it began, this budget, he said, affected industrial production. And when, at the same time, agricultural production also was not maintained, there was a spurt in prices and the Reserve Bank proceeded to arrest it by its credit squeeze policy. But the result of this policy so far has only been to slow down production and create scarcity conditions. What is necessary today, on the other hand, is to increase production and augment supplies of goods. There is force, therefore, in Mr. Birla's viewpoint that credit curbs have proved ineffective as weapons to hold down prices, inasmuch as they have hindered production and have thereby only helped aggravate the prevailing scarcity.

It is possible to argue that it is too early yet to pronounce any verdict on credit curbs and also that there are other imponderable factors, besides, that have to be taken into account. Even so, here is enough provocation for those that care to go into this question to examine this viewpoint, and Mr. Birla did well in urging bankers to devote attention in particular as to why industrial production has started falling since 1963. What is more important — and he was at pains to stress this — is that bankers should examine the question and frankly

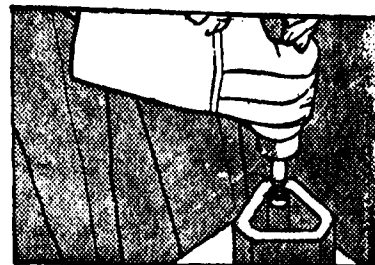
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EASTERN ECONOMIST

received during the initial sale period from July 1 to August 14, 1964, was more than 125,000. Even though the Trust had planned the processing of these applications through mechanisation, the facilities available in Bombay City were found to be inadequate to cope with the volume of work involved. Arrangements had, therefore, to be made at other centres and the work is now reported to be in full swing. The despatch of certificates to unit holders commenced on October 24, 1964; certificates at the rate of several thousands per week are being despatched. The Trust also commenced repurchase of units from November 16, 1964, according to the terms of the scheme. The repurchase price of the units for November 16 was fixed at Rs. 10 per unit while the sale price of the units was fixed at Rs. 10.50 per unit, indicating that the difference between the two prices was exactly 5 per cent.

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It is to be hoped the statement of Mr. Manubhai Shah, the Union Minister of Commerce, at a Press conference in Bombay recently, that the Textile Control Advisory Committee reviewed the position as regards controlled varieties of cloth and was satisfied, truly reflects the present position. This is not improbable, considering that the Additional Textile Commissioner and his assistants have been busy visiting every important textile-producing centre and making personal appeals to the interests concerned to make a success of the new scheme of statutory controls which replaced the long-condemned Voluntary Price Regulation Scheme on October 20.

From what Mr. Shah told the Press conference, controlled cloth has been coming to the market in sizable quantities which may be expected to increase further in the next two or three weeks. This should also materialise, inasmuch as, with the extension of the control to prices and production of drill, there would be an addition of some 40 million metres more to the controlled category of cloth. It is not clear whether the Union Commerce Minister's estimate of quarterly production of controlled varieties of cloth at 450 million metres, as against 410 million metres prior to October 20, is inclusive of these 40 million metres of drill or not. One perforce has to content oneself by assuming that the annual output of controlled cloth would be anywhere between 1,800 million metres and 1,960 million metres, that is between a little over 40 per cent and 44 per cent, respectively, on the basis of the actual production

by the mills of 4,428 million metres in 1963. In either case, the total quantity of controlled cloth as a percentage of the net internal civilian packings (that is, after allowing for exports and defence supplies) should be nearer, if not more than, 45.

Prerequisites of Control

The success of statutory cloth control will primarily depend upon what this 45 per cent of total mill production will mean to each mill. Prima facie, it is evident that some mills will find themselves obliged to produce a relatively higher percentage of their total output in the controlled varieties than others, and the higher this percentage happens to be, the more difficult it will be for the mills concerned to make the required adjustments in production schedules. Adequate availability of the right type of cotton supplies and abolition of all obstacles to replacement and renovation are the other prerequisites to successful implementation of statutory control. It is to be hoped that the authorities would bear all these in mind before rushing to any hasty assessment of the behaviour of the mill industry. While, in this connection, the assurance of Mr. Shah to the industry and the trade that the Government would do its best to rectify any defects or maladjustments as and when these are brought to the notice of the Textile Control Advisory Committee (Naik Committee) and the offer of Mr. V. P. Naik, Chairman of the Committee, welcoming suggestions to overcome practical difficulties are helpful as far as they go, one wonders whether the threat of Mr. Naik to extend controls to other varieties (non-controlled varieties) also (in the event of there being a rise in prices) was at all called for, at any rate at this stage when the Union Minister for Commerce himself has expressed his satisfaction with both the flow of controlled cloth and the price trend thereof. No law-abiding mill would mind effective enforcement of the statutory control, but it is equally imperative that the control authorities should enable mills to conform to the control by helping them along the lines indicated earlier. At least this much they ought to do, if they are unable to do anything about the reduction in their so-called scientifically worked out multipliers and their after-thought restrictions on combing allowances for Indian cotton, which have been strongly criticised by the mill industry. For this, surely, they do not have to wait till April next when the minimum obligation of the industry is proposed to be revised.

Third Place for Iron Ore Exports in 1970-71

From Our Correspondent

CALCUTTA:

IRON ORE earned Rs. 20 crores of foreign exchange in 1963-64, and thus became the fourth item in the country's export list, coming after jute goods, tea and cotton textiles in that order. According to Mr. Manubhai Shah's export plans, it may overtake cotton textiles by the end of the fourth Plan if the country succeeds in exporting 30 million tons (a two and a half times increase compared with the present level) by 1970-71. Whether the plan would really materialise, would depend upon a number of factors not all of which are within this country's control. World iron ore markets are becoming increasingly competitive, as new sources of supply are being discovered in some of the Latin American countries. Most of the major steel mills in the United States now possess captive mines in their own country as well as in South American countries, and those which do not, are trying to develop theirs. In the circumstances, the market keeps narrowing for India's iron ore exports. The future for this line of export would, therefore, lie in India's ability to advertise the fact that her iron ore is mostly of the superior grades, and also in such long term supply contracts as she may secure from major im-

porting countries like Japan. Fortunately, this is the strategy for iron ore exports which the authorities, or more precisely the Metals and Minerals Trading Corporation, now follow, and the fully mechanised iron ore mine at Kiriburu which the Vice-President, Dr. Zakir Hussain, opened last week, represents a major effort in this direction.

The Kiriburu iron ore mine is a public sector project belonging to the National Mineral Development Corporation. It was conceived as a result of the recommendations of the Japanese steel mission which came to India in 1958, largely to explore the possibilities of importing more iron ore from this country. But as Mr. Manubhai Shah pointed out at the inauguration ceremony, the vision of Pandit Nehru provided the chief motive force. This country's estimated iron ore reserves of roughly 22,000 million tonnes are nearly one quarter of the world total, yet India's exploitation of the mineral until 1958 was very small indeed, largely confined to the requirements of the country's none-too-large steel industry at that time. As it became clear that the country's reserves were not only sufficient to support a large iron and steel industry but could be exported on a substantial scale over a fairly long period, a

sustained search for markets abroad was undertaken. The long-term contract with Japan to supply 2 million tons from the Kiriburu project and another 4 million tons from a similar venture at Bailadila, represents a major success of the effort.

The Kiriburu iron ore reserves lying on the Bihar-Orissa border along a mountain range are estimated at more than 300 million tonnes. The huge crushing plant installed there is capable of handling about 1,200 tonnes of ore per hour. After crushing and screening and after the fines are separated from the ore — all mechanised processes — the sized ore is carried by a conveyor belt to the point where it is loaded in railway wagons, to be carried to Visakhapatnam, which is some 770 kilometres away. The actual export of ore to Japan from Kiriburu however is not starting right away. This is because the installation of the mechanical ore handling plant at Visakhapatnam port has not been completed. It may take another six to seven months. Till then the ore export programme from the Kiriburu mines will have to be held up. This mechanical ore loading plant being installed at Visakhapatnam port is also linked with the Bailadila project, the other public sector venture from which 4 million tons of iron ore will be supplied to Japan annually. Work on the Bailadila ore mining as such will take some time to start. The Japanese iron ore mines survey team which came to India some time in the middle of 1963 has submitted a report suggesting mining methods which require to be studied by Indian technicians thoroughly. The mining methods are practised in Japan, but not anywhere in India now. Some Indian technical officers were deputed to Japan to study first-hand the mining methods in question, and the feasibility and economics of the method being adopted in India. These officers have since returned and submitted their project report to the Government of India, laying down the principles under which 4 million tons of iron ore will be mined annually according to the specifications given in the agreement with Japan. Now that Kiriburu ore will also be used for the Bokaro steel plant when the first stage of that steel works goes into production, it is possible that more than 4 million tons of ore will be raised from Bailadila and that the work on this project will be expedited.

When 6 million tons of iron ore are actually exported from the Bailadila and Kiriburu mines, India's total exports will have gone up to nearly 18 million tons including a little more

than one-third of this quantity from Goa. The trend of exports during the past six years has shown a steady increase also, as the table below shows, (the figures exclude Goa):

	(Million tons)
1958-59	2.163
1959-60	3.10
1960-61	3.01
1961-62	3.111
1962-63	3.738
1963-64	4.2

During these years, exports from Goa have averaged 6 million tons, and by the end of the current Plan, exports from Goa and the rest of Indian Union are likely to have gone up to 13 to 14 million tons. In the circumstances, Mr. Manubhai's fourth Plan target of 30 million tons does not look over-ambitious. But the uncertainties of the world market apart, there are a number of physical shortcomings in the country itself which will have to be overcome, the chief of which is the lack of adequate mechanical handling facilities at different Indian ports. The Government has now put through a programme of improving port handling facilities at the various ports and a World Bank team of experts is also looking into the matter. Apart from the mechanical ore loading plant at Visakhapatnam which has been financed from the US President's Asian Economic Development Fund, a large ore handling plant at a cost of Rs. 1.32 crores will be installed at Paradip port, to be financed largely from US aid and West German credit. At one of the new wet docks at Madras port, a mechanical ore loading plant at a cost of Rs. 2.5 crores will be installed, and the World Bank is expected to provide finance for it. Similar facilities will be provided at Haldia port, the existing facilities at Mormugao will be strengthened to handle 10 million tons of ore per year and at Mangalore, where a major port is under construction, at least one of the berths will be equipped with the facilities to handle iron ore loading.

The facilities at the ports apart, other necessary measures like a well-co-ordinated and planned development of the mines, strengthening of the transport capacity and the gradual acquisition of an ore carrier fleet will have to be taken. The Ministry of Commerce proposes to set up a high-powered inter-Ministerial board with a full-time chairman of the status of a

UTTAR PRADESH STATE ELECTRICITY BOARD

The Uttar Pradesh State Electricity Board has resolved to float a loan of the nominal value of Rs. 400 lakhs redeemable at par at the end of 12 years. The bonds will carry interest at 5 per cent and will be issued at Rs. 99.75 per cent. The issue will open on November 23, 1964 and will be closed on November 28, 1964 or earlier. Subscriptions will be received at the Head Offices of the State Bank of India at Calcutta, Bombay, Madras and New Delhi and at all branches of the Bank at district headquarters within the State of Uttar Pradesh. The Head Office of the State Bank of India at Calcutta will be in charge of the issue and management of the bonds. The Head Office of the State Bank of India at Calcutta will be in charge of the issue and management of the bonds. The bonds are fully guaranteed by the Government of Uttar Pradesh in regard to the repayment of the principal and payment of interest. The bonds will be trustee securities under the Indian Trusts Act, 1882 and also approved securities for the purposes of the Insurance Act, 1938 and the Banking Companies Act, 1949. The bonds will also be treated at par with Government Securities for the purpose of advances to Scheduled Banks and State Co-operative Banks under Section 17(4)(a) of the Reserve Bank of India Act, 1934 (II of 1934). The Electricity Board will be providing in each financial year from sums as, together with interest thereon, will amount to the total nominal value of the bonds by the time the repayment of the bonds becomes due.

- All sections of the investing public are requested to extend full support to the bonds now under issue.
- The issue is in terms of the Bond Prospectus, copies of which can be had from the aforesaid offices of the State Bank of India.

B. B. LAL, ICS.,
CHAIRMAN
UTTAR PRADESH STATE ELECTRICITY BOARD,
LUCKNOW.

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Venkata Reddy's memory is good at work and at home. Mrs. Reddy never needs to write a shopping list. Just one telling... and the day's shopping list is clear in his head, down to the smallest chilli. Memory matters too in playing cards; the winner of many bridge tournaments, he enjoys the game. The same patience, concentration and an eye for detail that make Reddy a good bridge player, provide him with the basic qualities required as a draughtsman with Burmah-Shell, Madras.

EVERY ITEM MUST TALLY

He helps keep records of the Company assets throughout Madras Branch. Hundreds of details and data collected from blueprints, completion certificates, amendment sheets, items for sanction or

disposal. Every item must tally—a plug, a culvert, a godown—description, cost, site. Sometimes his search takes him to 1928 for records; but often the figures he needs are in his head.

TODAY, AS EVER, PEOPLE LIKE REDDY ARE WORKING FOR YOU

Reddy comes from Razampet in Andhra. He has a farm there and when he goes on leave, he relaxes amidst orchards and paddy fields, or at leisurely rubbers of bridge.

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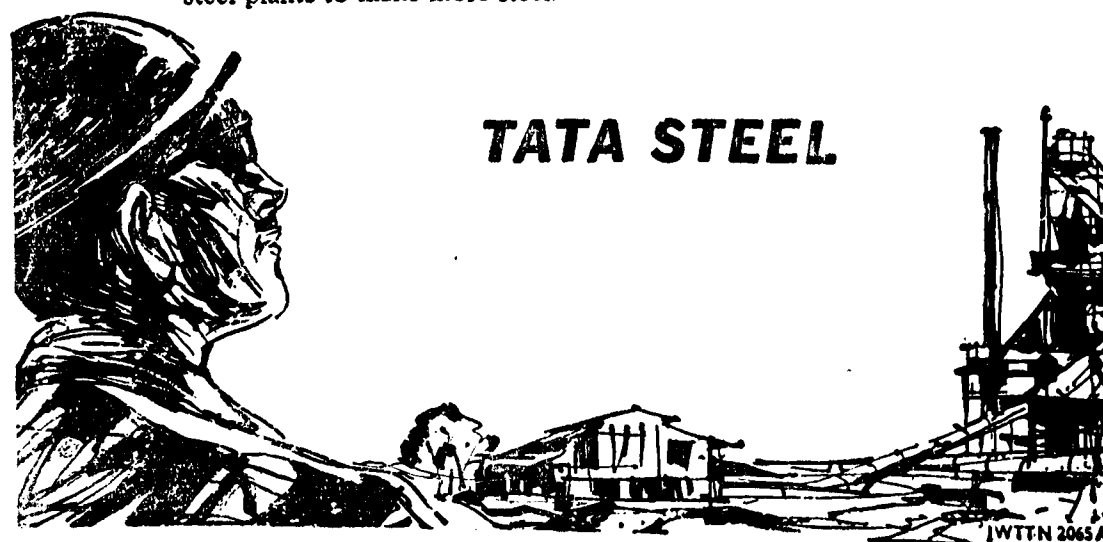
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A great beginning...

In 1907, when India could not even produce a decent pin, the House of Tata announced its intention to build a modern steel works in India. There were not a few who doubted that the project would ever be a success.

Yet, shortly afterwards, India's first steel works was set up at Sakchi, as Jamshedpur was then called, and the first steel ingot was successfully rolled in February 1912. This event not only marked the birth of India's steel industry but also proved that India had the necessary potential in terms of iron ore and other raw materials to sustain an ever-expanding steel industry on modern lines.

The steel that has flowed out of Jamshedpur for over 50 years has helped India to take her first steps on the road to industrialization. And Tata Steel will continue to play an important role in our developing economy now poised to produce atomic power and manufacture steel plants to make more steel.



November 20, 1964

EASTERN ECONOMIST

secretary or additional secretary to the Government and consisting of secretaries or other senior officials of the Ministries of Mines, Railways and Transport for the co-ordination of all relevant development activities. The board will have to see that there is a synchronised fulfilment of programmes to enable the targets to be achieved. It will also report periodically to the Cabinet, the Planning Commission and the Ministries concerned. The cost of all the connected schemes devised to raise India's iron export potential by another 14 to 16 million tons has been estimated at Rs. 250 to 300 crores. The foreign exchange component is calculated at Rs. 60 to 70 crores. In view of this large investment required, it is perhaps worthwhile to enquire whether India should go in for this just at the moment when the world market price of iron ore has been declining, or some modified programme of development commensurate with the return expected should be taken in hand.

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To implement its fourth plan involving a total outlay of Rs. 600 crores, West Bengal is likely to press strongly for a greater volume of Central assistance. Its case for more help is based on the argument that because of the essential industrial character of its economy, further large investments will have to be made to achieve a rate of growth in the per capita income in keeping with the growth of its population and the massive in urban unemployment among the educated. But West Bengal appears to have overlooked the fact that the higher rate of growth achieved by States like Maharashtra and Madras, especially the former, are on account of the fact that they have encouraged private investment in their territories in as many ways as they can. There is considerable scope in West Bengal for the development of industries like vanaspati, radio-making, rayon, paper pulp, sugar, engineering and several others, all of which are open to private enterprise. If the State can ensure the necessary power supply, there will be at once a big incentive for private entrepreneurs to venture into these fields. The State Government has constituted an advisory industrial development committee consisting of representatives of the Government and leading industrialists to review industrial

projects in the State and to suggest removal of bottlenecks. It is also expected to help private enterprise in the matter of new industrial ventures as well as the development of existing ones. But the State Government must openly encourage private enterprise and not continue to give the impression that all major industrial developments in the State will be only in the public sector.

Loan for Development

Meanwhile, the State Government's Electricity Board has floated a market loan of a little over Rs. 1 crore to finance some of its development schemes. Its biggest scheme of the third plan, the Bandel power station, has made sufficient progress, and the first of its four 82.5 MW units is likely to start functioning by the middle of next year. Its responsibility in the fourth Plan will increase several fold if the project at Santaldih to instal a 1,000 MW plant is taken up according to present schedule. It is however reported that the Central Water and Power Commission which is advising the State Electricity Board regarding the Santaldih super-thermal power plant project, has now suggested that the scheme should not be taken up in four 250 MW units as planned, but initially, four 120 MW units should be set up, gradually raising the capacity to 1,000 MW, so that the products of Bhopal Electricals Ltd., which is likely to manufacture 120 MW generators soon, can be used for the Santaldih Scheme. The next few weeks will show what the final shape is. But the country's foreign exchange difficulties would seem to support the CWPC's view. Another ambitious project of the State Electricity Board is to expedite rural electrification in West Bengal, from some 5 per cent of the villages at the end of the third Plan to 20 per cent by the end of the fourth Plan. Apart from conforming to the all-India target of electrifying 20 per cent of the country's villages by Mahatma Gandhi's birth centenary in 1969, the Board has produced a convincing economic argument for its rural electrification plan, which is that electrification at this stage can be linked to the programme of sinking power-driven big diameter tube-wells, and thus save a lot of capital cost.

Wanted: Additional Wheat Through Fair Price Shops

From Our Correspondent

MADRAS:

THE FOOD picture in the South is confusing and even baffling as there is serious concern over the availability of rice in the next two months. The new crop is no doubt expected to be satisfactory but large supplies may not be received before January - February. However, what is intriguing is the chaotic situation in Kerala in spite of the protestations by the Andhra Pradesh Government that despatches during this year up to the end of September from its area were considerably in excess of those in the corresponding period in 1963. It has actually been admitted by the Kerala Government that additionally 131,000 tons of rice were received in the first nine months of 1964. Also, in Madras which is regarded as self-sufficient in respect of its requirements and even having a slight surplus, the State Government has been obliged to adopt emergency measures and stop exports out of the kuruvai crop to Kerala. There has been no attempt so far to take an overall view and find out the reasons for the unexpected bad turn in the food situation in a zone which was believed to be comfortably placed in regard to the availability of rice and coarse cereals. Indeed, it was not long ago claimed that there was a record rice crop and the position was uncomfortable only in regard to supplies of wheat.

It cannot be argued that there has been a sudden increase

in the demand for rice and other cereals and that the situation in the southern States is unmanageable. Slowly the impression is gaining ground that Andhra Pradesh is the villain of the piece and that the situation in Kerala got out of hand as the Madras Government was compelled to ban exports of kuruvai rice because of the non-receipt of its quota of supplies from Andhra Pradesh. Usually, the kuruvai crop is exported mainly to Kerala and corresponding imports are effected from Andhra Pradesh. In spite of the fact that the latter Government has repeatedly stated that its commitments to Madras and Kerala have been fulfilled, the State Governments in these two regions have been pointing out that arrivals from Andhra Pradesh have slowed down and that the holding back of about 200,000 tons of rice in this area has been mainly responsible for the critical situation that now prevails in both Madras and Kerala. The difficulties in regard to movement from Andhra have related to the periodic ban imposed by the State Government and the recent decision to carry on inter-State trade at Government level.

The Andhra Pradesh Government got probably upset over the damage caused to the standing crop by the recent heavy floods in the Krishna river and its tributaries. At one stage it was even suggested that the damage would be about 400,000 tons of rice. Latterly, however, Mr. Balarama Reddi,

the State's Food Minister, and even the Chief Minister, Mr. Brahmananda Reddi, have been issuing statements to the effect that large quantities of rice are available in their region and that the needs of the deficit areas can be easily met. Actually, they have emphasised that the period of crisis is over. The caution displayed by the Andhra Pradesh Government cannot be considered unjustified though the Centre had a definite responsibility in this matter. It should have ensured that, in the absence of regular supplies from Andhra Pradesh, there were corresponding releases from Central stocks to Madras and Kerala on the understanding that supplies from Andhra Pradesh at a later date would be used to replenish the Central stocks.

The main difficulty has arisen on account of the decision taken by the Chief Ministers to carry on inter-State trade only at Governmental level. This led to an underestimation of availability and delays in finalising arrangements for movement of rice by road and rail through nominated dealers. As it has been reported that the yield of the rice crop in Andhra Pradesh has been satisfactory and the kuruva crop in Thanjavur District constituted a record, there cannot be any serious difficulty in meeting the requirements of the four States if only available supplies could be pressed fully into consumption. Unfortunately, the recent developments have distorted the whole picture and a scare has been created with the result that there has been hoarding by growers, traders and even consumers. In the present situation, even the holding back of supplies for about 200,000-300,000 tons might upset all calculations and it would be no exaggeration to say that with the mobilisation of stocks of rice for this amount and liberal release of wheat the situation can be easily managed.

Satisfactory Position

Statistically, the position is not alarming in any sense. The total output of rice in the four States was 10.47 million tons in the last season and that of other cereals 6.51 million tons. This quantity would be sufficient to afford an availability of 15 ounces per day per head assuming, of course, that about 800,000 tons of wheat would be released from Central stocks to Kerala and Madras. Andhra Pradesh has a surplus of about 800,000 tons of rice and Madras 100,000-200,000 tons of the same cereal. These surpluses will take care of the deficit for Kerala and Mysore to a great extent. As Kerala does not grow coarse cereals in any appreciable quantities, the balance of the requirements has necessarily to be met by the supplies of wheat by the Centre. This is the reason why the Governor of that State has asked for a monthly quota of 60,000 tons of wheat over and above rice availability of two million tons for the whole year. If wheat is not absorbed to the extent of at least 500,000 tons by Kerala there would be necessarily reduced availability of rice in the other two States. While Andhra Pradesh has been charged with a tendency to exploit a difficult situation, it has been rumoured in some quarters that the excess supplies to Kerala were made because of the fantastic prices offered by the merchants. Also, it has been suggested that there has been even some smuggling of rice to Ceylon. It cannot, therefore, be argued that Kerala has unnecessarily been penalised. The availability of two million tons of rice will result in a ration of rice which is even in excess of that available to consumers in Andhra Pradesh and Madras which are supposed to be better placed. With the pooling of stocks in all centres, it should thus be possible to get over the next three months which are considered critical.

The decision to introduce informal rationing in Madras City has been taken with a view to preventing the issue of rice to the same people in the queues many times. But after the present confusion has subsided and the true situation has revealed itself, it would be worthwhile to examine whether

informal rationing should be extended to other areas and whether there could be a better understanding between the four States in the Southern Zone. It is hoped that Mr. C. Subramaniam's visit to Hyderabad will lead to smoother relations and a better appreciation of the food situation in the South. The recent developments have clearly brought out the fact that the whole situation is precariously balanced and even a temporary hold-up in movement can have an exaggerated effect. If large supplies of wheat could be issued through the fair price shops and there is better co-operation between the State machinery and the trade, the country need not be stampeded into spending large sums on imports of rice at a time when foreign exchange is so scarce.

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The results of two major engineering units for the last accounting period have been encouraging. Ashok Leyland particularly has acquitted itself very creditably, there being a more than doubling of profits for the year ended September 30, 1964. Apart from substantial allocations to the reserves the dividend in equity capital has been raised to 9 per cent from 7 per cent. The company has started deriving benefit out of the expansion scheme recently completed. It is even emphasised that output can be raised significantly if the raw materials were available. The efficient operation for the sister unit, Ennore Foundries Limited, has been greatly helpful. Immediately after the completion of the earlier expansion plans, arrangements are being finalised for implementing a further big expansion scheme under which heavier trucks and more powerful industrial engines will be manufactured. The spectacular performance of the company has led to keen enquiry for the company's shares especially as it has been pointed out that the directors have decided to increase the dividend even when there is need for raising fresh capital. An announcement in this regard is expected at an early date. It is estimated that the new plans will cost about Rs. 4 crores in three years. No difficulty will be experienced in regard to foreign exchange for importing plant and machinery. Apart from the subscription to a new issue of capital by the parent company, credit is being secured from other sources.

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SUBSCRIPTIONS will be received in cash or cheques. Applications will be received at the head offices of State Bank of India at Calcutta, Bombay, New Delhi and Madras from 23rd November, 1964 to 28th November, 1964 both days inclusive. But the list may be closed earlier without notice if the total subscription is reached.

Copies of loan prospectus and application forms are available at all the offices mentioned above and at the Head Office of the State Electricity Board, 1, Hastings Street (7th floor), Calcutta-1.

The moving fingerprints

THE HONEYMOON of the Press with the Prime Minister seems to be ending earlier than expected. Thus a redoubtable columnist of one of our national Dailies finds himself provoked to ask "Is Government in the normal sense becoming impossible in the country?" and he provides his own answer by demanding that the "vicious circle" should be broken "of a Government which does not attend to its first task of governing with efficiency generating a mass psychosis of insecurity which pressure groups exploit to force the Government into policies which will not work but have to be accepted both as a political necessity and in the delusion that mere activity in laying down new policies is the hallmark of progress". As an indictment this is certainly a mouthful, and since this particular writer is justly famous for his crisp and compact style, it is obvious that here he has been writing under considerable emotional strain. I would, however, be the last person to suggest that the intensity of feeling displayed by him is unwarranted; nor would I dispute the verdict of another commentator in another equally important Daily, who holds that "matters have been allowed to drift to such an extent that the confidence of more than five months ago has given place to foreboding" and proceeds to suggest that "the dominant mood is one of gloom and disquiet".

It is certainly a fact that the nation seems now to be faced with more serious problems demanding solutions more urgently than was the case this time last year. The stagnation of the economy has become more pronounced, prices are becoming even more unmanageable, prospects of increased production and expanding industrial activity are becoming less certain and worst of all the Government's policy to cope with these problems is becoming more and more open to doubt. It is bad enough that things are not going well; it is worse still that the Government seems to have no idea of how to go about preventing things from going from bad to worse. It is, of course, true that there has been a great deal of verbal and administrative activity in the last few months, but the net effect of it all has been to undermine the people's faith in the administration rather than reassure them or restore their confidence in the competence of the Government. Why is this so? Could it be because the Government has repeatedly failed to come forward with clearly positive measures for dealing with any of the difficulties with which it or the country has been confronted? It is indeed a sad state of affairs that whether it is food or prices or economic expansion, everything that the Government has attempted to do has tended to be confused and controversial. Surely, when so much is at stake, it ought to be possible for a Government ruling in the name of the largest political party in the country and with the support of tremendous majorities at the Centre and in the States, to formulate a few major policies or programmes which the country could accept as relevant and realistic and proceed to co-operate with.

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The Governor of Kerala may have a genuine grievance against the Central Food Ministry, but the wording of his complaint is calculated to cause amusement rather than secure him sympathy. Mr. V. V. Giri is reported to have said that the Kerala Administration trusted the Centre for rice and got the Kerala Administration landed in the soup. I should have thought that the best thing landed in the soup. A more appropriate phrasing of Mr. been landed in the soup. A more appropriate phrasing of Mr. Giri's grievance would perhaps have been that the Kerala Administration had been left high and dry. A bounty of soup

is certainly not to be sneezed at when the people are crying for gruel.

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I do not pretend to be an expert on the arcana of official protocol and I am therefore considerably mystified by a News Agency description of Mr. B. R. Bhagat's recent presence in Moscow as an "unofficial visit". Could it be that Mr. Bhagat was spending his own good money instead of the tax payer's on this journey? Again, if the visit was an "unofficial" one, was the Luncheon given by the Indian Ambassador in Moscow in honour of Mr. Bhagat, and which was attended by many high officials of the Soviet Government, also an "unofficial" one? In which case, could it be assumed that Mr. T. N. Kaul was footing the bill himself? Perhaps I am cavilling too much. Whatever might have been the precise status of his visit, it must be conceded that the Minister of State for Planning seems to have managed to transact a good volume of more or less official work. It has been disclosed, for instance, that he met the Soviet Vice-Foreign Minister, Mr. Lapin, and the Chief of the Soviet Committee for Economic Relations with Foreign Countries, Mr. Skatchkov, and discussed, — "unofficially", I presume — prospects of further Soviet assistance to this country's development programmes.

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While Mr. Bhagat seems to have been able to achieve more than he perhaps planned to during his unofficial visit to Moscow, Mr. C. Subramaniam seems to have been less fortunate in his journey to Manila last week to attend the regional conference of the United Nations Food and Agriculture Organization. Whereas he had originally programmed to return to New Delhi on November 14, he had in the event to come back a day earlier since, during his absence from the country, Kerala, in the words of its Governor, had got "landed in the soup". The question, of course, is whether it had not been possible for Mr. Subramaniam to have taken steps to ensure that too much soup did not flow in the direction of Trivandrum, before he left New Delhi for Manila on November 9. We, who have had occasion to wait for our soup in New Delhi restaurants, know only too well that soup cannot be conjured up in a trice. It does take time, certainly, to cook a good soup and preparing the very large quantity of soup that would have been needed to drown the Administration in Kerala could not have been accomplished within the few days between Mr. Subramaniam's departure for Manila and his rushing back to refloat Mr. Giri's Administration fast drowning in its bowl of soup. I suggest that a clause should be incorporated in the Food Corporation Bill to provide for an intelligence agency in the Central Food Ministry which would provide the Food Minister with adequate advance information against incipient threats from soup to the dignity of Governors in States under President's Rule.

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The nation remembered Jawaharlal Nehru lovingly last Saturday on his 75th birth anniversary. With him so recently gone from our midst, the occasion had its poignancy, and was evocative of sentiment. Even so, I wonder what precisely Inder Malhotra (in "The Statesman" of November 13) had in mind when he wrote "the nation for which he (Nehru) did more than any man for any people.....". How precisely do we make these comparisons? How, for instance, does one weigh Nehru's services to this country against Gandhi's or what Churchill has done for Britain?

V.B.

Trade Winds

KIRIBURU PROJECT

AN OPEN invitation has been extended to Japan to set up a steel plant in India. Extending the invitation at the time of the inaugural function of the Kiriburu Iron Ore Project at the site on November 12, the Union Minister for Steel and Mines, Mr. Sanjiva Reddy, pointed out that Japan had the distinction of producing the cheapest steel in the world from the imported iron ore. The Minister said that there was no reason why Japan should not help India to produce cheap steel by Japanese techniques.

The Rs. 11.22-crore Kiriburu project, which has been set up with financial assistance from Japan and the USA to supply iron ore to the steel mills of Japan, was inaugurated on November 12, 1964, by the Vice-President of India, Dr. Zakir Hussain, who described the enterprise as one projecting the image of a planned industrial India. The Kiriburu mine has the distinction of being the first fully mechanised iron ore mine in the public sector. This project, which was conceived six years ago as a multipurpose project, is situated in a hilly area lying on the border of Bihar and Orissa States, on the south-east of Rourkela. Besides boosting the country's export trade, the project entails the provision of a rail link between Sambalpur and Titagarh and between Bimlagarh and Kiriburu, designed to open up the interior of Orissa, and the mechanisation and expansion of facilities at Visakhapatnam port to provide an outlet for the export of the ore. Despite the installation of all machinery at the site and its readiness to start full production immediately, the mine will not go into operation till the Visakhapatnam port acquires adequate ore-handling facilities which are expected to be completed by the middle of the next year.

The Kiriburu project is the first to be completed of the National Mineral Development Corporation's four projects, the other three being (i) the Bailadila Iron Ore Project, Madhya Pradesh, (ii) the D'amond Mining Project, Madhya Pradesh, and (iii) the Khetri Copper Project, Rajasthan. The work on the Kiriburu project was started in May, 1960, with loan assistance from Japan, the US President's Asian Economic Development Fund and the US Export-Import Bank. As a matter of fact, the project was undertaken by India in terms of the long-term agreement (dated March 19, 1958) under which Japan agreed to take about two million tons of iron ore per annum for a period of ten years in the first instance, additional to Japan's normal purchases from India.

The proved reserves of iron ore in the Kiriburu mines where the metallurgical convertibility of iron ore is considered to be the best in the world, total 314 million tons. The mines are spread over an area of 11.5 sq. miles, 790 to 880 metres above the sea level. According to Mr. Leonard Kaiss, Counsellor for Economic Affairs at the US Embassy in New Delhi, India's iron ore reserves are eight times more than those of the United States. The high-grade iron ore reserves of the country are estimated at 22,000 million tons while those of low-grade ores are placed at nearly four times this quantity. The estimated world reserves of high-grade ore are in the neighbourhood of 250,000 million tonnes. The figures given below illustrate the comfortable position which India enjoys in respect of iron ore vis-a-vis other major producing countries.

Country	High-grade reserves (million tonnes)	Ferrous content (Percentage)
U.S.S.R.	35,000	37
USA	5,000	53
Sweden	2,400	62
India	21,800	60
Brazil	1,600	50-60
Peru	3,000	60-75
Chile	n.a.	63

Speaking on the occasion the Chairman of the Japan Iron and Steel Federation, Mr. S. Nagano, said that Japan looked upon Kiriburu as one of the largest sources of supply of iron ore in the future. India's Minister for Commerce, Mr. Manubhai Shah, however, reminded Mr. Nagano that the price that Japan was paying for the Indian ore needed upward revision because the existing price was uneconomical to India.

INTERNATIONAL MARKETING TECHNIQUES

On the exports side the country will more than fulfil the targets set in the third Plan. This was stated by Mr. Manubhai Shah, the Union Minister for Commerce, while inaugurating in New Delhi on November 9, 1964 the first training course on "Techniques of International Marketing" organised by the Indian Institute of Foreign Trade. Mr. Shah said that at present practically one-fourth of the total exports from the country were covered by the quality control enactment which imposed compulsory pre-shipment inspection before the exports took place. With the extension of the pre-shipment inspection to important products such as jute, there would be further increase in the total value of the exported goods brought under compulsory quality control and pre-shipment inspection. The Minister also emphasised that in the presentation of commodities and products from India to the world markets, the packaging must necessarily be of the highest quality. An institute of packaging, he added, would soon be set up in Madras by the Government of India. As regards the trade policies of the Government of India, Mr. Shah assured that they would remain unaltered for the next seven years i.e., till the end of the fourth Plan period and would continue to yield greater benefits to industry and trade. He suggested to the Indian Institute of Foreign Trade to undertake specific studies in relation to export assistance with a view to determining the concrete benefits to the country's economy as a result of the adoption of the present policies.

The training programme is specially designed to suit the practical needs of senior executives from industry, trade and the Government. Among those attending the training course are Indian Government's commercial representatives abroad, representatives of the Ministries of Commerce and External Affairs as well as representatives from export promotion councils, commodity boards and leading export houses. It will be a four-week training course and will include such subjects as "world trade patterns", "problems of India's trade in the context of world trade", "planning and programmes for exports", "export strategy and sales promotion", "export sales management", "institutional arrangements to promote exports", "export-import procedures", "export assistance", "export finance and insurance", "transport", and "legal aspects of foreign trade". Group discussions will be arranged to provide opportunities to the participants to exchange mutual experiences of handling export problems.

SEPTEMBER SPURT IN EXPORTS

The total exports from India in September 1964 were worth Rs. 75.5 crores. This was Rs. 12 crores higher than the total exports of Rs. 63.5 crores in September, 1963. It is the highest figure for exports in any single month and it is hoped that if the September tempo is maintained the country would easily achieve a total export figure of Rs. 900 crores per year. The exports of almost all commodities recorded extraordinary increases in September, 1964. Tea, jute, textile, mineral ores, tobacco, cashew, cardamom, coffee, chemicals, plastics, handicrafts, jewellery, coir products, fish and fish products, raw cotton, engineering goods and other manufactured articles have all contributed to this phenomenal rise. Sugar, vegetable oils and black pepper were the only items of India's export trade which did not register sizable increases in September.

The total exports during the first six months of the financial year 1964-65 were Rs. 380 crores, compared with Rs. 360 crores in the corresponding period of 1963-64.

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ancial year 1964-65 (April to September) were worth Rs. 415 crores. This was Rs. 38 crores higher than the exports worth Rs. 377 crores in the corresponding six months of 1963-64. In spite of the fact that prices have tended to rise in the past few months, this export performance is remarkable, and owes a great deal to the co-operation and concerted efforts of the various export promotion councils, commodity boards and the exporters of different commodities.

The exports of engineering goods in September, 1964 were of the value of Rs. 1.55 crores — a record for any month. In the same month in 1963, engineering goods worth only a crore of rupees were exported. The value of the total exports of engineering goods in the first nine months of 1964 (January to September) also touched a record figure of Rs. 11.2 crores compared to Rs. 8.5 crores in the first nine months of the previous year.

Exports of Indian cashewnut in September this year were also the highest on record for any single month. 4,300 tons of cashew kernels were exported in September, 1964, earning a foreign exchange of Rs. 2.5 crores. In the first 9 months of the current year (January to September, 1964) exports of cashew kernels totalled 39,300 tons, valued at Rs. 19.25 crores, i.e. Rs. 2.75 crores higher than the total earnings from cashew exports during the corresponding period in 1963. Exports of cashew shell oil also registered a great increase in the first nine months of this year when 10,200 tons of cashew shell oil were exported earning a foreign exchange of Rs. 1.5 crores, as compared to 5,900 tons worth Rs. 73 lakhs exported during the first nine months of 1963.

EXPO-'67 EXHIBITION

Addressing a press conference in New Delhi on November 13, 1964, Mr. Pierre Deputy, Commissioner General of the Universal and International Exhibition to be held in Montreal, Canada, in 1967 said that the exhibition would follow the pattern of major exhibitions of which the last was the Brussels World Fair held in 1958. The exhibition, which will be referred to as Expo-'67, will have as its central theme "Man and His World" and will be divided into six sectors: (i) Man and the Polar Regions, (ii) Man and Space, (iii) Man and the Sea, (iv) Man the Producer, (v) Man the Creator and (vi) Man and the Community. The exhibition will cover an area of 950 acres covering the St. Helen's island near the city of Montreal. Forty-one countries including the USA, the UK, Mexico, France, West Germany, Belgium, Netherlands, Luxembourg, Lebanon, Iran, Ceylon and Japan have already agreed to participate in the exhibition. Mr. Deputy, however, expects that about 30 more countries including India will participate in the exhibition which is expected to be attended by 30 million visitors. Invitation was extended to 123 countries, excluding China. It will be a nicely planned exhibition costing \$167 million to the host country. This does not include the expenditure that will have to be incurred by the participating countries on the designing and construction of their pavilions. Free transport would be provided, at the exhibition, to the visitors whose number will be about 70,000 to 80,000 per hour. Economic information bureaux run by the host country will be set up in each pavilion. Mr. Deputy expects that the cream of world businessmen, numbering about 6,000, would be represented at the exhibition which will last six months from April 28, 1967 to October 27, 1967.

STANDARDISING METRIC CONVERSIONS

The first meeting of the sub-committee of the International Organisation for Standardisation (ISO) on procedures for inter-conversion of values from one system of units to another (ISO/TC 12/SC 1) was held in New Delhi on November 10, 1964 under the chairmanship of Dr. Lal C. Verman, Director, Indian Standards Institution. The meeting was attended by delegates from Cuba, Denmark, India, New Zealand, Sweden and the UK. The sub-committee agreed to restrict its scope



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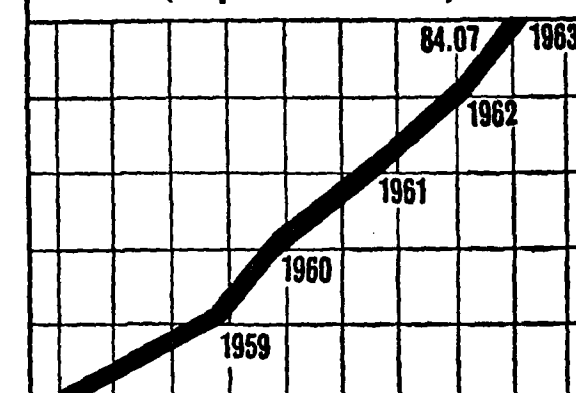
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of work to the standardisation of general procedures for converting numerical values of physical quantities from one system of units to another, preserving the significance and accuracies of the original values in the converted values. It was further decided in the meeting that the draft ISO proposal on interconversion of values should be mainly based on the Indian standard on the subject (IS: 787-1956, guide for interconversion of values from one system of units to another). The sub-committee further agreed that the document should contain all the principles and explanations necessary for elucidating the various problems to make it self-explanatory and useful for educational purposes as well. The work assigned to this sub-committee assumes great importance in view of the definite universal trend towards metric system; 58 countries representing nearly two-thirds of the world have already adopted the metric system.

A draft ISO recommendation on metric sizes for thicknesses of sheets and wires (No. 324) was also finalized at the third plenary meeting of the sheet and wire gauges (designation of diameters and thicknesses) technical committee of ISO (ISO/TC 62) held in New Delhi on November 9 and 10, 1964. The purpose of this recommendation is to specify a basic set of sizes (in millimetres) for thicknesses of sheets and diameters of wire to replace the existing gauge system of measurement. Because of the multiplicity of currently used gauge numbers, which may vary from industry to industry and from country to country, the gauge system of designating thicknesses of sheets and diameters presents several difficulties.

CEYLON EXHIBITION

India will participate in a big way in the Ceylon Industrial Exhibition scheduled to open in Colombo on January 15, 1965. The Indian pavilion at the exhibition, which will last one month, will occupy a floor space of about 8000 sq. ft. There has been great response from trade and industry in India for participation in the exhibition. A very large number of engineering items and the products of small-scale industries have been offered for display. The limitation of exhibition space in the Indian Pavilion may necessitate rotational display of some of the items offered by the participating firms. Although Ceylon's import policy has been restrictive, India is still one of the principal sources of supply of consumer and engineering goods to the Ceylonese market. Some of the items that would be of interest to Ceylon are: plywood and plywood products, wood working machinery, textile machinery, metal working machinery, rubber goods machinery, workshop machinery, food processing equipment and a wide range of machines used in small-scale industries. A representative range of these items is expected to be on view in the Indian Pavilion at the time of the exhibition. The exhibits are being despatched by sea both from Bombay and Calcutta. Side by side with the industrial exhibition, there will be a film festival in which various countries, including India, will participate. An Indian cultural troupe is expected to take part in the cultural programme at the exhibition theatre.

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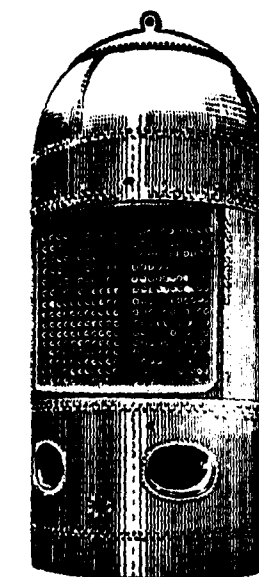
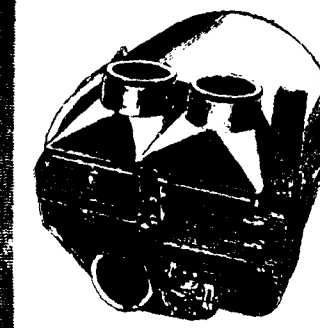
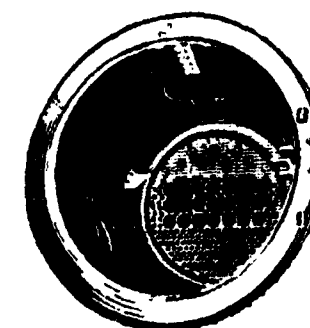


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Company Affairs

CALCUTTA ELECTRIC SUPPLY

MR. I. A. MACPHERSON, Chairman, the Calcutta Electric Supply Corporation Limited, reviewed the progress of the Corporation during the year ended March 31, 1964 while addressing the annual general meeting held in London recently. He was of the opinion that the regulative measures adopted by the Government to ensure the optimum utilisation of power available with the Corporation could be relaxed completely towards the latter half of the next year because the Corporation would be in a position to supply electricity more freely to its clients. The developments that are likely to help the Corporation towards this programme are the commissioning last October of the 50 MW extension to its New Cossipore Generating Station and more recently of its Southern Receiving Station which have already resulted in the relaxation of several restrictions. Towards the end of this year, when the output of further generating plant will be put at the disposal of the State Board, off-take of the Corporation's Southern Receiving Station will be stepped up to 80 MW which will further relieve the situation. The Corporation expects the commissioning of its Benar Receiving Station designed to take in 100 MW of power from the State Board's Bandel Generating Station towards the first half of the next year. Mr. Macpherson was of the opinion that the commissioning of these two receiving stations, provided they are backed by adequate State Board resources, should enable the Government to relax the remaining restrictions.

The rate of growth in terms of units sold has been considerably high during the last five years 1959-60 to 1963-64 when it recorded an average growth of about 8½ per cent. Revenue from the sale of electricity and for meter rents amounted to £14.8 million and was 13 per cent more than last year. This revenue was much higher than the increase in the units sold because the sales included coal surcharge revenue arising from the increased delivered cost of coal. The Chairman indicated that the estimated tax liability on profit of the year was reduced due to development rebate claimed on new plant commissioned during the year. This saving resulted in the appropriation of £201,021 to the development reserve. He emphasised that the appropriation to plant expansion and contingency reserve, which has been increased to £550,000 together with the development rebate as also the depreciation of over £1 million, played a major part in financing the extension of the undertaking during the year.

Mr. Macpherson made a pointed reference to the financing of the recent £3.50 million extension at the new Cossipore station which under normal circumstances would have been achieved by an issue of shares or debentures or both. In view of the possibility of the company being taken over by the Government of West Bengal or by the State Electricity Board on January 1, 1970, financing through capital issues was not found practicable. On seeking clarification, the Government told the Corporation that repayment would be guaranteed in the case of its being taken over by the Government. The company has now been able to go ahead and arrange a loan from the State Bank of India. This loan of £3.50 million, repayable on December 30, 1969, will be utilised towards the total expenditure of £18.50 million on the new Cossipore extension. The company proposes to finance the remaining amount of £15 million through internal resources, provided it can continue to earn its reasonable return.

HINDUSTAN FERODO ISSUE

Hindustan Ferodo Limited proposes to enter the capital market in the middle of the next month with a public offer of 546,800 equity shares of Rs. 10 each at a premium of Rs. 17

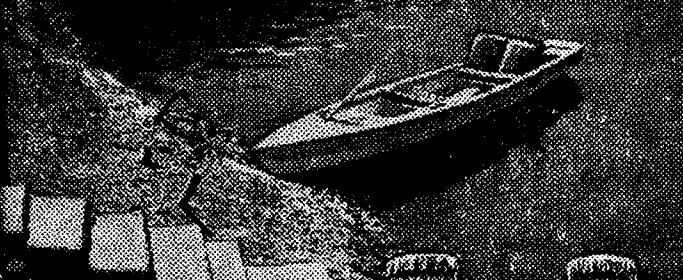
per share. It is a company jointly promoted by Asbestos, Magnesia and Friction Materials Limited, Manchester and Turner and Newall Limited, Manchester, UK. The company has purchased the undertaking and asset of Asbestos, Magnesia and Friction Materials Ltd., which is presently manufacturing in Bombay brake and clutch linings, asbestos textiles and friction materials, etc.

The company has been licensed to raise its capacity of brake linings from 1,064 tonnes to 2,160 tonnes, clutch facings from 500,000 to 1,000,000, asbestos textiles from 600 tonnes to 775 tonnes and substantial expansion in other fields. The construction of the additional factory buildings has commenced and the proposed expansion is expected to be completed by October, 1966. The cost of this expansion is estimated at Rs. 291.47 lakhs and is to be met partly by the capital issue and partly by borrowings.

SANDOZ (INDIA)

Sandoz (India) Limited proposes to enter the capital market next month with a public issue of Rs. 30 lakhs in equity shares. An affiliate of Sandoz Limited of Switzerland, it has an authorised capital of Rs. 2 crores divided into 2,000,000 equity shares of Rs. 10 each. The issued and paid up capital is Rs. 75 lakhs. It proposes to issue a further 750,000 equity

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shares of Rs. 10 each of which Sandoz Limited, Switzerland will be allotted shares worth Rs. 23.60 lakhs partly for cash and partly in consideration for the planning and development of the company's medicinal herbs scheme and extraction plant. Shaw Wallace and Company Limited will take up shares worth Rs. 7.50 lakhs and the existing shareholders, directors, employees and friends will be allotted shares worth Rs. 13.90 lakhs. The balance of Rs. 30 lakhs will be offered at par for public subscription.

In addition to financial participation, the Swiss company will continue to provide benefit of research conducted by it as also the technical know-how and assistance for the manufacture and marketing of the products in India. The proposed issue will be utilised to finance a part of the capital expenditure and working capital of the Sandoz dyestuff project, the expansion of agrochemical plant, the expansion of auxiliary plant and any future expansion. The total additional requirements of Rs. 170 lakhs will be met partly by the issue of capital and partly by loans.

INDIAN ALUMINIUM

The directors of Indian Aluminium Company Limited have reported that it has been proposed to maintain the interim dividend for the year ending December 31, 1964 at 7.5 per cent.

J. K. STEEL

The directors of J.K. Steel Company propose to maintain the ordinary dividend for the year ended June 30, 1964 at 15 per cent to which level it was raised last year from 10 per cent paid for 1961-62. The gross profit at Rs. 31.46 lakhs is slightly lower than last year's figure of Rs. 32.27 lakhs. The provision for depreciation amounts to Rs. 3.50 lakhs and for taxation Rs. 13.44 lakhs. The directors have added Rs. 2.54 lakhs to the development rebate reserve and Rs. 5 lakhs to general reserve. The preference dividend at 9.1 per cent absorbs Rs. 91,000 and the ordinary dividend absorbs Rs. 6 lakhs.

INDIA AIR GASES ISSUE

India Air Gases Limited, a new company floated for the manufacture of oxygen and acetylene gases, has been granted an industrial licence to set up a factory at Varanasi, U.P. The licensed capacity of the factory is 36 million c. ft. of oxygen and six million c. ft. of acetylene. The total capital outlay on the project is estimated at around Rs. 61 lakhs to be licensed by the issue of capital to the extent of Rs. 31 lakhs and loan of Rs. 25.25 lakhs from the Industrial Finance Corporation. The issued capital will be made up of Rs. 23 lakhs in equity shares and Rs. 8 lakhs in preference shares. The directors, their friends and associates have agreed to take up equity shares of the value of Rs. 10 lakhs. The Industrial Finance Corporation has already sanctioned a rupee loan of Rs. 8.09 lakhs and a dollar loan of the value of Rs. 17.16 lakhs. It has also agreed to underwrite shares worth Rs. 2 lakhs. The company is in contact with various financial institutions including the U.P. State Industrial Corporation and the L.I.C. for grant of loan and the underwriting of shares. It expects to enter the capital market with a public offer towards the end of this year and has been granted a licence for import of plant and equipment from U.S.A. and Poland.

VOLTAS

The directors of Voltas Ltd., proposed to issue 102,000 rights shares of Rs. 100 each for cash at a premium of Rs. 25 per share and the company had received sanction from the Controller of Capital Issues in May last. But in view of the company's financial requirements, the directors have found it possible to defer the issue till the second half of 1965. They

propose to consider it in the second half of next year after obtaining the sanction of the Controller of the Capital Issues.

GLOBE AUTO

Globe Auto Electricals Ltd., proposes to issue 3,000 redeemable cumulative preference shares of Rs. 100 each carrying a taxable dividend of 9.5 per cent. The issue, which will be taken up wholly by the Oriental Fire and General Insurance Co. Ltd. has been necessitated by the shortage of working capital as a result of an increase of about Rs. 3 lakhs in the estimated capital cost of its Maralli project. The increase is attributed to a rise in the customs duty on machinery and higher indigenous tooling and construction charges.

INDIA PAPER PULP

India Paper Pulp Co. Ltd., proposes to raise debenture capital of Rs. 40 lakhs to finance its expansion programmes. The debentures, in units of Rs. 1,000 each, will carry interest at the rate of 7 per cent, taxable, and are repayable in 1967-77. Of these debentures, Rs. 20 lakhs will be allotted on a firm basis to the underwriters and their friends and the balance of Rs. 20 lakhs will be offered for public subscription. The subscription list will open on November 30 and will close on December 9 or earlier, but not before December 2. The company has at present three paper-making machines and a pulp unit. The production of paper and paper board during the year ended March 31, 1964 was 16,636 tonnes. It is proposed to raise the paper-making capacity to 23,000 tonnes a year by undertaking renovation and speeding up of each of its paper-making machines progressively from the middle of 1965 to 1967. Besides, the company has obtained an industrial licence to expand its pulping capacity using jute sticks as the raw material. The new jute stick pulp plant which is under erection will be commissioned in the first half of 1965 and which together with the production of bamboo pulp from the

ESSAY COMPETITION

The Board of Editors of "Finance & Commerce", a monthly journal devoted exclusively to Company Law and Taxation, have decided to hold an Essay Competition and to give away prizes of Rs. 251, Rs. 151, Rs. 101 respectively for essays coming in first, second and third places in order of merit. The judges appointed for this purpose are:

- (1) Sri M. P. Chitale, F.C.A., Vice-President, Institute of Chartered Accountants of India;
- (2) Sri D. D. Kalra, FICWA, President of Institute of Cost and Works Accountants of India.

Essays should be on any aspect relating to "Company Accounts — Financial or Costing". They should not exceed 4,000 words and should be typed in double space on one side of the paper and should deal with only one aspect of the Company Accounts, for example, "Provision for Depreciation in Company Accounts from Law and Accountancy Angles", "Inventory Control in a big sized company", "Management Accountancy — a necessity for a modern company", "Provisions relating to Accounts under the Companies Act", "Suitable form for a company Balance Sheet and Profit and Loss Account", "Cost Audit under proposed Section 233B" etc.

There is no entry fee. The essay in quadruplicate should reach the Editor,

Finance & Commerce

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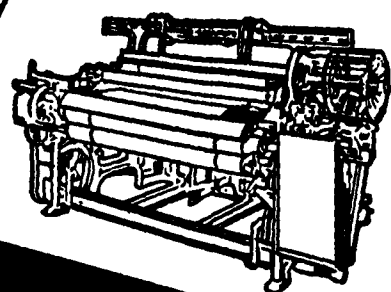
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AUTO-LOOMS

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To weave heavy pick cloth, textile mills prefer CIMMCO-SAKAMOTO Auto Looms with Fast Reed mechanism with positive let-off motion. Less cost, low maintenance, higher output and simple operation are the prominent features of these looms.

CENTRAL INDIA MACHINERY MFG. CO. LTD.
Birlanagar, Gwalior.
Sales Offices at:
New Delhi • Bombay • Ahmedabad • Calcutta • Coimbatore
Convenient Delivery • Service after Sales



November 20, 1964

EASTERN ECONOMIST

989

existing plant will give a total pulp production of 23,000 tonnes a year.

CAPITAL ISSUES

The Travancore Sugars and Chemicals Limited Trivandrum, is to issue bonus shares of the value of Rs. 6 lakhs on capitalisation of its share premium account. The bonus shares will be issued in the ratio of 1 for 5 shares held.

The Mysore Stoneware Pipes and Potteries Ltd., Bangalore, is to issue further capital of Rs. 60,000 divided into 6,000 equity shares of Rs. 10 each to be issued as fully paid bonus shares to the existing shareholders of the company in the ratio of one bonus share for every 10 equity shares held, on capitalisation of the company's share premium account to a like extent.

N. and N. Cutting Tools Limited, Bombay, is to issue Rs. 52.50 lakhs capital — Rs. 37.50 lakhs equity and Rs. 15 lakhs preference — in shares of Rs. 100 each. All the shares will be issued for cash at par. The money will be utilised for the manufacture of twist drills, taps and dies.

Appeejay Structurals Limited, Calcutta, is to issue capital of Rs. 65 lakhs for cash at par consisting of Rs. 50 lakhs in equity shares of Rs. 10 each and Rs. 15 lakhs in 15,000 9.28 per cent cumulative redeemable preference shares of Rs. 100 each. Out of these, such number of shares as will entitle the scrip to be listed on the recognised stock exchanges will be issued to the public by prospectus. The capital will be utilised for the manufacture of steel structurals. This is in supersession of an earlier consent.

Hindustan Organic Chemicals Limited, Bombay, a Government of India undertaking, is to issue further capital of Rs. 17 lakhs divided into 1,700 equity shares of Rs. 1,000 each at par. The money will be utilised for financing the company during 1964-65.

Philips India Limited, Calcutta, is to issue further capital of Rs. 40 lakhs (nominal) in equity shares of Rs. 10 each at a premium of Rs. 6 per share. Out of this, 1,00,000 equity shares will be offered to the company's foreign collaborators N. V. Philips Gloeilampenfabrieken Netherlands, partly for cash and partly for consideration other than cash. The balance of 3,00,000 shares will be offered to the Indian shareholders for cash in the ratio of three new shares for five shares held. The consent is valid up to April 30, 1965.

Sandoz (India) Limited, Bombay, is to issue further capital of Rs. 75 lakhs, divided into 7,50,000 equity shares of Rs. 10 each, at par. Of this, shares of the value not exceeding Rs. 23.6 lakhs (Rs. 13.6 lakhs for cash and Rs. 10 lakhs for consideration other than cash) will be offered to company's foreign collaborators, Sandoz Limited, Basle (Switzerland). The balance (including shares of a value not less than Rs. 30 lakhs by prospectus) will be offered to the public for cash. The money will be utilised on the company's expansion scheme.

Suraj Textiles Mills Limited, Malout Mandi, District Ferozepur, (Punjab), is to issue further capital of Rs. 30 lakhs divided into 15,000 equity shares of Rs. 100 each and 15,000 preference shares of Rs. 100 each. The capital will be utilised for financing the expansion programme of the company.

Bharat Collieries Limited, Calcutta, has been granted consent to postponement of the date of redemption of debentures of the value of Rs. 30 lakhs from October 31, 1964 to October 31, 1972 and to the increase in the rate of interest thereon from 6 per cent to 7½ per cent per annum effective from November 1, 1964 subject to the agreement of the debenture holders and subject to the further condition that such of those debenture holders who want to be repaid in cash shall be so repaid within a period not exceeding three months.



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...and small enough to know you.

THE INDIAN OVERSEAS BANK LIMITED

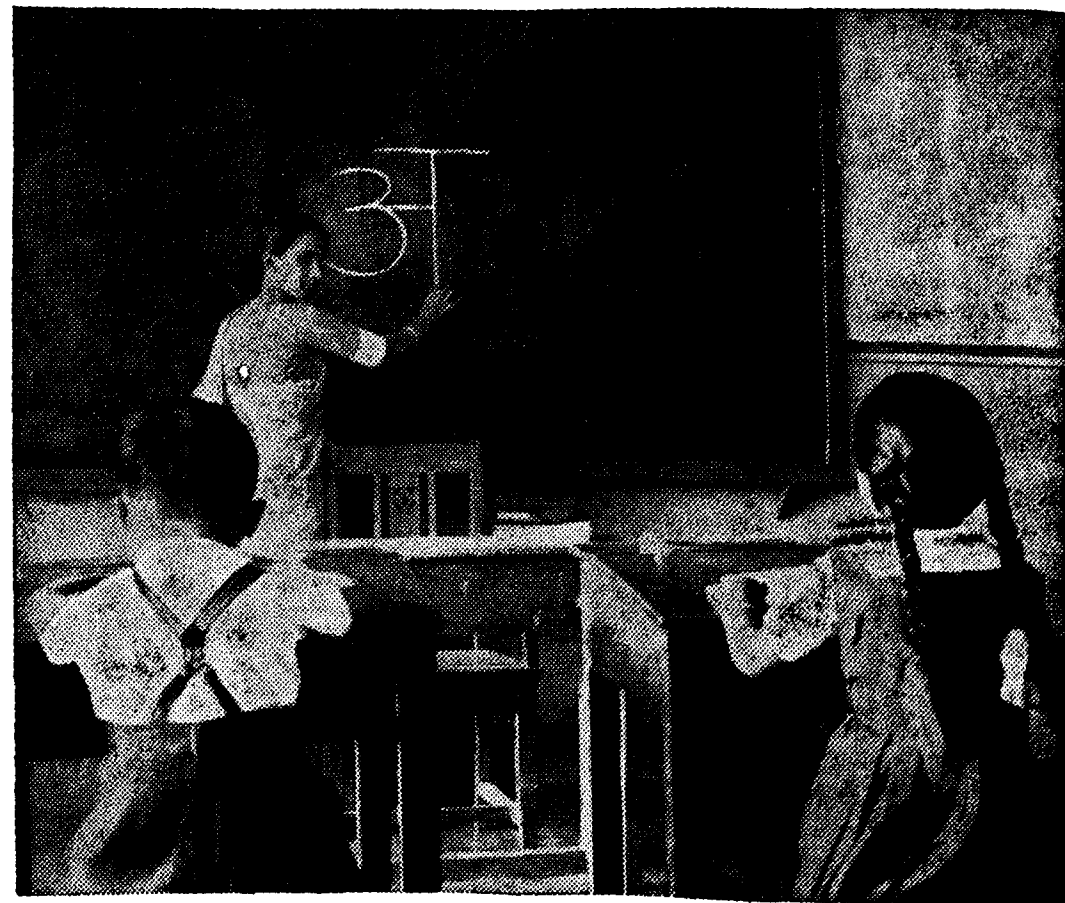
Central Office: Madras 2 • Over 100 Branches in all important places in India
M. Ct. Muthiah, Chairman K. M. Nanjappa, General Manager

I.O.B. is an international bank with offices throughout India and South-east Asia and correspondents the world over. It offers a wide range of services to suit the needs of varied customers. Indeed, I.O.B. is big enough to serve you.

We asked our customers, thousands of them at random, what they thought of our service. They replied: "We are pleased." They also made several helpful suggestions which we are implementing. Indeed, I.O.B. is small enough to know you.

Range of I.O.B. services: Savings and Current Accounts—Recurring and Fixed Deposits—Personal and Business Loans—Bills Payment Service—Gift Cheques—Travellers Cheques—Safe Deposit Lockers—Trade and Export Information and Advice—and whatever other specialised help you may need.





THE LESSON

The alphabet...then the word...then the sentence...

The delicate process of educating the young. Everywhere massive plans are under way—in education and in other fields as well. Public health, agriculture, engineering, housing, to name a few. A vast programme is on to improve the living standards of our millions.

LIC is very much a part of this programme. It invests nearly 3 million rupees a day in various economic spheres. Remember, when you insure or are already a policyholder, your premiums are helping in two ways. Firstly, in protecting yourself and

your family, and secondly in helping to improve economic conditions for the country at large.

Some LIC investments at a glance

Cement	Rs. 628 lakhs
Cotton textiles	Rs. 1,216 lakhs
Electricity	Rs. 985 lakhs
Iron & Steel	Rs. 998 lakhs
Food, drink & tobacco	Rs. 128 lakhs
Government Securities (Central, State, Municipal & other approved securities)	Rs. 44,924.49 lakhs



LIC—YOUR COMPANION IN PROGRESS

RECORDS AND STATISTICS

Selected Targets of Production and Development

Item/Unit	1965-66			1970-71
	Target	Mid-term Appraisal	Present Estimate	Targets/Estimates on a Plan Outlay of Rs. 22,500 crores
I. Agriculture				
Foodgrains (million tonnes)	100	100	92	120
Cotton (lakh bales)	70.65	70.65	63.40	85
Sugarcane (gur) (lakh tonnes)	100	100	110	135
Oilseeds (lakh tonnes)	98.2	98.2	75	100
Jute (lakh bales)	62	62	62	80
Nitrogenous fertilisers consumed ('000 tonnes)	1,000	800	650	2,000
Phosphatic fertilisers consumed ('000 tonnes)	400	250	250	1,000
II. Irrigation & Power				
Electricity:				
(a) Installed capacity (m. kw)	12.7	12.5	11.7	22
(b) Generated (Billion kwh)	45.0	45.0	43.0	88.0
Irrigation:				
(a) Additional potential at out-let (gross) (million acres)	29.5	23.2	20.0	13 (addl.)
(b) Utilisation (gross) (million acres)	22.8	18.6	16.0	10 (addl.)
III. Minerals			Capacity	Capacity
Iron Ore (million tonnes)	30.0	25.4	26	54
Coal (million tonnes)	98.6	89.6	76	125
Petroleum refining (million tonnes)	17.25 ¹	..	15.25 ²	28.25
IV. Industry				
Inputs for Agriculture:				
Fertilisers — N ₂ ('000 tons)	800	500	586 [†]	2,200 [†]
Fertilisers — P ₂ O ₅ ('000 tons)	400	200	250 [†]	1,000 [†]
Diesel Engines ('000 numbers)	166	166	78	140
Tractors ('000 numbers)	10	10	16	25
Power driven pumps ('000 numbers)	150	180	180	300
Consumer Goods:				
Cotton textiles - mills made (million yards)	5,800	5,550	5,500	6,000
Sugar ('000 tons)	3,500	3,500	3,200 [†]	4,500 [†]
Paper & paper board ('000 tons)	700	580	680 [†]	1,350 [†]
Newsprint ('000 tons)	120	28	30	165
Drugs & pharmaceuticals (Rs. crores)	—	—	175	300
Motor cycles & scooters ('000 numbers)	50	45	60	100
Bicycles (organised sector) ('000 numbers)	2,000 ³	1,600	2,200	3,500
Electric fans ('000 numbers)	2,500	2,500	2,800	3,500
Metals:				
Steel ingots (million tons)	9.2	7.8	8.9*	16.5
Pig iron for sale (million tons)	1.5	1.2	1.2	4.0
Alloy tool & special steel ('000 tons)	200	50	50	500
Aluminium ('000 tons)	80	68	73	240
Machinery:				
Locomotives (Numbers)	360(c)	360(c)	390	450
Passenger coaches (numbers)	1900(c)	1900(c)	1900	2200
Commercial vehicles ('000 numbers)	60	54	54	100
Generators — steam ('000 kw.)	—	—	—	2900
Generators — hydro ('000 kw.)	—	—	—	1700
Turbine — steam ('000 kw.)	—	—	—	2900

SELECTED TARGETS OF PRODUCTION AND DEVELOPMENT (Contd.)

Item/Unit	1965-66			1970-71
	Target	Mid-term Appraisal	Present Estimate	Targets/Estimates on a Plan Outlay of Rs. 22,500 crores
Machinery: (Contd.)				
Turbine — hydro ('000 kw)				1,700
Electric transformers (up to 33 kva.) (million kva.)	3.5	3.5	4.0	8.5
Electric transformers (above 33 kva.) (million kva.)			3.0	16.5
Sugar mill machinery (Rs. crores)	14	14	17.5	25
Cotton textile machinery (Rs. crores)	20	20	22	50
Cement machinery (Rs. crores)	4.5	4.5	17.8	20
Paper machinery (Rs. crores)	6.5	6.5 to 7	8.0	25
Machine tools (Rs. crores)	30	25	30	90
Intermediates:				
Cement (million tons)	13	12	14†	30†
V. Village and Small Industries				
Khadi:				
(a) Traditional (million sq. yds.)	160.0	100-110	100-110)	5,000
(b) Ambar handloom (million yds.)	2,800	2,650	2,700)	(mill' on
Powerloom (million yds.)	540	—	—)	yards)
VI. Transport & Communications				
Railways:				
Freight traffic (originating) (million tonnes)	249	245	225	—
Road Transport:				
Commercial vehicles on the road ('000 numbers)	365	330	335	596
Major Ports:				
Handling capacity (million tonnes)	49	49	62	86 to 89
Shipping: Tonnage (lakh GRT)	10.9	15	15	30
Telegraph: Telephones ('000 numbers)	760	780	810	1,500
VII. Education				
School-going children as per cent of children in the respective age-groups:				
(a) Primary stage: 6-11 age-group (per cent)	76.4	—	77.8	87.7
(b) Middle stage: 11-14 age-group (per cent)	28.6	—	31.6	42.7
(c) Higher secondary: 14-17 age-group (per cent)	15.6	—	17.8	22.1
Technical Education				
Admissions Capacity				
Diploma level (numbers)	37,390	47,550	50,700	68,600
Degree level (numbers)	19,140	23,130	27,200	38,900

†This is a revised target capacity approved subsequently to the finalisation of the third Plan. The Plan indicates a target of 10.77 million tons.

‡Some of the capacity indicated here will be commissioned only in the later half of 1965-66 and this capacity will not be available during the whole of the year. The production figure given alongside is related to the effective capacity expected to be available during the year as a whole.

§Additional 5 lakh cycles expected in small sector.

(c) Capacity.

* Relates to 1966-67,

† Tonnes.

Source: "A Memorandum on the Fourth Five-Year Plan", Planning Commission.

Foreign Collaborations

(Approved during July - September 1964)

DURING the quarter ending September 30, 1964, the Union Government has approved 103 cases involving foreign collaboration. Of these, 28 related to collaboration with firms in USA, 23 cases with UK firms, 19 with West German parties and 8 with Japanese firms. The number of cases approved

for collaboration with firms in other countries were: Italy (4); East Germany, Switzerland, Denmark and France (3 each); Austria and Sweden (2 each) and Holland, Belgium, Australia, Yugoslavia, Singapore (1 each).

S. No.	Name of Indian firm	Name of foreign firm	Item of manufacture
INDIA — U.K.			
1.	M/s. The Amit Products Ltd., Arvind Mills Premises, Naroda Road, Ahmedabad - 2.	M/s. Davy & United Engineering Co. Ltd., Sheffield, London.	Malleable iron castings.
2.	M/s. Beni Limited, 1, Crooked Lane, Calcutta.	M/s. Westinghouse Brake Signal Co. Ltd., 82, York Way, King's Cross London.	D.C. Motors for traction purposes.
3.	M/s. Bajaj Electricals Limited, 45-47, Veer Nariman Road, Bombay-1.	M/s. Smith Hobson Ltd., Hershman Walton-on-Thames, Surrey, England.	Instrument transformers.
4.	M/s. Brady Engineering Co. Ltd., Brady House, 12-14, Veer Nariman Road, Bombay-1.	M/s. Herbert Morris Ltd., Loughborough, Leicestershire, U.K.	Electric hoist blocks, electric overhead travelling cranes etc.
5.	M/s. Bhagwati Foundries, Madhu Kunj, 56, Shrimali Society, Navrangpura, Ahmedabad-9.	M/s. International Nickel Company (Mond.) Ltd., Thames House, Millbank, London S.W.1.	S.G. iron castings.
6.	M/s. Crompton Parkinson Works Ltd., Dr. E. Moss Road, Worli, Bombay-18.	M/s. Crompton Parkinson Ltd., Crompton House, 95, Aldwych, London W.C.2.	Electric motors, motor control gears etc.
7.	Shri T.S. Chockalingam, 13, South Street, Santhoms, Madras-28.	M/s. Production Engg. Ltd., Park House, Wick Road, Egham — Surrey, U.K.	Gypsum wall boards
8.	M/s. Grauer and Weil (India) Limited, Janambhoomi Chambers 29, Fort, Street, Bombay-1.	M/s. Drysys Equipment Ltd., Carrier House, Warwick Row, London S.W.1.	Automatic and semi-automatic cleaning, pretreatment, finishing plants and manual plants.
9.	M/s. Hindustan Engg. Works, 7-C, Pitamber Lane, Behind Paradise Cinema, Mahim, Bombay-16.	M/s. Tomo Trading Company Ltd., Packet Boat Dock, Cowley Peachey, Uxbridge, Middlesex, England.	Stramit boards.
10.	The Indian Copper Corporation Ltd., C/o Gillanders Arbuthnot & Co., Regal Building, New Delhi.	(i) John Miles & Partners (London) Ltd., London.	Blister copper & sulphuric acid as by-products.
11.	Shri Keshinath Tapuriah, 2, Bra-bourne Road, Calcutta-1.	(ii) Outokumpu Oy, Finland, Helsinki.	Conveying equipment, skip Hoists etc
12.	M/s. Marshall Sons & Co. (Mfg.) Private Ltd., Marshalls Building, 9, Second Line Beach, Madras-1.	M/s. Paterson Hughes Engg. Co. Ltd., Bedford House, Bedford Street, Strand, London E.C.2.	Mixing & drying plants, bitumen heating units etc.
13.	M/s. Machinery Manufacturers Corporation Ltd., P. 61-B, Circular Garden Reach Road, Calcutta-43.	M/s. Bristowes Machinery Ltd., Montagu Road, Edmonton, London, N. 18, England.	Crosrol-Varga high production unit and allied products.
14.	M/s. Madura Mills Co. Ltd., New Jail Road, Madurai.	(i) M/s. Carding Specialists Co. Ltd., Fallon Lane, Halifax, U.K.	Molton metal dyeing process.
15.	M/s. Patel Brothers, 6, Veer Nariman Road, Fort, Bombay.	(ii) M/s. Carding Specialists Canada Ltd., 318, Lytton Bldg., Toronto, Canada.	Kerodex 50, Kerodex 71 and Kerocleanse 22 for the prevention and treatment of industrial dermatitis etc.
		(iii) M/s. Kerodex Ltd., Innox House, London N. 1.	

FOREIGN COLLABORATIONS (Contd)

(Approved during July-September 1964)

S. No.	Name of Indian firm	Name of foreign firm	Item of manufacture
16.	M/s. Printmac Corporation, 64, Old Customs House Road, Bombay-1.	M/s. Dubuit Limited, 8, Chase Road Park Royal, London N.W.10 U.K.	Screen process printing machines.
17.	M/s. Poly Profile Corporation, 94, Meadows Street, Fort, Bombay-1.	M/s. Chevron Structural Units Limited, Crammer House, 39, Brixton Road, London S.W.9.	Chevron, slotted, angles and accessories.
18.	M/s. Rakesh Industries, 3, Jaipuria Building, Subzi Mandi, Delhi.	M/s. Unique Slide Rule Company, Buckhurst Road, Telscombe, Chills, New Haven, England U.K.	Slide rules.
19.	M/s. Spheroidal Castings Limited, 20, Second Line Beach, Madras-1.	M/s. International Nickel Co. (Mond) Ltd., Thames House, Millbank, London S.W.1.	S.G. iron castings.
20.	M/s. Synthad Chemicals Pvt. Ltd., Vallabh Vidyanagar, (Gujarat).	M/s. Harold Heydon & Co. Ltd., 86, Bow Road, London.	Synthetic resins.
21.	Shri R. V. R. Tatachari, 21, Ravelin Street, Bombay-1.	M/s. Rockwell Ltd., Frimley Road, Camberley, Surrey, U.K.	Welding electrodes.
22.	M/s. Tata Engineering & Locomotive Co. Ltd., Bombay House, 24, Bruce Street, Fort, Bombay-1.	M/s. Raymond F. Thompson (Engineers) Ltd., Harlow, Essex, U.K.	Jigs, fixtures, dies, gauges, press tools and inspection equipment.
23.	M/s. Tools & Electricals India Ltd., 38, Netaji Subhas Road, Calcutta-1.	M/s. Electro-Alloys Ltd., 47, Brunel Road, London W.3, U.K.	Ignition contacts.
INDIA — U.S.A.			
24.	M/s. Bronze Powder Private Ltd., 12-A, Tropical Building, Connaught Circus, New Delhi-1.	M/s. United States Bronze Powder Inc. Flemington, N.J., U.S.A.	Bronze powder etc.
25.	M/s. B. K. Khanna & Co. Private Ltd., 14-F, Connaught Place, New Delhi-1.	M/s. Biliss & Laughlin U.S.A.	Cold finished alloy, carbon steel bars, special steel sections.
26.	M/s. Clarion Advertising Services Pvt. Ltd., 5, Council House Street, Calcutta-1.	M/s. Interpublic Inc., 250, Third Avenue, New York-17.	Advertising agency.
27.	M/s. E. Ruttonsha P. Ltd., International House, Bombay-Agra Road, Vikhroli, Bombay-83.	M/s. Simpson Electric Co., Chicago, Illinois, U.S.A.	Testing and measuring instruments.
28.	M/s. Grauer & Weil (India) Ltd., Janambhoomi Chambers, 29, Fort Street, Bombay-1.	M/s. Enthone Inc., 442, Elm Street, New Haven 8, Connecticut, U.S.A.	Chemicals and composition for metal finishing industry.
29.	Shri Gurpreet Singh, 20-A, Aurangzeb Road, New Delhi.	M/s. Continental Device Corporation, 12515, Chadron Avenue, Hawthorne, California, U.S.A.	Silicone transistors and diodes.
30.	M/s. Hindustan Motors Ltd., P.O. Uttarpara, Hooghli District, West Bengal.	M/s. Parker Hannifin Corporation, 17325, Euclid Avenue, Cleveland, Ohio, U.S.A.	Air-powered and hydraulic presses and hydraulic power units.
31.	H/s. Hyderabad Asbestos Cement Products Ltd., Sanatnagar, Hyderabad-18.	M/s. Johns-Manville International Corporation, 22, East 40th Street, New York, NY 10016, U.S.A.	Asbestos cement pipe manufacturing machines.
32.	M/s. Insulux India Ltd., 42, 1st Main Road, C.I.T. Nagar, Madras-35.	M/s. The Ambler Corporation, Fort Wayne, Indiana, U.S.A.	Fibre glass and its products.
33.	M/s. Indian Vegetables Products Limited, Forbes Building Home Street, Bombay.	M/s. Archer Daniels Midland Co., Minneapolis, U.S.A.	Foundry chemicals.
34.	M/s. Jaipur Development Co. Ltd., Buchra House, Bhagwandas road, Jaipur Rajasthan.	M/s. Beatrice Food Co., 120, South La Salle Street, Chicago, U.S.A.	Unsweetened condensed milk.
35.	M/s. Karamchand Premchand Pvt. Ltd., Calico Mills Premises, Ahmedabad.	Mr. Buckminster Fuller, U.S.A.	Geodesic domes and other structures.
36.	M/s. Man-Radio and Electricals Limited, Station Road, Jaipur.	M/s. Boston Technical Consultants Inc., Massachusetts, U.S.A.	Transistors.

FOREIGN COLLABORATIONS (Contd)

(Approved during July-September 1964)

S. No.	Name of Indian firm	Name of foreign firm	Item of manufacture
37.	M/s. Mapara Engg. Co., 4th Floor, Ismail Bldg., 381, Dadabhoy Naoroji Road, Bombay-1.	M/s. Struthers Wells International Corporation, 111 West Fifteenth Street, New York.	Chemical machinery.
38.	M/s. Mahindra & Mahindra Limited, Gateway Building, Apollo Bunder, Bombay-1.	M/s. Natwar Corporation, P.O. Box No. 67, Rehway No. 3, Woodbridge NJ, U.S.A.	Flexible electrical insulators.
39.	M/s. Morris Electronics (P) Ltd., 'Rekha'-5, III/7, Erandavana, Poona-4.	(i) Dr. Donald E. Morris, U.S.A. (ii) Mr. Lorrie Morris, U.S.A.	Electronic industry and allied products.
40.	M/s. The National Organic Chemical Industries Ltd., Mafatlal House, Backbay Reclamation, Bombay-1.	(i) M/s. Stone & Webster Engineering Corporation, U.S.A. (ii) M/s. Bataafse Internationale Chemie Maatschappij N.V. (Netherlands). (iii) M/s. Shell International Chemical Company Ltd., U.K. (iv) Universal Oil Products Co., U.S.A.	Naphtha cracker and its products.
41.	M/s. Podar Mills Ltd., Podar Chambers, 109, Parsee Bazar Street, Fort, Bombay-1.	M/s. Gates Rubber Co. Denver Colorado, U.S.A.	Automobile tyres & tubes, camel back & fan and V belts.
42.	M/s. Purolator of India, S. 304, Agra Road, Mulund, Bombay-80.	M/s. Purolator Products Inc., 970 New Brunswick Avenue, Rayway, N.J., U.S.A.	Industrial filtration equipment.
43.	Shri Pranab Nag, 4, Mandeville Gardens, Ballygunge, Calcutta-19.	M/s. Resources and Facilities Corporation, 100, 42nd Street, New York-17.	Helicoil screw, thread inserts and tools.
44.	M/s. Raymon Engg. Works Ltd., 2, Brabourne Road, Calcutta-1.	(i) M/s. Garvey Grain Inc., 352, North Broadway, Wichita, Kansas, U.S.A. (ii) M/s. Phoenix Rheinrohr A.G. Vereinigte Hutten — und Rohrenwerke of Dasselndorf, West Germany. (iii) M/s. C.H. Jocho Dortmund, Dortmund, West Germany (JUCHO).	Spirally welded tubes and cranes.
45.	M/s. M & T Ronuk Chemicals Ltd., 11-A, Worli Seaface, Bombay-18.	M/s. M & T Chemicals Inc., 100 Park Revenue, New York N.Y. 10017.	Chrome plating solutions, nickel plating compounds etc.
46.	M/s. Remington Rand of India Limited, P.O. Box No. 388, New Delhi.	M/s. Sperry Rand Corporation, U.S.A.	Typewriters.
47.	M/s. Rohit C. Mehta, Rohit Group of Enterprises, India, Wittet Road, Balla bay-1.	M/s. McGaw Laboratories Inc., 1015, Grand-view Avenue, Glendale, California, U.S.A.	Medical equipments.
48.	M/s. Sardesai Orga Diplomatic Enclave,	M/s. Nopco Chemicals Company, 60, Park Place Newark, New Jersey, U.S.A. M/s. Stauffer Chemical Company, New York.	Speciality chemical products.
49.	M/s. Star Chemical Ltd., 21, Noble Bazar Street, Fort,	M/s. Continental Drill Corporation, 555, West Adams Street, Chicago 25, Illinois, U.S.A.	Twist drills and reamers.
50.	M/s. Speedtools Navsari Chambers Bombay-1.	M/s. Sheffield Corporation, 721, Springfield Street, Dayton, Ohio, U.S.A.	Gauges and measuring instruments.
51.	M/s. Tools & Electricals, 38, Netaji Subhas	INDIA — JAPAN	
52.	M/s. Akay Indust. Khumji Ginning Private Ltd., Stat Mysore.	M/s. Sekisuli Chemicals Company Limited, 1, Zozecho, Kitaku, Osaka, Japan.	P.V.C. pumps, foot valves and stop valves for chemicals.
53.	Shri L. C. Bhakhta Kaudiar, Trivandru	M/s. Nippon Needle Manufacturing Co. Ltd., 399, 3-Chome, Kusunoki-Cho, Hiroshima, Japan.	Sewing machine needles.
54.	M/s. Dai-ichi 1 Limited, Library Marine Drive, Bon	M/s. Ataka and Company Ltd., Tokyo, Japan.	Ethylene oxide.

FOREIGN COLLABORATIONS (Contd)

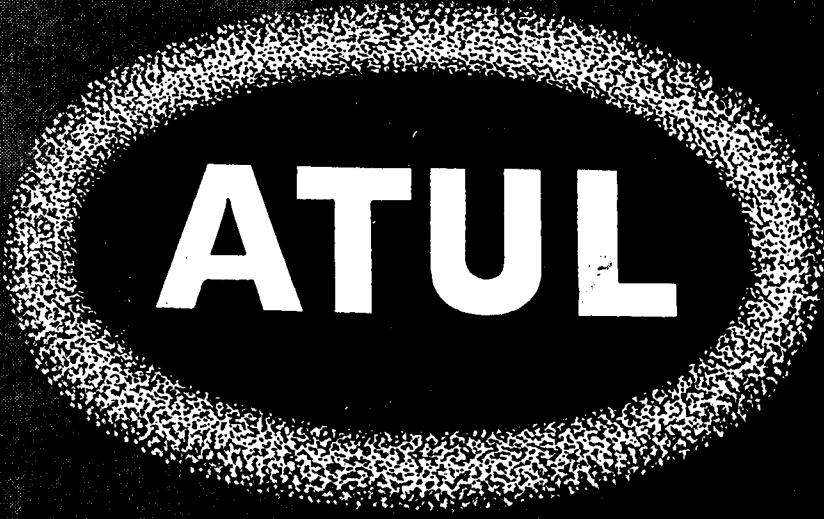
(Approved during July-September 1964)

S. No	Name of Indian firm	Name of foreign firm	Item of manufacture
55.	M/s. Electric Construction & Equipment Company Limited, P.O. Parbangla, Via. Batanagar, 24, Parganas District, West Bengal.	M/s. Tokyo Shibaura Electric Company Ltd., 72, Horikawacho, Kawasaki-sh Kanagawa-Ken, Japan.	Electric hoists.
56.	M/s. Industrial Components Corporation, 22-B/2, Deshbandhu Gupta Road, Karol Bagh, New Delhi	M/s. Yasunaga Co. Ltd., 34, 1-Chome. Nakajyujo Kitaku, Tokyo. M/s. Taiyo Bussen Kaisha Ltd., 2-2, Chome, Kodemmacho, Nihonbashi, Chuo-ku, Tokyo.	Die casting machines, hydraulic presses etc.
57.	M/s. Indian Sugar & General Engineering Corporation, Yamunanagar, Distt. Ambala	M/s. Kawasaki Steel Corporation, 3-Chome, Nakinohama-cho, Fukiai-ku, Kobe, Japan	Steel castings.
58.	M/s. Repetition Parts Pvt. Ltd., Opposite Naval Dockyard Colony, Agra Road, Bhandup, Bombay-78.	M/s. Nakagawa Seiki Company Ltd., 2-5, Chome, Ginza, Chuo-ku, Tokyo, Japan.	Centreless grinding machines.
59.	M/s. Tetcotex Private Limited, Botawalla Building, 7-10, Horniman Circle, Fort Bombay-1.	M/s. Nittoh Iron Works, Japan	Ball bearing top rollers
INDIA — WEST GERMANY			
60.	M/s. Balwan Engineering Company, C/o B. Mehta and Company, Union Bank Building, 3rd Floor, Apollo Street, Bombay-1.	M/s. Joh. Kleinwebers Sohne Maschinenfabrik, Krefeld, West Germany.	Calenders and automatic roller printing machines.
61.	M/s. Brunton & Co. Engineering Ltd. Ballard Road, Cochin-1.	M/s. Spintex Spinnerei-Maschinenbau Stiehl Fromm and Company, West Germany.	High speed draw frames.
62.	M/s. Camphor & Allied Products Ltd., Jehangir Building, 133, Mahatma Gandhi Road, Bombay-1.	M/s. Chemische Werke Huls, West Germany.	Formic acid.
63.	M/s. Deepak Industries Ltd., 62, Hazra Road, Calcutta.	M/s. Suddutsche Elektromotorenwerke G.m.b.H. Bruehsal, West Germany.	Speed regulating pulleys.
64.	M/s. Dalal Engineering Pvt. Ltd., Chinchavli, Malad, Bombay-64.	M/s. Obermair and Cie, Venwaltungs GmbH, Neustadt An Der Weinstrasse, West Germany.	Complete package dyeing and drying plants.
65.	M/s. Ex-Cell-O India Limited, 78-B, Dr. Annie Beasant Road, Bombay.	M/s. Gelenkwellenbau, GmbH, Westendhor 7, Essen, West Germany.	Automobile ancillaries—propeller shafts.
66.	M/s. German Remedies Private Limited, P.O. Box No. 1945, Bombay-1.	M/s. Schering A.G. Muelstrasse 170-172, Berlin (West) N. 65.	Pharmaceutical products, hydroxy, progesterone etc.
67.	Messrs. Industrial Development Corporation of Orissa Ltd., 20, Middleton Row, Calcutta-16.	M/s. Gutehoffnungshutte-Sterkrade, AG, 4200, Oberhausen-Sterkrade, West Germany.	Cast iron spun pipes
68.	M/s. Mehra Industrial Corporation, Kurla Andheri Road, Kurla, Bombay-70.	M/s. Wirkmaschinenfabrik Wilhelm Barfuss GmbH, Wilhelmshaven, West Germany.	Universal raschel machines.
69.	M/s. Optimohar Industries (Pvt.) Limited, Manu Mansion, 16, Old Custom House Road, Fort, Bombay-1.	M/s. Mano-meter Fabrik Ing., Robert Fiebig Briesgau, West Germany.	Pressure gauges and industrial instruments.
70.	M/s. Pioneer Equipment Company Pvt., Ltd., 139, Meadows Street, Bombay-1.	M/s. J.S. Fries Sohn, Frankfurt Am Main, Friesstrasse, West Germany.	Die casting equipment & dies.
71.	Shri R. B. Desai, Director, M/s. Prescant Engg. Pvt. Ltd., 5th Floor, India House, Opp. G.P.O., Bombay-1.	M/s. Wilhelm Zimmer GmbH, An der Margarethen Hutte, Giessen, West Germany.	Automobile ancillaries — pressure die-cast parts.
72.	M/s. Polyolefins Industries Ltd., Mafatlal House, Bombay Reclamation, Bombay-1.	(i) M/s. Friedrich Uhde GmbH, West Germany. (ii) M/s. Farbwerke Hoechst AG, West Germany. (iii) Dr. Karl Ziegler, West Germany.	High density polyethylene, processed Polyethylene products and Ziegler Catalyst

FOREIGN COLLABORATIONS (Contd)

(Approved during July-September 1964)

S. No	Name of Indian firm	Name of foreign firm	Item of manufacture
73.	M/s. Siemens Engg. & Mfg. Co. of India Ltd., Stadium House, Veer Nariman Road, Bombay-1.	M/s. Schaerffe & Co., Jarrestrasse 26, Hamburg 39, West Germany.	Mechanical portion of topping winches and cargo winches.
74.	Shri Shantilal J. Shah, 5, Sriramanagar South, Madras-18.	M/s. Lessing, Fabrik Fur Elektrokohle KG, Nurnberg, West Germany.	Cinema arc carbons
75.	M/s. Standard Fabricators (India) Pvt. Ltd., Co-operative Insurance Building, Sir P.M. Road, Bombay-1.	M/s. Hans Fischer Spezialfabrik Fur Textile-Industrie-Bedarf, Augsburg, West Germany.	Broken end collectors (Pneumafil).
76.	M/s. Star Trading Co. Pvt. Ltd., Bank of Baroda Building, 12, Apollo Street, Bombay-1.	M/s. Dr. Ing. Heinz Mahlo Electromechanische Werkstatte Saal/Donau, West Germany.	Moisture indicating and controlling apparatus.
77.	M/s. Vinar Limited, 2-A, Theatre Road, Calcutta-16.	M/s. Seidensticker Herrenwaschfabriken GmbH, Bielefeld, West Germany.	Readymade garments.
78.	Shri P. Venkatesan, Ram Prakash, Periaswamy Road, Coimbatore.	M/s. Gesellschaft Fur Huttenwerksanlagen, M.B.H., 4, Dusseldorf, Kaiserswerther Strasse 105, West Germany.	Steel castings.
INDIA — EAST GERMANY			
79.	M/s. Asiatic Electric Corporation, Beaumont Chambers, Ground Floor, Meadows Street, Bombay-1.	M/s. VEB Elektroinstallation Oberweimar, (represented by Foreign Trade Company Limex M.b.H. Berlin).	Flame & explosion proof materials.
80.	M/s. P.A. Bhatt & Co., Handloom House, 3rd Floor, 221, Dr. Dadabhai Naroji Road, Bombay-1.	M/s. VEB Druck-Maschinenwerk Planeta, Radebeul and Limex M.b.H. Berlin (GDR).	Single colour offset printing machines.
81.	Government Precision Instruments Factory, Lucknow.	M/s. VEB Carl Zeiss Jena, represented by Aussenhandelsesellschaft Limex, M.b.H. Berlin C-2.	Optical and meteorological instruments.
INDIA — SWITZERLAND			
82.	M/s. Nanavati Enterprises, Pemino, Altamont Road, Bombay.	M/s. IFINTECA, Universitatstrasse, 94, Zurich.	P.V.C. footwear.
83.	M/s. Peass Industrial Engineers Pvt. Ltd., Station Road, Navsari (W. Rly.)	M/s. Fr. Mattler's Sons Limited, Arth, Switzerland.	Cone winders, yarn singeing machines and doubler winders for textile industry.
84.	The Sarangpur Cotton Manufacturing Co. Ltd., P.O. Box No. 19, Ahmedabad.	M/s. Cilanders Ltd., Herisau, Switzerland.	Specialised finishing processes.
INDIA — ITALY			
85.	M/s. Escorts Ltd., Pratap Building, Connaught Circus, New Delhi-1.	M/s. AREA, Via G. Tomassetti No. 8, Rome (Italy).	Intensifying fluoroscopic screens.
86.	M/s. S.K. Engineering Corporation, 53, Chowringhee Road, Calcutta-16.	M/s. L. Rosegnoli & Co., Italy.	Fluxes for ferrous and non-ferrous foundries.
87.	M/s. Jay Engineering Works Limited, P.O. Box No. 2158, Calcutta.	M/s. Arnaldo Vigorelli S.P.A., Pavia, Italy.	Zig zag sewing machines.
88.	M/s. Vitrex Ceramics Ltd., C/o M/s. Chinai & Co. Pvt. Ltd., 79, Masjid Bunder Road, Bombay-3.	M/s. F.A.T.M.I. Milano, Italy.	Glazed tiles.
INDIA — DENMARK			
89.	M/s. Larsen & Toubro Limited, I.C. House, Dougall Road, Ballard Estate, Bombay-1.	M/s. F. L. Smidth & Co., A/S of 77 Vigerslev Alle, Copenhagen, Denmark.	Cement making machinery.
90.	M/s. Raymond Woollen Mills Ltd., J.K. Building, Dougall Road, Ballard Estate, Bombay.	M/s. Crastin Konfektions Private Ltd., Grassten, Denmark.	Readymade garments.
91.	Shri Yaswant C. Bhatt, C/o Artist Equipment Co., Asian Building, Nicol Road, Ballard Estate, Bombay.	M/s. Diwa Manufacturing Co., Denmark.	Slide rules



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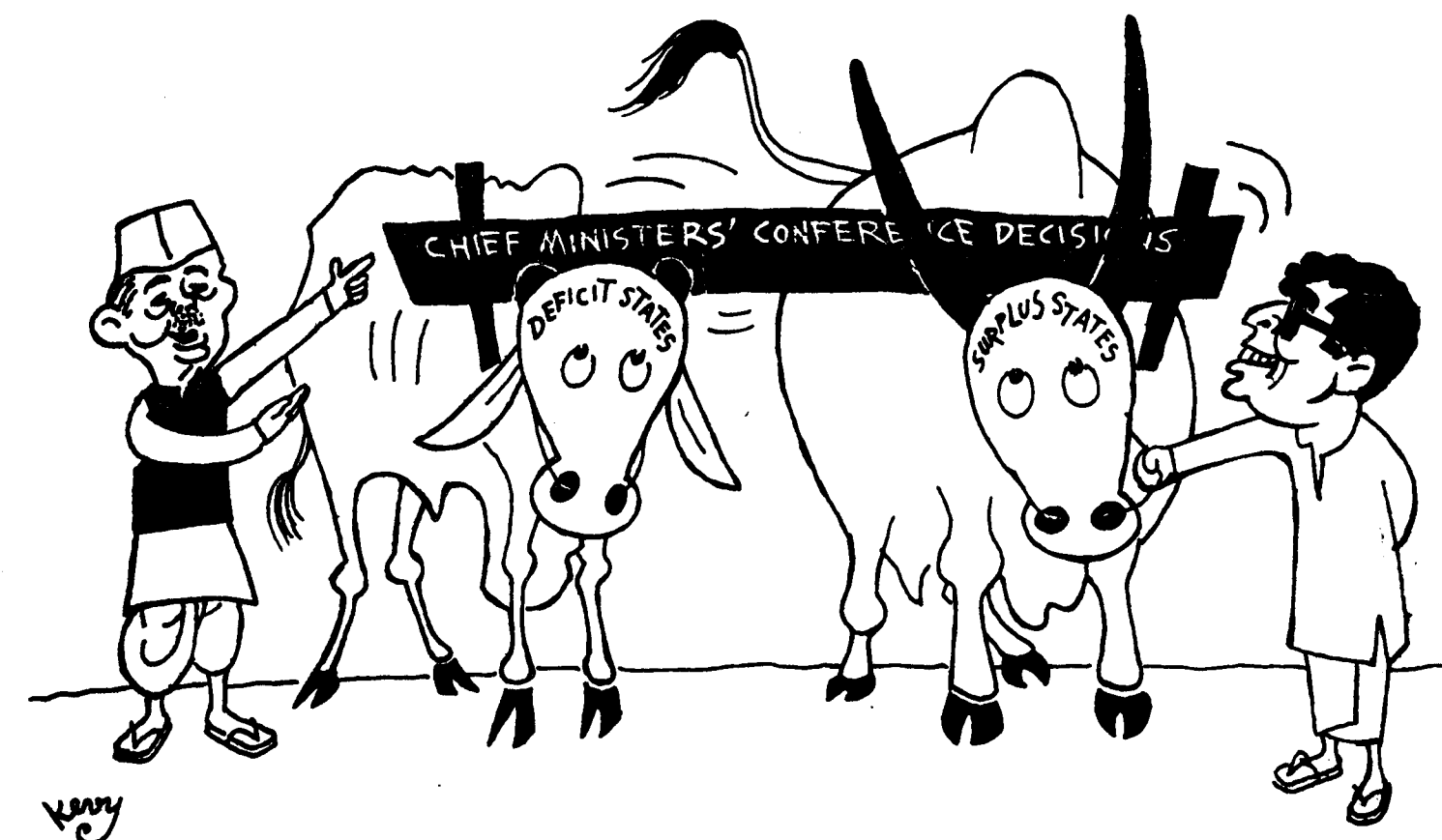
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FOREIGN COLLABORATIONS (Contd)

(Approved during July-September 1964)

S. No.	Name of Indian firm	Name of foreign firm	Item of manufacture
INDIA — HOLLAND			
92.	Shri A. C. Patel, Dutta Vila, Race Course Road, Baroda-5.	M/s. Damm & Zoon N.V. Apeldoorn, Holland.	Taps and dies.
INDIA — FRANCE			
93.	M/s. V. Pamlays Pvt. Ltd., Pokhran Road, No. 2, Panchpakhadi, Thana (Maharashtra).	M/s. Material Perrier, 25, Rue des Moul'niers Saint-Etienne, France.	Centrifugal separators and filtration equipment.
94.	M/s. C.Z. Roller Chains (India), Sindhu House, 3/5, Nanabhai Lane, Fort, Bombay.	M/s. Nadella S.A., 133137, Boulevard National Roel-Malmaison, France.	Needle roller bearings.
95.	Shri Sarjit Singh Garewal, 18, Tilak Marg, New Delhi.	M/s. Compagnie Francaise Thomson-Houston, Paris.	Transistor radios.
INDIA — BELGIUM			
96.	M/s. Duesberg-Bosson Fils Private Ltd., Janamabhoomi Chambers, Fort Street, Bombay-1. 13/14, Asaf Ali Road, New Delhi.	M/s. H. Duesberg — Bosson Fils Ver-viers, Belgium.	Fancy and miscellaneous types of filets.
INDIA — AUSTRIA			
97.	M/s. W.J. Alcock & Co. (P) Ltd., C/o M/s. B. Pannalal (P) L'd., 13/14, Asaf Ali Road, New Delhi.	M/s. Ludwig Sebold Wien I, Wipplingerstrasse 24, Austria.	Glass Electrode PH-Tester PH-conductivity meters and Dohble-cell ion exchanger.
98.	M/s. British Engineering Co., 105, Apollo Street, Fort, Bombay.	M/s. El'n-Union AG., Vienna, Austria.	Welding generators.
INDIA — AUSTRALIA			
99.	M/s. Greaves Cotton & Company Ltd., 1, Forbes Street, Bombay-1.	M/s. Mindrill Exports Private Limited Preston N.-18, Victoria, Australia.	Diamond drills, drill rods, casing core barrels and operating equipments.
INDIA — SWEDEN			
100.	M/s. Hindustan Chemical Works Ltd., 7C, Pitamber Lane, Mahim, Bombay-16.	M/s. Durox International S.A., Boulevard Royal 2 bis, Duchy, Sweden.	Aerated concrete products.
101.	M/s. Heavy Electricals (India) Limited, New Delhi.	M/s. Allmanna Svenska Elektriska Aktiebolaget, Koppar Bergsvagin 2, Vasteras, Sweden.	Air blast circuit breakers.
INDIA — YUGOSLAVIA			
102.	M/s. Asian Electronics Ltd., Handloom House, 3rd Floor, 221, Dr Dada-bhai Naroji Road, Bombay-1.	M/s. Avtomacija Business Association for Automation Ljubljana, Miklosiceva, 28 Yugoslavia.	Carbon resistors and styroflex capacitors.
INDIA — SINGAPORE			
103.	M/s. Company De Mendez (P) Ltd., P.O. Box No. 127, Trivandrum (Kerala State).	M/s. Mendez Brothers Ltd., No. 2, George Street, Singapore.	Steel wire mesh.

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EASTERN ECONOMIST

NOVEMBER 27, 1964.

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Planning Without Production

LAST WEEK in Lok Sabha the Finance Minister returned significant answers to a number of interesting questions relating to the economic development of the nation. The National Development Council, at its meeting held last month, had been inclined to favour a fourth Plan outlay ranging between Rs. 21,500 and 22,500 crores. Of this, the investment in the private sector was put at Rs. 7,000 crores, which would leave an outlay of between Rs. 14,500 and 15,500 crores for the public sector. Mr. Krishnamachari explained the need for talking of the outlay in the public sector in terms of two figures, a lower and a higher one, by disclosing that the higher investment target would be attempted through stepping up investments in the second half of the Plan provided the national economy had, in the meanwhile, improved sufficiently to permit mobilization of additional resources. This does not, however, mean that uncertainty regarding resources is confined only to the difference of Rs. 1,000 crores between the lower and the higher limits of projected outlay. On the contrary, as the Finance Minister readily conceded, there was a gap of Rs. 3,000 crores between resources and requirements as estimated by the Working Group which had studied this matter. He also allowed that the assessment of resources could be assumed to be correct only within the order of Rs. 1,000 crores.

It is plain from all this that there is a very large element of Micawberism in the formulation of the fourth Plan. The Finance Minister's declaration that the Government had decided to abrogate deficit financing almost completely from budgeting for the fourth Plan cannot, therefore, be altogether reassuring. The cynic would certainly point with delight to the comfortable adverb "almost" with which the Finance Minister has adroitly qualified his caveat against deficit financing. But skilful semantics apart, it must be bluntly stated that neither the Finance Minister nor even the Government as a whole is at present really in a position to give a valid undertaking that a fourth Plan of the dimensions now being sought will not involve substantial deficit financing.

Mr. Krishnamachari, indeed, had spoken bravely of exploring other ways and means of raising the extra Rs. 3,000 crores. But such arithmetic as he was able on the occasion to advance was not only vague but misleading. He referred, for instance, to the recent increase in foodgrain prices which, in his view, would be adding Rs. 200 crores to income in the agricultural sector. The Finance Minister's argument was that to the extent some of those Rs. 200 crores could be got at through savings or other means as contribution to Plan finances, the resources position was bound to benefit. The weakness of this contention is that it ignores the vital point that the Rs. 200 crores supposedly accruing to the agricultural sector as additional income would only be in the nature of transfer of funds from the rest of the community to the farm population. In other words, the expansion of incomes in the agricultural sector may not represent any net improvement in the aggregate resources available within the community. All that would have happened is that the distribution of the national income has been slightly influenced in favour of the farming community. This diversion does not necessarily facilitate mobilization of resources for the Plan. On the contrary, to the extent that it is notoriously difficult to generate or mobilize savings in the farm population, the availability of resources for the Plan would have deteriorated rather than improved by virtue of the larger payments which the non-farm population would be

making to the farm population because of increased agricultural prices.

We strongly urge that, with the salutary experience of the third Plan to profit from, the Government should now resolve to be realistic. There is really no escape for the nation from the necessity that, foreign aid apart, it could hope to invest in the fourth Plan no larger resources than it could currently generate within the economy through increased production. We should have thought that this truth is so clear and compelling that the formulation of the fourth Plan would have been wholly brought under its wholesome discipline. Unfortunately, this does not seem yet to be the case.

Hindustan Antibiotics Limited

THE HINDUSTAN Antibiotics, which commenced production of wonder drugs such as potassium penicillin first crystals towards the end of 1954, tetracycline in July 1961 and streptomycin in February 1962, appears to be one of those enterprises which have brought credit to public sector projects. It is proposed to examine the working of the company during the last four years ending March 1964 from the data published by the enterprise.

Table I shows the progress of the company revealed by certain important indicators during the last four years.

TABLE I.
PROGRESS DURING 1960-61 TO 1963-64

	1960-61	1961-62	1962-63	1963-64
Production — Target m.m.u.	35.00	45.00	50.00	52.00
Actual m.m.u.	40.24	45.53	50.17	51.54
Gross Sales (Rs. lakhs)	343	356	430	482
Profit before taxation (Rs. lakhs)	146	140	140	145
Income tax provision (Rs. lakhs)	65	64	70	70
Transfer to General Revenue (Rs. lakhs)	79	19	5	39
Transfer to Export Promotion Reserve (Rs. lakhs)	—	—	9	9
Transfer to UNICEF Reserve (Rs. lakhs)	—	32	23	—
Depreciation (Rs. lakhs)	16	18	36	53
Dividend Distributed (Rs. lakhs)	—	16	16	25
Loans from Government	—	—	—	—
Employees on Roll	1205	1412	1818	1892

It will be seen that the company has recorded an all round progress during the last four years. The actual production has, on the whole, exceeded the targets and the value of sales has continuously increased. The profit before taxation in 1963-64 of Rs. 145

lakhs, although higher than the previous year by Rs. 5 lakhs, is slightly less than the profit of 1960-61. The reason for the fall in profits during 1961-62 to 1963-64, in spite of the fact that the value of sales has improved is to be found in the reduction of prices of its products announced in January 1961. Besides, the company had charged to its 1961-62 and 1962-63 accounts the working expenditure on its streptomycin plant, whereas sales of dihydro-streptomycin commenced only in March 1963. The company has not borrowed any funds from Government during the last four years, but has instead paid the total dividend of Rs. 57 lakhs.

Table II shows the summarised balance sheet of the company as at March 31, 1964.

TABLE II.
BALANCE SHEET AS AT MARCH 31, 1964
(In Rs. lakhs)

Liabilities		Assets	
Paid-up capital	247	Gross fixed assets	578
Reserves & surplus	436	Less depreciation	189
Sundry creditors for purchases	53	Net fixed assets	389
Sundry creditors for deposits	6	Inventories	223
Sundry creditors for others	40	Sundry debtors	108
Provision for taxation	19	Loans & Advances	58
Proposed dividends	25	Cash & bank balances	48
TOTAL	826		826

The balance sheet of the company reveals a very sound financial position. It has no borrowings either from Government or from any bank or from any financial institution. On the other hand, its paid-up capital and reserves exceed its net fixed assets by Rs. 294 lakhs suggesting that a considerable part of its working capital has been financed from these two sources, thereby dispensing with the need for resorting to borrowings.

finance it. For this sound position, the accumulated profits of the company during the previous years, represented by Reserves and Surplus of Rs. 436 lakhs was the main contributing factor.

The rate of profit earned by the company during the last four years measured by three standards, viz., the rate of profit before tax on sales, total capital employed and net worth is given in Table III.

TABLE III.
(Percentage)

	1960-61	1961-62	1962-63	1963-64
Rate of profit before tax on sales	42.6	39.4	32.5	30
Rate of profit before tax on total capital employed	19.9	16.2	17.3	17.5
Rate of profit after tax on net worth	15.6	13.1	11.0	10.9

It would be seen that the company has been making a fairly high rate of profit during the last four years. A profit margin of over 30 per cent on sales of vital life saving drugs no doubt calls for a reduction in prices of these products. But the point worth noting is that the price of one of its main products, viz., streptomycin, has been fixed at Rs. 175 per kilogram although the actual cost of production was high, to keep it practically on par with the rate at which imported streptomycin was being sold and to ensure that there was no increase in the ultimate price to the consumer. It would, therefore, appear that the buyers of penicillin, the other main product of the company, have been made to pay for the increase in the cost of production of streptomycin.

One important reason for the relatively lower rate of profit margin on sales during the last three years was the agreement under which the company supplied free to UNICEF a total quantity of 6 million megounits of penicillin in vials. Further, towards repayment of the cost of machinery and equipment provided by UNICEF, the company agreed that supplies on this account should be made at a concessional price which was 35 per cent below the list price. Both the supplies were intended for free distribution to hospitals, primary health units and other institutions in this country. The financial implication of these proposals to the company was Rs. 69.4 lakhs.

Since the hospitals in the country had benefited by free supplies made by the company, the real profit earned by the company was higher than what Table III indicates. In looking for an explanation for the higher rate of profit earned by the company, it would be useful to examine once again the figures in Table II. It would be seen from the table that of the total capital employed of Rs. 826 lakhs, as much as Rs. 683 lakhs represented

paid-up capital and reserves, on which the company was not bound to pay any return unless it earned a profit. The company had no borrowings on which it had to pay any interest and the remaining finances for the company had been obtained from sundry creditors. Thanks to a wise policy of retaining a considerable part of the profits, even the reserves of the company were higher than the net fixed assets.

Table IV gives the main constituents of expenditure in relation to the value of production during the last three years.

The total expenditure which stood at Rs. 213 lakhs or 61 per cent of the value of production in 1961-62 increased to Rs. 271 lakhs or 64 per cent in 1962-63 and to Rs. 320 lakhs or 71 per cent in 1963-64. Thus apart from the free supplies to UNICEF, another reason for the lower rate of profit is to be found in the higher rate of growth in expenditure, compared to the value of production.

TABLE IV.
PATTERN OF EXPENDITURE
(In Rs. lakhs)

	1961-62	1962-63	1963-64
Consumption of goods	118	134	145
Operating expenses	48	73	85
Research expenses	3	4	5
Selling expenses	5	6	8
Other expenses	21	19	25
Depreciation	18	35	52
TOTAL	213	271	320
Value of production	347	420	448

The Government of India, while approving the doubling of streptomycin plant capacity and sanctioning foreign exchange component involved in the scheme, had stipulated that the company should export penicillin and streptomycin, subdivided products etc. and earn foreign exchange to the extent of Rs. 34 lakhs in two annual instalments in the years 1962-63 and 1963-64. The company has not been able to export during both the years since the international price of antibiotics is lower than the company's cost of production. Even in the Middle East and South-East Asian countries, the ruling prices of imported penicillin — mostly from the UK and the USA—are lower than the cost of production of Hindustan Antibiotics Limited. In order to enable the company to export at a lower price, the company appropriated Rs. 8.50 lakhs each in 1962-63 and 1963-64 from the surplus and credited it to export promotion reserve. In effect this would mean that the company is obtaining Rs. 34 lakhs worth of foreign exchange for Rs. 51 lakhs of rupees. This, of course, is a practice peculiar neither to India nor to the export merchandising of antibiotics alone.

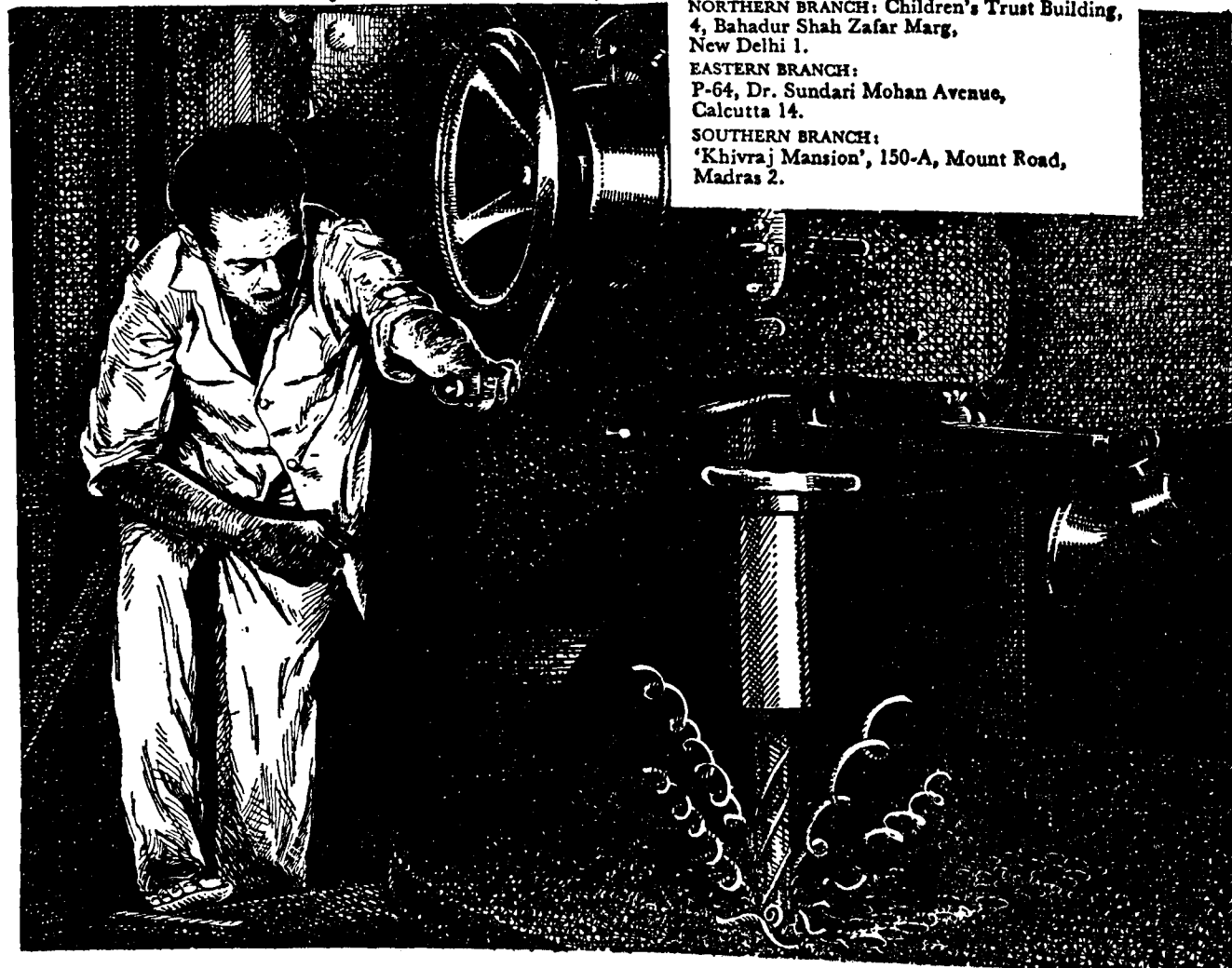
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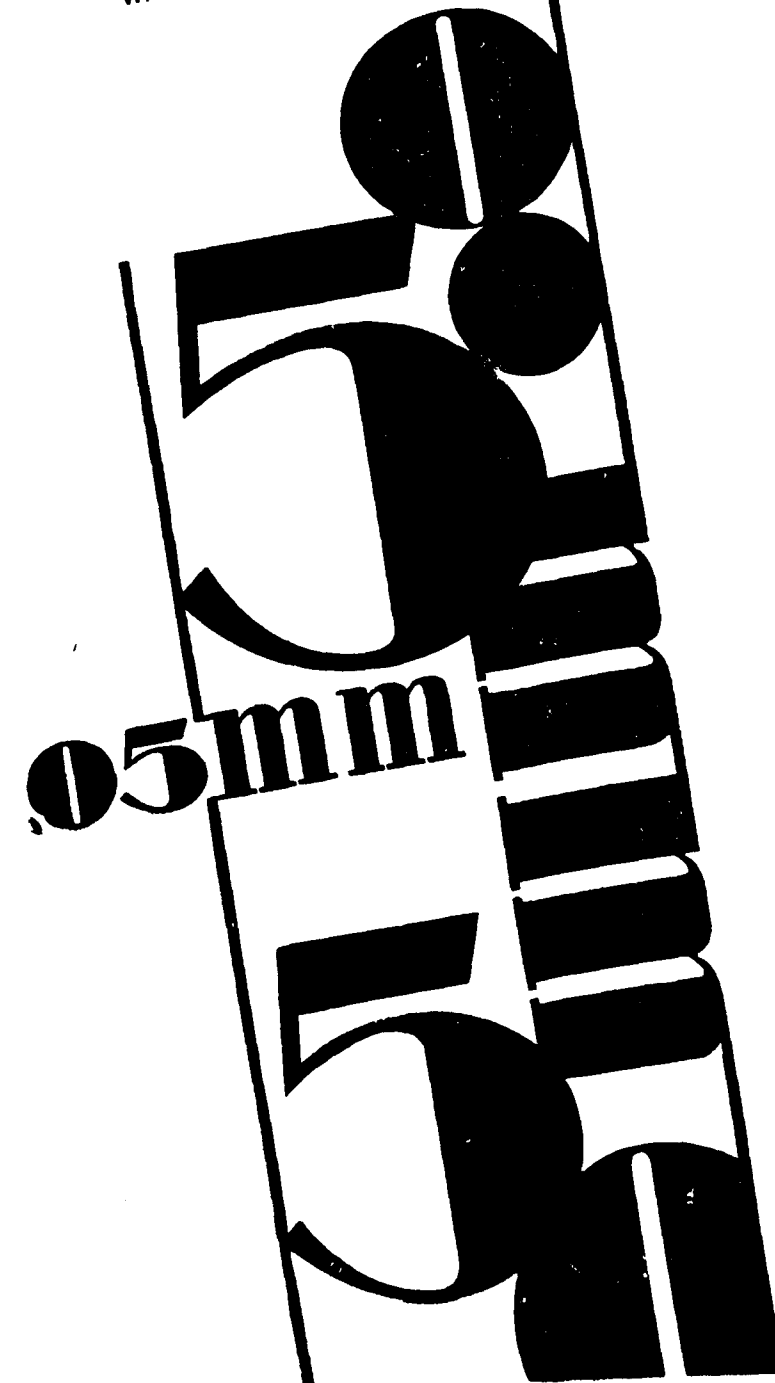
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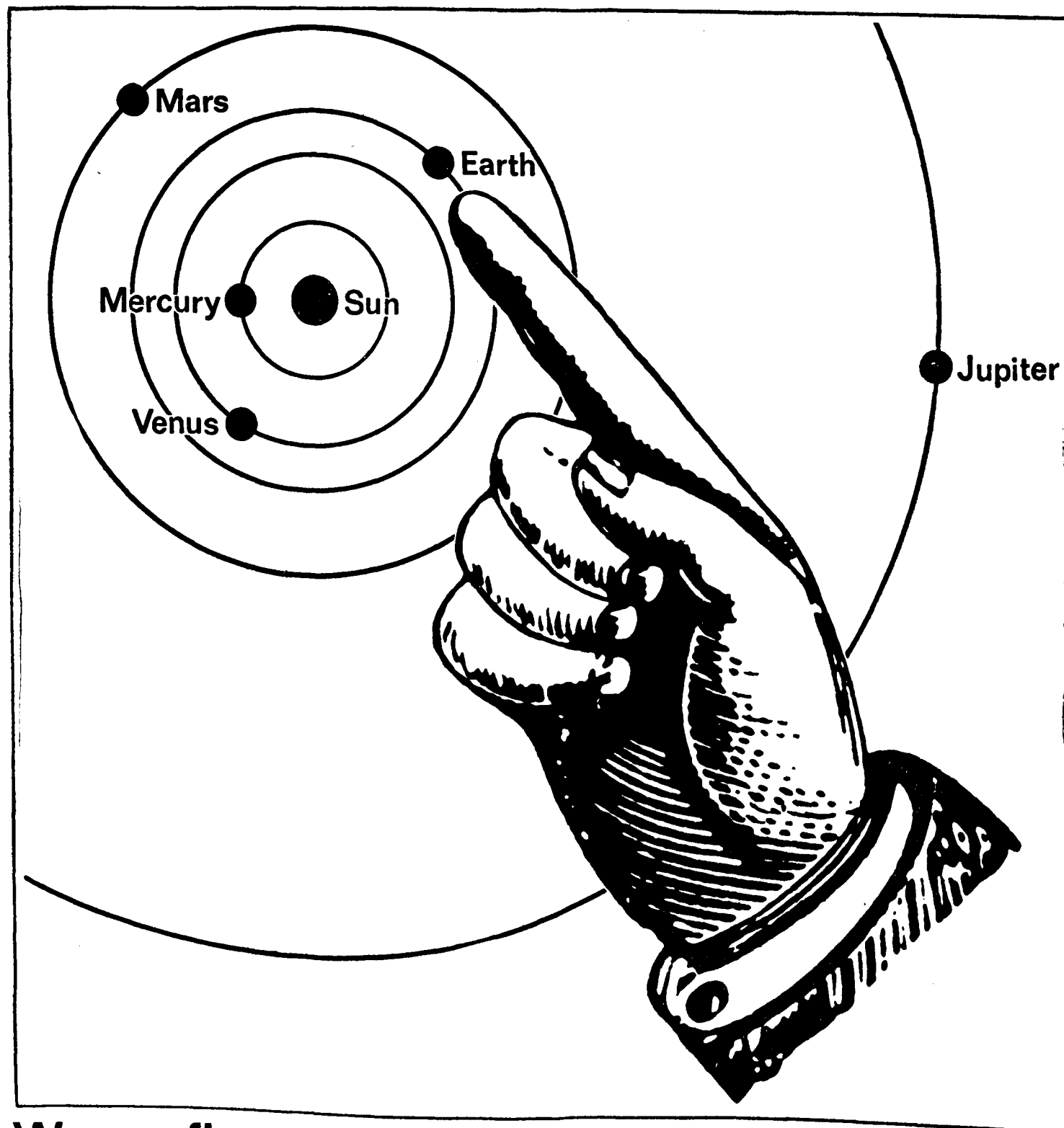
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Highlights of the Week

MILITARY AID

MR. Y. B. CHAVAN, India's Defence Minister, stated in London on November 19 that he would not be returning home empty-handed after talks with the British Government on defence and economic matters. The communique issued by the Commonwealth Relations Office on the following day indicated that Mr. Chavan's visit to the United Kingdom had been, by and large, a success. Britain has signed a loan agreement for the sum of £4,700,000 which would be made available over the next four years to finance the rebuilding of the Mazagon Dockyard and the construction of three Leander frigates. These frigates would take some time to be completed while the problem of replacing the aging ships of the Indian Navy is assuming urgency. An assurance has been held out that Indian requirements would receive further consideration by Britain, especially when it finalised the review of its own defence policy. Again, Britain has offered assistance — foreign exchange, loans and technical know-how — for building a submarine in India, though confirmation in this regard is lacking. A Royal Navy submarine "for a period each year" would be provided to India for imparting anti-submarine training to Indian officers. Even though details in this regard have not been disclosed, the construction of the submarine will fulfil a long outstanding ambition of the Defence Minister.

Earlier, Mr. Y. B. Chavan stated in London that the total cost of India's defence needs was about Rs. 5,000 crores out of which Rs. 680 crores only would be from external sources. "The freedom of our country", said the Defence Minister, "must be defended by our own efforts, our own blood. The people of India are determined to protect their independence at any cost".

It is reported from Karachi that Britain has assured Pakistan that its military aid to India would be deployed only against China.

BANK RATE RISE IN BRITAIN

THE BANK rate in Britain was raised from 5 per cent to 7 per cent on Monday, November 23, 1964. Considerable pressure had been building up on the pound as gold and foreign exchange were flowing out of London faster than even during the election. The Wilson Government had no option but to stem this tide by raising the bank rate by 2 per cent at one go. Britain will also have to avail of the stand-by arrangements with the International Monetary Fund which can provide up to £357 million. Both these measures are likely to save the pound from devaluation.

Looking back at the economic policy of the Labour Government, it may be said that it has not proved popular either at home or abroad. The 15 per cent surcharge has been disliked by the EFTA countries, the common market countries and the developing countries in the Commonwealth. At home, the Labour Government's decision to raise income tax and impose new corporate taxes has not been approved by the people.

Under similar circumstances, the Conservative Government in Britain had also raised the bank rate to 7 per cent twice; once in 1957-58 for about six months and at another time in 1961 for about two months but as soon as the balance of payments position improved, it had been again brought down. Now that this drastic step has been taken, the feeling exists that Britain will be able to withdraw the surcharge of 15 per cent on imports.

The sharp rise in the bank rate assumes poignancy in

view of the fact that the Labour Government did not believe in monetary methods of correcting the economic disequilibrium. Even the election manifesto of the Labour party had given its opinion against a rise in interest rates. The fact that it had to take this drastic measure shows that it was not willing to operate the still sharper lever of devaluation of the pound.

In India, the increase in the bank rate is viewed as a measure which will make collaboration agreements with Britain costlier since the cost of credit in Britain has risen. The terms of collaboration offered to Indian parties will, no doubt, be stiffer than they have been hitherto. Again, the British banks which are operating in India, would prefer to raise credit in this country instead of raising it in Britain because of the difference of two per cent between the bank rates in India and the United Kingdom.

COLOMBO PLAN

THE COLOMBO Plan has sometimes been described as a big envelope containing the development plans of the South-East Asian countries. It is a fact that planning of the economies of these countries through national efforts has taken considerable strides since 1950 when the Colombo Plan to assist these countries first took shape. It was to run for a decade in the first instance but was later extended by five years so as to run up to 1966. At the meeting of the Consultative Committee of the Plan at London on November 20, the announcement was made that it would be extended for a further period of five years until 1971. Its further renewal would be considered again in 1969. Even after 15 years of continued assistance to these countries, the annual report has stressed the need for undiminished aid in order to raise the living standards of the people in these countries. The communique issued at the conclusion of the meeting stated that the total aid covered by Britain, Australia, Canada, Japan, New Zealand and the United States to the Colombo Plan countries since 1950 had risen to \$14,864 million. In 1963-64 alone the total value of aid given to these countries was as high as \$2,165 million. These figures do not include the aid provided by the regional members to each other.

Substantial increases in development expenditure took place in many countries of this group during 1963. There had been an increase in expenditure under other heads as well, particularly defence. Efforts needed to be intensified to pursue policies which would maintain financial stability while investment in essential development would continue to be made. Despite massive investments both from indigenous and external resources, the level of public expenditure on development per head over the Colombo Plan countries as a whole remained relatively low. While the rate of rise in population needed to be moderated, measures were required urgently to be taken to accelerate the rate of investment. The only streamline in the whole picture was the encouraging fact that aid on a large scale would continue to be given by the signatories to the Colombo Plan so that the region as a whole would be able to finance its development programmes as well as its current imports.

A review of the aid problems of the Colombo Plan countries by the Committee showed that some members had taken steps to make aid available "on easier terms during the past year." Also, the resources of the International Development Association (which includes several members of the Colombo Plan among its major contributors) had been increased. While bulk of the aid provided to these countries continued to be tied to purchases from the donor countries, the propor-

tion of untied aid had also been increased. Some further facilities will have to be provided in order to tackle the problem of accumulation of external debt.

A special topic for discussion by the Colombo Plan countries this year was the development problems of the rural areas in the region. It was noted with concern that while the demand for food continued to rise because of increase in population as well as high incomes, the improvement in food production hardly kept ahead of population growth. It was, therefore, imperative that agriculture should be given the highest priority though it was suggested that Governments should not think of rural development in isolation but should aim at achieving a balanced growth between agricultural and industrial sectors. At next year's meeting of the Consultative Committee, the special topic of regional interest for discussion will be "The Relationship between Population and Economic Development in the Colombo Plan Area."

LONG-RANGE SUGAR POLICY

AT THE fifth annual general meeting at New Delhi of the National Federation of Co-operative Sugar Factories, Mr. C. Subramaniam, the Union Minister for Food and Agriculture, stated that the Government hoped to evolve a long-range policy in regard to the sugar industry which would be beneficial to all the parties concerned. Earlier, Prof. D. R. Gadgil had pleaded for a long-range policy of the sugar industry. He said that during the last 1½ decades, official policy in relation to sugar production and price of sugarcane and sugar had been formulated exclusively on short-term considerations which had resulted in wide fluctuations and had added to the prevailing difficulties in the industry. The Minister held out the assurance that the proposed long-range policy would seek to resolve the conflicting differences amongst producers, cane growers, workers and consumers through an integrated and balanced approach.

An additional annual capacity of 800,000 tonnes of sugar

would be licensed shortly, according to Mr. Subramaniam. Licences for new factories would be issued and some of the old factories would be allowed to expand. A large number of applications had already been examined by the Screening Committee for the expansion of the existing units as well as for the establishment of new ones. He further stated that licences for expansion would be issued soon while establishment of new factories — mostly in the co-operative sector — was under consideration.

Reviewing the progress of the co-operative sugar factories in the country, Mr. Subramaniam said that the number of such factories had risen to 48 in 1963-64. Four additional factories in the co-operative sector were likely to be established in 1964-65. This speedy growth in the co-operative sector had been made possible by the deliberate policy of the Government to provide preferential licences and liberal financial assistance. He urged the Federation of Co-operative Sugar Factories to see to it that sugar was made available to the people at an economic price. He said that it would be possible for the co-operatives to do so if they would not be tempted by the charm of temporary gains. The co-operatives must think in terms of increasing the production capacity and economising in production and overhead expenses.

Prof. D. R. Gadgil, while reviewing the progress of the co-operative sugar factories, stated that the production in this sector in 1963-64 was 598,000 tonnes as against the total national output of 2,567,000 tonnes. The co-operatives had played a major role in the implementation of the Government's policy regarding the production of raw sugar for export. He regretted that the interim report of the Sen Commission had not been published. Mr. S. K. Dey, the Union Minister for Co-operation and Panchayati Raj, put forward the suggestion that inter-State and inter-factory visits by the management cadre and the agriculturists should be arranged so as to develop technique and administrative standards.

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FROM THE PRESS GALLERY

Food to the Fore

By Our Parliamentary Correspondent

NEW DELHI:

ALTHOUGH THE adjournment motion seeking to censure the Government for the mishandling of the food situation in Kerala was defeated by the Lok Sabha by an overwhelming majority on the second day of its working during the current session, the food problem continued to be the centre of attraction in the proceedings of Parliament last week, the occasion being provided by the debate in the Lok Sabha on the Food Corporation Bill. The other highlight of the week's proceedings was the statement made by the Minister for External Affairs, Mr. Swaran Singh, on the international developments since the last session of Parliament. The hostile Nagas' demand for independence also created a good deal of furore.

The Food Corporation Bill received general approbation, but encountered stout opposition from the Swatantra group whose main spokesman, Mr. N. Dandekar, feared that by securing monopoly in foodgrains trade, the operation of the Corporation would be detrimental to the interests of both the producers and the consumers. Compulsory procurement of foodgrains by the Corporation, Mr. Dandekar argued, would mean that producers would not get a remunerative price for their produce. Mr. Dandekar also expressed misgivings about the Corporation's ability to carry out the enormous task of trading in foodgrains on a nation-wide scale. The leader of the Swatantra group, Mr. N. G. Ranga, wanted a provision in the Bill to protect the interests of kisans. A former Union Minister for Food, Mr. A. P. Jain, welcomed the setting up of the Corporation and opined that in the present circumstances there was no alternative to State trading in foodgrains. He favoured monopoly procurement only in the event it was inevitable for the successful working of the Corporation. He, however, wondered why Madras, situated in one corner of the country, had been chosen as the Corporation's headquarters. Bombay or Hyderabad, he suggested, would have been a better choice. Mr. Jain regretted that the single southern zone for rice, which had served the region well in the past, should have been disturbed and each of the four States comprising it, namely, Andhra Pradesh, Madras, Mysore and Kerala, should have been made into separate zones. Mr. Bibhuti Mishra (Congress) suggested that the Corporation should be renamed as "Agricultural Produce Corporation of India". The independent member, Mr. Kashiram Gupta, wanted that farmers as well as consumers should be represented on the Board of Directors of the Corporation. Dr. M. S. Aney, another independent member, expressed the opinion that the Corporation should work in a commercial spirit, consistent with the interests of both the producers and the consumers.

Sound Basis

In his reply to the general debate on the Bill, the Union Minister for Food and Agriculture, Mr. C. Subramaniam, assured the House that the Corporation would be built on a sound basis and run on commercial lines. Only a reasonable margin of profit would be charged by it. Mr. Subramaniam regretted the behaviour of the trade and observed that it was only this behaviour that was responsible for compelling the Government to set up the Food Corporation. He emphasized that the establishment of the Corporation was not intended to

destroy the existing channels of trade. Mr. Subramaniam was also not in favour of vesting the Corporation with monopoly procurement rights. But if the trade did not behave, he would have no hesitation in clothing the Corporation with powers to function on a monopolistic basis. Appropriate powers, the Minister said, would be given to the Corporation under the Essential Commodities Act and the Defence of India Rules. With a view to enabling the Corporation to function on commercial lines, the Institute of Management would be appointed as its consultants. Mr. Subramaniam defended selection of Madras as the headquarters of the Corporation on the ground that in the initial stages it had to trade primarily in rice. He accepted Mr. Ranga's amendment that the Corporation should bear in mind the interests of producers as well as consumers. The original draft had merely mentioned "public interest". Although the House sat for extra time on November 21, the Bill could not be adopted for want of quorum. The clause-by-clause consideration of the Bill had to be postponed.

Chinese Bomb

Reviewing the international developments since the last session of Parliament, the Minister for External Affairs, Mr. Swaran Singh regretted the explosion of atomic bomb by China within a few days of the non-aligned nations' declaration in Cairo, which deprecated nuclear armament; he stated that it not only constituted a flagrant disregard of the hopes of the world generally, but was also a developing threat to humanity and civilisation. He reiterated Government of India's policy to develop atomic energy only for peaceful purposes. Mr. Swaran Singh expressed gratification at the fact that the gathering at the Cairo Conference had unanimously endorsed the policies of non-alignment, peaceful co-existence, settlement of differences by peaceful means and the inviolability of the frontiers of States as they existed at the time of their independence. Citing the assurance given by the new Soviet Government, he expressed the view that the recent political changes in the Soviet Union would not affect Indo-Soviet relations. Mr. Swaran Singh also referred to the Labour Party's coming into power in Britain and India's relations with Ceylon and Pakistan. The recent agreement on settlers of Indian origin in Ceylon, he said, had removed the one irritant to the cordial relations between the two countries. He was sorry that the Indo-Pakistan Home Ministers' Conference to be held in Rawalpindi this week had been postponed and expressed the hope that it would take place soon. Replying to questions on the Naga problem and the hostile Nagas' claim for independence for the Nagaland, the Minister for External Affairs asserted that the Nagaland was Indian territory.

The Lok Sabha last week passed the Anti-corruption Laws (Amendment) Bill which sought to amend the Indian Penal Code, 1860, the Code of Criminal Procedure, 1898, the Criminal Law (Amendment) Ordinance, 1944, the Delhi Special Police Establishment Act, 1946, the Prevention of Corruption Act, 1949, and the Criminal Law (Amendment) Act, 1952, in the light of the recommendations of the Santhanam Committee with a view to ensuring speedy trial of cases of bribery and corruption. The Rajya Sabha adopted the Seeds Bill and the Registration of Births and Deaths Bill. The Seeds Bill aimed

at improving the quality of seeds for agricultural purposes. The Registration of Births and Deaths Bill sought to regulate the registration of births and deaths in the country.

The Finance Minister, Mr. T. T. Krishnamachari, introduced in the Lok Sabha a Bill to amend the Mineral Oils (Additional Duties of Excise and Customs) Act, 1958. The Bill seeks to enhance the existing ceilings on the rates of additional duties leviable on petroleum products and to include in the list of petroleum products subject to these duties items as bitumen, asphalt, etc. The new ceilings proposed are (the present ceilings in brackets): motor spirit Rs. 165 per kilolitre at 150C (Rs. 56.05); kerosene Rs. 80 per kilolitre at 150C (Rs. 26.80); refined diesel oils and vaporising oil not otherwise specified Rs. 100 per kilolitre at 150C (Rs. 33.55); diesel oil not otherwise specified Rs. 60 per tonne (Rs. 19.70); furnace oil Rs. 60 per tonne (Rs. 19.70); asphalt and bitumen Rs. 50 per tonne (Nil); other products Rs. 300 per tonne (Nil). The Deputy Minister for Social Security, Mr. Jagannath Rao, introduced in the Rajya Sabha a Bill to amend the Trustees Act, 1913. This Bill seeks to reverse, in the light of the Law Commission's recommendations, the qualifications for official trustees and to remove certain inconveniences experienced by them. The Minister for Labour and Employment, Mr. D. Sanjivayya, introduced in the Rajya Sabha a Bill to amend the Indian Trade Union Act, 1926, with a view to eliminating bogus trade unions by prescribing certain essentials for their functioning and restricting undesirable persons from occupying offices. By virtue of the amending Bill, persons convicted by a court for offences of moral turpitude will be debarred from holding offices in recognised unions for a period of five years. The Bill also seeks to amend Section 28 of the present Act for making it compulsory for a registered trade union to file annual returns on the basis of membership for the calendar year.

Supplementary Demands

The Finance Minister presented to the Lok Sabha supplementary demands for grants involving an additional expenditure of Rs. 102.64 crores — Rs. 2.64 crores on revenue account and Rs. 100 crores on capital account. The main items of additional expenditure on revenue account were Rs. 2 crores for payment of subsidy to the Indian sugar industry for meeting the losses on export of sugar, Rs. 33.87 lakhs for atomic energy research, Rs. 18.4 lakhs on account of increase in salary and daily allowance of the Members of Parliament consequent on the enactment of the Salaries and Allowances of Members of Parliament (Amendment) Act, 1964, and Rs. 9.93 lakhs on account of pay and allowances of the staff of the Ministry of Rehabilitation consequent on the conversion of the Department of Rehabilitation into a Ministry and augmentation of its staff. The increase of Rs. 100 crores in expenditure on capital account was for the purchase of foodgrains. The total additional requirement of Rs. 102.64 crores, however, will be set off to the extent of Rs. 75.10 crores on account of receipts and recoveries from the sale proceeds of foodgrains. The net outgo from the Consolidated Fund of India arising from these supplementary demands will, thus, amount to Rs. 27.54 crores.

Question Hour

Income, Prices and Consumption: The Union Finance Minister, Mr. T. T. Krishnamachari, told the Lok Sabha on November 21 that the question of evolving a co-ordinated policy in regard to the income, prices and consumption patterns for the fourth Plan was under examination. The Finance Minister revealed that although additional resources to the tune of Rs. 3,000 crores had to be raised for financing the fourth Plan, the idea of deficit financing had been completely abrogated from the official thinking. Any addition to the

money resources created by the Government would only meet the increased demand for currency to the extent of Rs. 100 crores. The burden of raising additional resources for the fourth Plan, the Finance Minister said, would have to be shared both by the Centre and the States.

Demonetisation: Mr. T. T. Krishnamachari informed the Rajya Sabha on November 18 that demonetisation as a measure to bring out unaccounted money in the country had been ruled out. There was no cast iron method of preventing the earnings and flow of unaccounted incomes and money. A number of legislative and administrative measures had been taken to ensure that unaccounted incomes were brought within the tax net. These included abolition of the secrecy provision in the direct taxes acts, strengthening of the power of the departments in regard to search and seizures, provision for notification to the Income Tax Department of immovable property transfers and contracts for construction above a certain minimum limit and an intensive drive to identify new assesses. The Finance Minister promised to examine the proposal put forth by Mr. A. D. Mani that the Government should legislate with a view to prescribing reasonable amount of cash that a citizen should possess.

Ordnance Factories: The Minister for Defence Production, Mr. A. M. Thomas, disclosed in the Lok Sabha on November 20 that two of the six new ordnance factories decided to be set up under the five-year defence build-up programme, had been excluded from the defence plan for the present because of foreign exchange shortages, high investment-output ratio and the small scope of converting them into units for producing civilian-use products during peace time. These two factories were intended to produce explosives and propellants. As an alternative, it had been decided to increase the present stockpiles of explosives and propellants through imports and to raise production slightly by modernising the existing factories. Of the remaining four ordnance factories, one — for the manufacture of small arms ammunition — was being set up with the US assistance. This factory had already commenced production. The British Government had agreed to help in the establishment of two factories — one engineering factory and the other filling factory. Because of the urgent need for small arms, it had been decided to use free foreign exchange resources for setting up the fourth ordnance factory.

Newsprint Manufacture: The Deputy Minister for Industry, Mr. B. Misra, told the Lok Sabha on November 20 that the present 30,000 tonnes per annum capacity of the Nepa Paper Mills would be raised to 75,000 tonnes by the end of the fourth Plan period. The extended capacity would meet up to 50 per cent of the restricted demand for newsprint in the country. Mr. Misra further informed the House that the Government had already issued licences for the establishment of two more units for the manufacture of newsprint to a combined capacity of 90,000 tonnes a year. The implementation of these two schemes, however, had been slow; they were not expected to materialise before the fourth Plan. The possibilities of licensing more schemes for the manufacture of newsprint were also under the consideration of the Government. Every effort was being made to achieve self-sufficiency in newsprint in the near future.

Shipyard Output: The Minister for Transport, Mr. Raj Bahadur, told the Rajya Sabha on November 17 that the Hindustan Shipyard at Visakhapatnam had been advised by the Government to step up its output from the present three ships a year to six ships a year. The Government, he added, was not considering any proposal for setting up a third shipyard. It was, however, planned to raise the capacity to construct ships in India to 3.5 million GRT by the end of the fourth Plan.

Market Research in Air Transport

DR. G. P. KHARE

AIR TRAFFIC, both domestic and international, has increased considerably during the last decade. The rising trend is likely to continue in the years to come. With rapid economic development the rate of increase in air traffic is bound to be higher. Such rapid growth produces problems of its own. Matching supply with demand, most effective utilisation of available resources, exploring new markets and developing existing ones are some of the issues which assume great importance. In the initial stages, when the demand is significantly large, the operators (especially when there is only one national operator) are not faced with many problems. Even bad planning or lack of planning is not disastrous to begin with though it may be fraught with dangers in the long run. If planning is ignored even at subsequent stages, either there may be too many idle aircraft or too many passengers waiting for their turn to catch a flight. Such an expensive but quick means of transport loses its attraction if one has to book one's seat days in advance.

The assessment of future traffic is, therefore, a must for every airline and the aviation industry in general. Being a costly industry, planning needs to be done years in advance also because the aircraft are not available as and when one needs them nor can airport facilities be developed overnight. Answers to many of these problems are provided by market research.

Air transportation is like any other service and its market also depends on consumer preferences. The demand function for air transportation may, therefore, be regarded as depending on personal satisfaction of the users which, in turn, is two-sided. It depends on the passenger's ability to pay, the value of his time, his preference for air over other modes of transport and similar other considerations. The choice for air transport also depends on what the airline has to offer for the fare. The facilities offered have to be attractive; timeliness of services has to be assured; risk has to be minimised and in general the efficiency of the airline has to be up to accepted standards. In case of freight, quick and sure transport, least risk of pilferage, reduced expenditure on packing and minimum perishability (of fresh consumer goods) are some of the considerations that weigh in favour of air transport.

Vast Potentialities

Broadly, air travel market may be divided into five categories: Domestic air passengers; International air passengers; Air freight; Air mail; Aerial operations. These markets have their own separate peculiarities and are amenable to different types of disciplines. In order to look into the problems of each, separate studies have to be undertaken. The last category of air market, though not yet fully developed in India, has vast potentialities taking into account the various agricultural programmes and also those connected with the oil and other industries.

Examining the past trend (see table overleaf) we find that the period 1947 to 1963 may be divided into four parts:

- (i) 1947 to 1951, during which a number of air companies came into being. These were the first comers in the field of aviation which captured a good share of traffic and consequently there was a persistent increase in air traffic during this period.
- (ii) 1952 to 1953. This short period of two years was marked by stagnation on account of unhealthy competition or on account of unco-ordinated activities of

different airlines. Air transport was nationalized in India in August 1953.

- (iii) 1954 to 1958. The year 1954 was the year of recovery which showed an increase of 10 per cent in traffic. The 1951 mark was crossed and a regular trend of rise set in.
- (iv) 1959 to 1963. This was a period of steady rise in traffic and except for 1959, the annual increase in tonne kilometres flown during this period was about 15 per cent.

From the figures pertaining to last four years it is seen that a stable position has been reached and during the next ten years, there may be an annual increase of about 15 per cent in the total tonne kilometres flown. At this rate it is calculated that the total tonne kilometres flown may be 440 millions in 1968 and 890 millions in 1973. The rate of increase in traffic may, of course, be accelerated if the markets so far untapped are tackled successfully and the activities of the corporations are guided by the results of continuous market research.

Development Pattern

Roughly, the pattern of development of aviation industry is such that most of the forecasts can be related to a decade. In other words, the above forecasts based on past figures and market research studies are likely to be reasonably valid for another ten years. Of course, this does not exclude the feasibility of long-term projections but, in that case as in others one will have to be very cautious in drawing conclusions. Planning being a continuous process, studies made in 1965 will be valid for the decade 1965-75. Similarly, 1966 studies will have reasonable application for the period 1966-1976 and so on.

Air market surveys in India may be undertaken either on the population basis or on a regional basis. Which categories of Indian population (or more precisely, people in which income group) take to air travel will be the leading question in population studies. Most of the air-minded people are probably drawn from bigger cities and towns or big industrial and business centres. A detailed study of such regions is likely to be helpful in making estimates about the future potential. Best results may be obtained by combining the two methods.

It is essential to determine the economic and demographic conditions which explain the decisions resulting in air travel. Air travel may be personal travel, motivated by personal considerations unrelated to business activities or it may be business travel undertaken in furtherance of one's professional activities.

In the case of personal air travel, various factors of importance are age, occupation, income and education. In order to determine what percentage of the total population avails of air transport as a matter of personal convenience, demographic tables will need to be prepared giving age in relation to occupation, income and education at different levels. An estimation of the proportion of people in different cells given to personal air travel as also the average number of trips taken by each will enable us to forecast for the years to come.

In the case of business air travel, industry, occupation and income are the determining factors. From the point of view of air travel, industries may be grouped as high, medium and low travel groups. In each group it is persons with certain

status and falling in certain income groups who are allowed by the business houses to travel by air. So, in case of industries we must find out the number of establishments in high, medium and low travel groups and in each of these we have to determine the number of persons in important positions under different income groups. The pattern of classification has to be by industry, occupation and income. The study of the population in each cell will lead to the estimation of business air travel in the future. It will not be enough to find out only the percentage of people using air travel in different groups. To estimate the total volume of air travel, it

will be necessary to ascertain the average number of trips taken by persons in each cell.

Market research studies in the field of aviation must be correlated with other studies pertaining to economic growth, industrialisation and increase in business activities. These studies must take into account estimated population growth in the future, employment pattern in different occupations and industries, rate of increase in national income, and extent of benefit to different economic strata from rise in national income.

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			Passengers ('000)	Freight weight ('000 kgs.)	Mail weight ('000 kgs.)	
1946	30	7	105	855	465	10
1947	59	15	255	2,561	637	23
1948	79	20	341	5,431	718	32
1949	94	24	357	10,396	2,383	38
1950	117	30	453	36,284	3,790	56
1951	119	31	449	39,757	3,257	64
1952	119	31	434	39,019	3,799	61
1953	115	31	404	38,467	4,012	61
1954	117	32	432	39,190	4,840	67
1955	126	34	469	44,535	5,205	80
1956	137	38	559	43,642	5,753	99
1957	134	38	615	38,862	5,932	108
1958	135	40	696	42,467	6,172	118
1959	131	40	736	33,504	6,825	125
1960	134	41	855	38,206	6,817	146
1961	138	44	974	40,070	7,534	170
1962	132	45	1,033	37,704	8,158	192
1963	129	47	1,176	37,746	9,101	220

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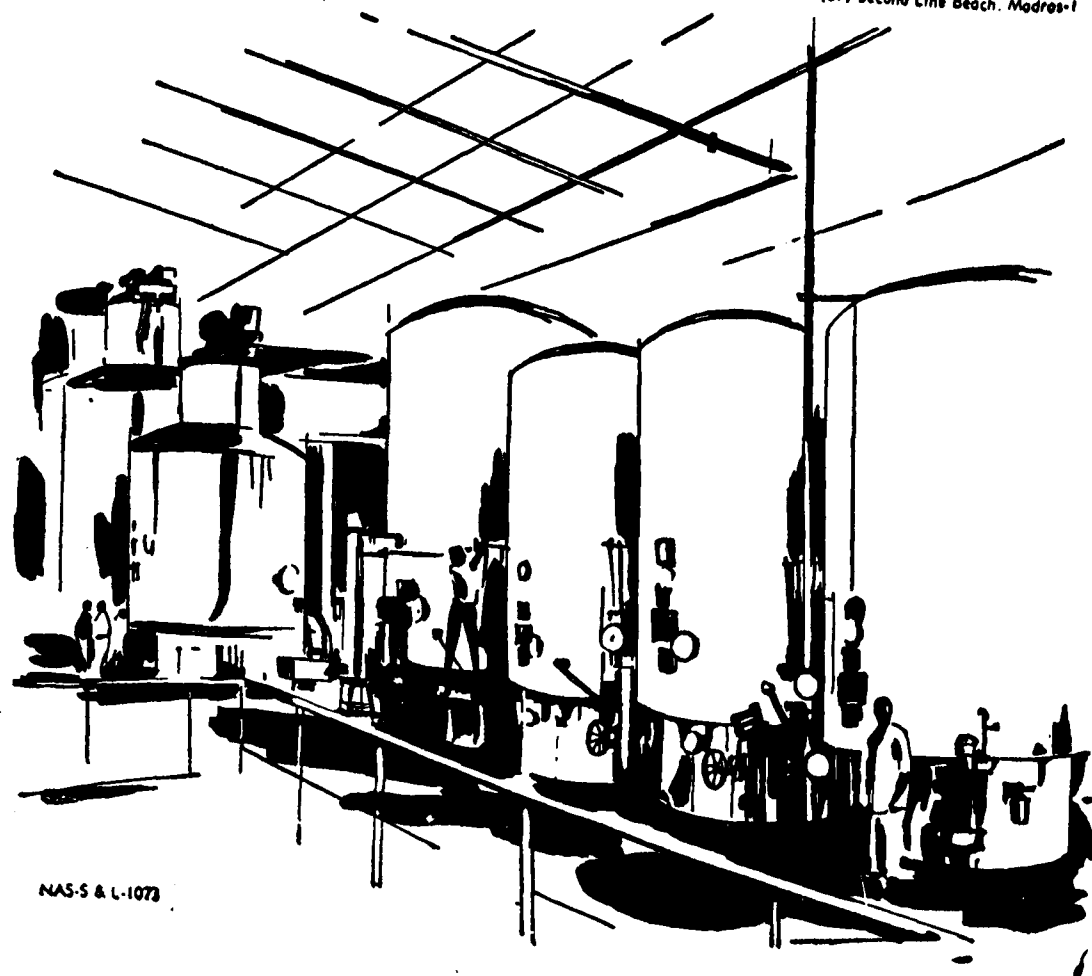
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GUY SIMS FITCH

WASHINGTON:

INTERNATIONALISM in the realm of economic affairs is a concept which has been gaining increased acceptance in the United States. This view of inter-dependence of nations and markets is shared by private businessmen as well as government policy makers. The national foreign trade convention, sponsored each year by the National Foreign Trade Council, is by far the largest and the most representative of American private groups of its kind. Its membership is vitally concerned with all aspects of international economic activity. The convention this year focussed its attention chiefly on the combined role of trade and investment in fostering economic growth and development around the world. The final declaration of the convention clearly reveals this overriding interest in international progress.

The main tenor of the declaration — which represented a broad consensus among those present — is the proposition that the best and the surest way toward the more abundant life is through expanding the flow of trade and capital. Behind this approach was the frank appraisal that despite the outpouring of public and private wealth by advanced countries, the pace at which growth is taking place falls short of satisfying the aspirations of emerging nations.

Key Challenge

Indeed, the convention saw the meeting of development needs as perhaps the key challenge of our time. "Neither security nor sustained prosperity," its declaration noted, "is to be found in isolation." Production and trade are at their peaks, science and technology have made rapid strides, but still deficiencies exist and purchasing power in many countries is inadequate or limited. As businessmen, the delegates see an important role for private initiative and action if these challenges are to be successfully met. Their approach is based not merely on theoretical considerations, but also on their actual operating experience.

But these American businessmen are by no means insensitive to the creative role that governments also can play. The declaration sees government setting the broad policy and programme courses through which private trade and investment can best be mobilized to serve the needs of people. In this sense, as the declaration notes, governments and private business emerge as partners in progress. It should come as no surprise, then, to find the private business convention in New York giving whole-hearted support to the efforts of governments in Geneva to achieve the objectives of the Kennedy Round of multilateral negotiations under the General Agreement on Tariffs and Trade (GATT) — namely, the substantial reduction of tariffs and other barriers to international trade.

The delegates stressed the importance of these negotiations as a means of achieving real economic gains around the

world, and of sustaining the impetus toward freer trade which has marked the post-war years. In its declaration, the convention called on government negotiators to obtain "as broad and as deep a reduction in international tariffs and restrictions as may be feasible."

It is significant that a report by a U.S. Government official just returned from Geneva, to the effect that the atmosphere surrounding the GATT negotiations is more encouraging than some reports might have indicated, elicited from the assembled businessmen a spontaneous and notably warm demonstration of approval. The convention supported the adoption of trade policies which will permit a freer flow of products between the less developed and the industrialized nations. Its declaration specifically urges that the industrialized nations at the GATT conference jointly agree to relax discriminatory trade restrictions and to liberalize the treatment accorded to imports from less developed countries without requiring full reciprocity. It further called upon all industrialized countries to implement the GATT programme which would help achieve these ends — a programme accepted at the GATT ministerial meeting of May 1963.

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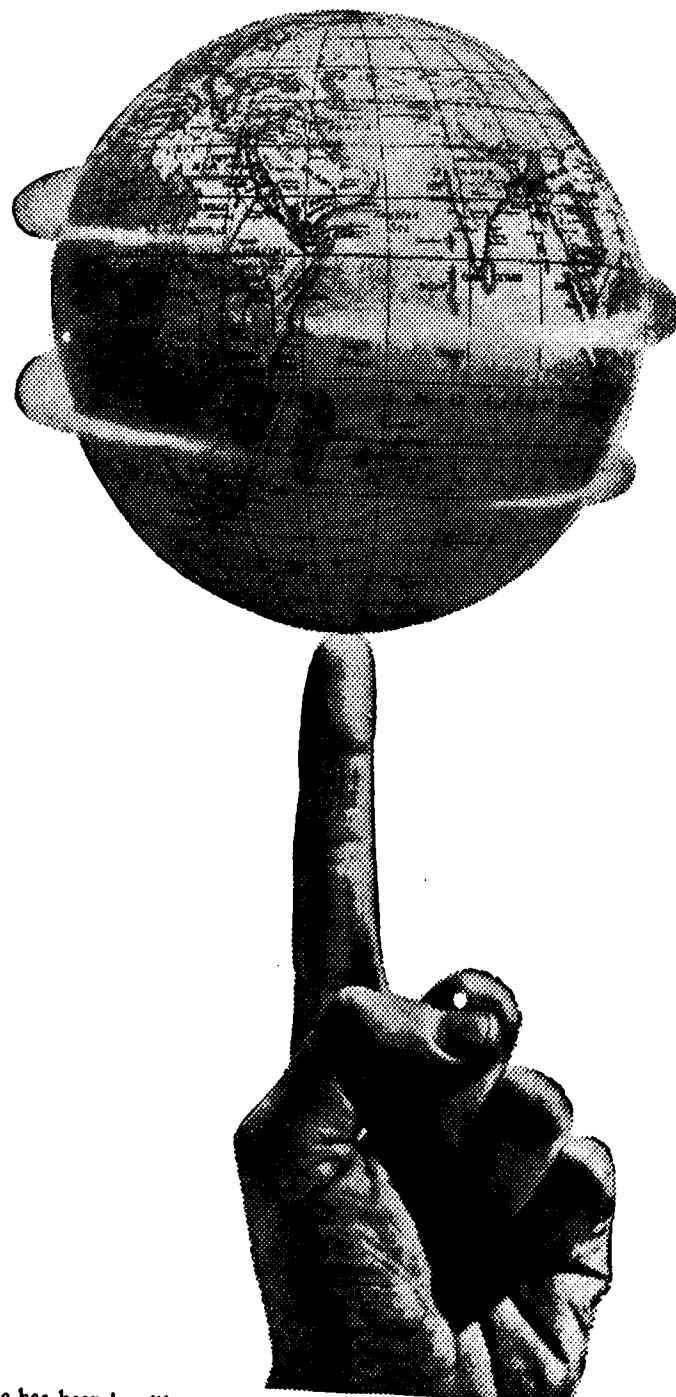
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LISTENING POSTS

Indo-Soviet Trade: A Big Leap Forward

By Our Special Correspondent

NEW DELHI:

THE INDO-SOVIET trade is to be raised next year by 50 per cent — to Rs. 125 crores each way from Rs. 80-85 crores each way this year. An agreement to this effect was signed here last week by Russia's Deputy Minister for Foreign Trade, Mr. B. A. Borisov and Secretary, Union Ministry of Commerce, Mr. D. S. Joshi.

This big jump in Indo-Soviet trade next year will mean that the target agreed to between the two countries for 1966 under the three-year trade agreement signed last year, will now be reached one year in advance. This has been interpreted in the official circles here as a positive proof of the assurances given by the Soviet Union about continuation and further strengthening of Indo-Soviet co-operation in the economic field.

The most noteworthy feature of Indo-Soviet trade next year will be that the Soviet Union will be purchasing from India nearly Rs. 50 crores worth manufactured goods. It has shown interest in buying many new items. These include electrical transformers, air-conditioners (indoor), water-heaters (household), accumulators, textile machinery, knitting machines, twist drills, BHC powder, zinc phosphide, mercurial seed dressings, calcium carbide, bleaching powder, detergents, chrome pigments, wire enamels, rosin, woollen knitwear, men's shirts, spectacle frames, linoleum, sports goods, sheets and turkish towels, dyed handkerchiefs, tarpaulins, etc.

Traditional Items

India will also supply to the Soviet Union next year larger quantities of her traditional items of exports, such as textiles, tobacco, jute goods, tea, coffee, spices, cashew kernels, leather footwear, deoiled cakes etc. Textile exports are now envisaged to be raised to Rs. 2 crores, exports of shoes to about a million pairs; of tobacco to 35,000 tonnes and of jute goods to nearly Rs. 25 crores. The pattern of exporting hides and skins will undergo a material change. More of tanned goat-skins and less of raw goat-skins will be exported. The percentage of tanned and semi-tanned skins to be purchased by the Soviet Union will be increased to 55.

The Government of India has also requested the Soviet Union that it should send some specialists to advise the Indian industry in the preparation of tanned skins, sheep-casings, bananas and shellac so that the Soviet Union's requirements of these commodities should be met according to its standards and specifications.

The Soviet Union's exports to India will comprise mainly machinery, equipment, spares and components for the Soviet-aided projects, included in which are the Harduaganj, Pathratu and Balimela power stations, irrigation projects, Bhilai Steel-works, Ranchi Heavy Engineering Complex, Hardwar Electrical Project, etc. The Soviet Union will also supply more than a million tonnes of petroleum products, 15,000 tonnes of zinc and lead, 100,000 tonnes of pig iron, 6,000 tonnes of tin-plat, 80,000 tonnes of rolled steel products and fairly large quantities of ammonium sulphate. (60,000 tonnes of ammonium sulphate will be shipped by the Soviet Union immediately).

The Soviet Union's decision to abolish customs duties on imports from the developing countries from the beginning of next year has been welcomed by the official circles here.

With a view to fostering India's trade with the East European countries, the Union Ministry of Commerce has decided

that India will in future participate in every trade fair held in these countries. For giving further fillip to Indo-Soviet trade, the Soviet Union has been requested to allow setting up of an exhibition of Indian industrial products in Moscow and shop windows in four or five other provincial towns. A proposal has also been mooted to organise mobile exhibitions of Indian products in the USSR.

★★

The inter-governmental agreement between India and the Soviet Union for the establishment of the Bokaro Steel Plant is expected to be signed here next month. The draft of this agreement, it is understood, has already been forwarded to the Soviet authorities for further perusal and scrutiny. It is based on the principles agreed to by the Union Ministry of Steel and Mines and the Soviet experts' delegation which visited India last month. A team of Russian officials will visit New Delhi to sign the inter-governmental agreement.

In view of the fact that the Soviet experts are to prepare a fresh project for the Bokaro Plant according to their specifications and this will leave a very limited scope for the association of Dasturco with the setting up of the steelworks, the Government of India is likely to accede to Mr. Dastur's request that this technical organisation should be taken over by the Government. A decision in this regard is expected to be taken at the highest level in the near future.

★★

The Union Government has received a joint proposal from two foreign firms — one British and the other American — to establish a petro-chemicals complex at Koyali, in Gujarat. The proposal covers manufacture of synthetic rubber, plastics and a variety of intermediates and the establishment of a naphtha cracker unit. The project is estimated to cost Rs. 50 to 55 crores, half of which will be the foreign exchange component. This was disclosed by Mr. O. V. Alagesan, Minister of State in the Ministry of Petroleum and Chemicals, on Sunday last while he was speaking on his recent tour of the United States, Canada and Japan, undertaken to explore the prospects of foreign collaboration in the development of petro-chemical industries in India. Mr. Alagesan said that a number of leading firms of these three countries had shown keen interest in entering into financial and technical collaboration with India for the development of petro-chemicals.

During the discussions abroad, the Minister said, he had made it clear that while India welcomed foreign participation in petro-chemicals, she would hold the controlling interest in the basic units so that the cream of the profits was not carried away by the collaborators. Private Indian participation in the Koyali petro-chemicals complex would also be welcomed. Negotiations in this regard were expected to be started in the near future. The Government, Mr. Alagesan added, would not generally insist on controlling interest in down-stream units producing end-products.

Mr. Alagesan disclosed that a Canadian firm had promised to send the team in January to study the possibilities of collaboration in setting up a synthetic rubber plant in India. A Japanese firm had shown interest in setting up a unit to produce industrial solvents and resins. Another proposal likely to emerge soon was for the establishment of a plant with U.S. assistance for production of insecticides.

Referring to fertilizer manufacture, Mr. Alagesan said that the latest production techniques evolved in the US could reduce ammonia production cost by about 50 per cent. The

Bechtel Corporation would be making use of these latest techniques in the fertilizer plants they have proposed to set up here. The Bechtel Corporation, the Minister revealed, had also shown interest in producing triple superphosphate by importing phosphorous acid.

Mr. Alagesan further stated that he had also talks in the United States and Japan for eliciting collaboration in oil prospecting in India. An American company had intimated to the Union Government that it would be sending its experts in the middle of next month to explore the possibilities of Indo-US collaboration in off-shore drilling. Some Japanese firms had also evinced interest in exploration and development of oil in this country.

★★

The chances of Indo-Kuwaiti collaboration in the development of the oil refining and setting up of petro-chemical complexes in India and oil exploration in Kuwait have brightened as a sequel to the discussions held here last week between the Prime Minister, Mr. Lal Bahadur, and the Crown Prince of Kuwait, Sheikh Sabah Al Salem Al Sabah. A good deal of general ground was covered in these discussions. The officials from the two countries will meet in course of time to draw up concrete proposals.

★★

The Indian Bureau of Mines has located 22 coal seams, some of superior quality with coking property and appreciable thickness, in the Ramgarh area in Bihar. The seams have been located by the Bureau after detailed exploration by intensive drilling in four notified blocks comprising a total area of 70.84 sq. kms.

The location of these seams is considered important in view of their proximity to the proposed site for the Bokaro Steel Plant. Besides, the exploitation of these seams will help in achieving the production targets of coking coal during the third and the fourth Plan periods.

The Bureau has till now established systematic correlation of 16 out of the 22 coal seams. Out of the 22 workable coal seams, four have attracted special attention for their superior quality, coking property and appreciable thickness. These seams have moderate-to-strong coking properties and are of selected grade to Grade II in quality.

On the basis of the investigations carried out, the 22 seams located by the Bureau are estimated to contain coal reserve to the tune of 270.351 million tonnes. Nearly 82.223 million tonnes of coal are quarriable. The rest of the deposits can be exploited by underground mining. Of the total reserve of coal, 70.574 million tonnes are of good quality (selected Grade to Grade II) and the remaining 199.777 million tonnes of inferior grade (Grade III A and inferior).

As a result of the encouraging results of this detailed exploration, it has been decided by the National Coal Development Corporation to develop open-cast mines in the area to a projected production target of 1.5 million tonnes of coal per annum during the third Plan period. Production will be raised to 4 million tonnes during the fourth Plan period.

It has also been decided to set up in the area a coal washery with American assistance. This washery will be linked to the Marapahery railway station on the Chandrapura-Muri section of the Eastern Railway near the proposed site of the Bokaro Steel Plant so that washed coal from this coalfield can be moved directly to the steel plant.

★★

The National Council of Applied Economic Research paid tributes to its first President, the late John Matthai, and its second President, the late V. T. Krishnamachari, on October 21, when, before a distinguished gathering, the President of India, Dr. S. Radhakrishnan, unveiled the portraits of those

two distinguished men at the request of the present President of the Council, Mr. Asoka Mehta.

The NCAER has, indeed, come far since December, 1956 when it was inaugurated by the late Rajendra Prasad. Financed by grants from the Ford Foundation and the Government of India, which are supplemented by membership fees and fees charged to sponsors of research projects, the NCAER, under the leadership of its eminent Director-General, Dr. P. S. Lokanathan, has built up for itself a respectable position in the intellectual life of the country generally and particularly as a practical guide to economic thought and policy-making in government and business. Its progress is not a little due to the interest which the late John Matthai and the late V. T. Krishnamachari had taken in its vision and work in its formative years. The Council has at present 142 corporate members; of these 110 are business houses, 14 State Governments and 18 public sector undertakings. This is in addition to the 29 ordinary members, one Life Member and the Founder Members.

The Council undertakes projects on sponsor basis or on its own initiative. For every project undertaken, a team is constituted from among the members of the staff with a leader assisted by senior and junior officers. Its field of activities includes economic planning and growth, area surveys and regional development, demand studies, savings, industrial econo-

Eastern Economist 20 Years Ago DECEMBER 1, 1944

About three-fourths of the crop area is under food-grains, and yet not enough food is produced to meet the physiological requirements of the people. In 1933 Sir John Megaw reported, on the basis of an enquiry into conditions in a number of villages, that the population has been increasing much more rapidly than the output of food with the result that in nearly 40 per cent of the villages surveyed, the population was excessive in relation to the food supply and that periods of food scarcity had been occurring in one village out of every five during a ten-year period in which there had been no exceptional failure of the rains. Attempts have been made to estimate the extent of the deficit in food production for the country as a whole and whatever may be the objections to any particular calculation as being an over-estimate or the reverse, the reality of the shortage itself cannot be denied and is, to some extent, expressed as under-nutrition of a large section of the country's population. Sir John Megaw's survey revealed that of over 7 million persons examined, only 39 per cent could be said to be adequately nourished, while 41 per cent were poorly so and as high a proportion as 20 per cent were "very badly nourished." Again, field dietary surveys have shown a condition of gross under-feeding among the lower income groups both in the rural and in the urban areas. Thus, the average daily calorie intake per consumption unit or adult men value of a group of poor villagers in south India was found to be 1,700 and that of poor families in a Madras suburb 1,800, as against the 2,500-2,600 calories, which nutrition experts have postulated as the physiological minimum for a person engaged in easy going agricultural or manual work. In 1937, when conditions were relatively normal, some 50 per cent of the families constituting a cross-section of a village in south India were found to have a calorie intake per consumption unit, which was below 2,300.

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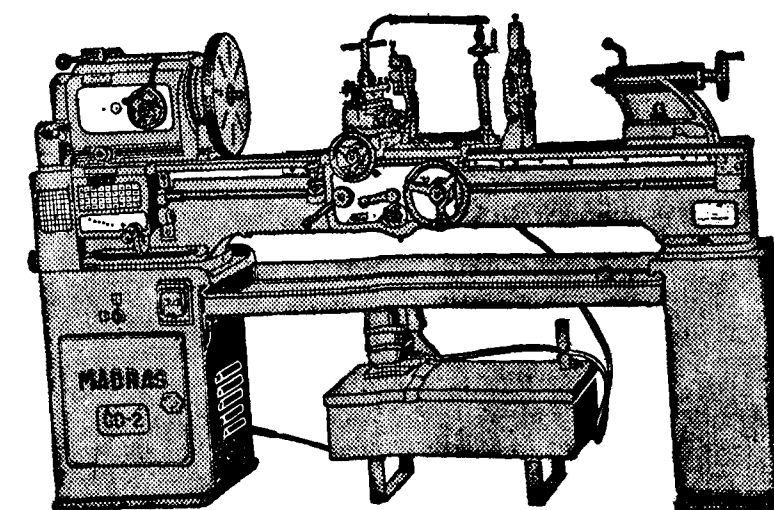
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In the period of about 8 years of its existence, the Council has already completed 99 projects, 41 of them having been sponsored by private business houses and banks including 17 by public bodies, 46 by Central and State Governments and 12 on the Council's own initiative.

The projects in progress include the Techno-Economic Surveys of Nagaland, NEFA and Pondicherry. Other studies include All India Rural Household Saving Surveys; Survey of Consumption Pattern in Developmental and Non-developmental Areas, Survey of Ancillary Industries in the different States; Demand Studies for a number of products, including fertilizer and shellac; Industrial Programming of the different States for the fourth Plan; Regional Transport Study in Madras State and Pondicherry; Study for the Assessment of Flood Damages in North Bihar; Study of Maintenance Imports; Debt Management in India; Export Prospects for Selected Commodities; India's Balance of Payments Problem; Pricing Policy in Public Sector Undertakings; State and District Incomes; Under-Utilization of Industrial Capacity, etc.

Sponsors have come from different spheres: private trade and industry, Ministries of the Central Government, State Governments, Chambers of Commerce, Foreign Embassies, etc. Increasing demand is being made on the Council's services by private business houses.

★★

At a press conference in New Delhi, Mr. Merkwitschka, Director of the G.D.R. Leipzig Fair Office, stated that no less than 70 countries were likely to participate in the 800th anni-

versary of the fair to be held in March next. The fair will open on February 28, 1965 and will continue till March 8, 1965. The commodities to be displayed at the fair will cover industrial machinery and equipment, semi-finished products of the basic industry, consumer goods, durables and foodstuffs. Metallurgy, chemicals, chemical plants, machine tools, products of mechanical and electrical engineering will receive special attention. India has always been, at the Leipzig fair, the largest overseas participant. At the Jubilee fair also, it is expected to be, once again, the largest overseas participant. The floor-space booked by India will be around 1,600 square meters.

In an exclusive interview with "Eastern Economist", Mr. Merkwitschka stated that the combined Indian pavilion will cover 1,016 square meters, while individual exhibitors spread out in the various Halls will take 300 square meters. Another approximately 300 sq. meters have been set apart for TELCO — this will be mostly open space — for the display of trucks. Mr. Merkwitschka also stated that India has been participating in the Leipzig fair for the last 140 years in the sense that Indian goods have been exhibited there for nearly one and half centuries. Indian participation after World War II started in 1956 when the Government of India sponsored Indian participation. The jubilee fair, according to him offered splendid opportunities to Indian industries to explore new buyers of their products. Mr. Merkwitschka also stated that all the European countries have been participating in this fair and all of them, without exception, expect to participate in the Jubilee fair. An interesting feature of the fair in 1965 will be that new products will be exhibited; for example, the British Crane and Excavation Corporation has informed the fair authorities that it will exhibit auto-cranes with lifting

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all the more convincing when the system of informal rationing introduced in the whole of Greater Calcutta appeared to function successfully. Back from New Delhi, the Chief Minister has been devoting his attention to the question of introducing statutory rationing in Greater Calcutta from January next, modified rationing in other urban centres of the State and maximum procurement in the next harvesting season which will be arriving soon. He feels encouraged by the fact that the rice crop in the State this year is reported to be a good one, as it is reported to be good in the entire country also. It remains to be seen how Mr. Sen's Government, which enjoys no particular reputation for efficiency or imagination, will set about the task, which, to all accounts, is going to be very exacting. Mr. Sen's idea at the moment, so a newspaper report says, is to appoint a suitably qualified army officer to head the food administration in West Bengal. With his stock with the Centre at the moment so high, he may succeed in obtaining the services of an able man from the Army, but it would be a bit too naive to rely on the competence of only one individual however gifted and whatever might be his ability to get things done. The food distribution machinery as a whole needs to be overhauled.

Better Seeds

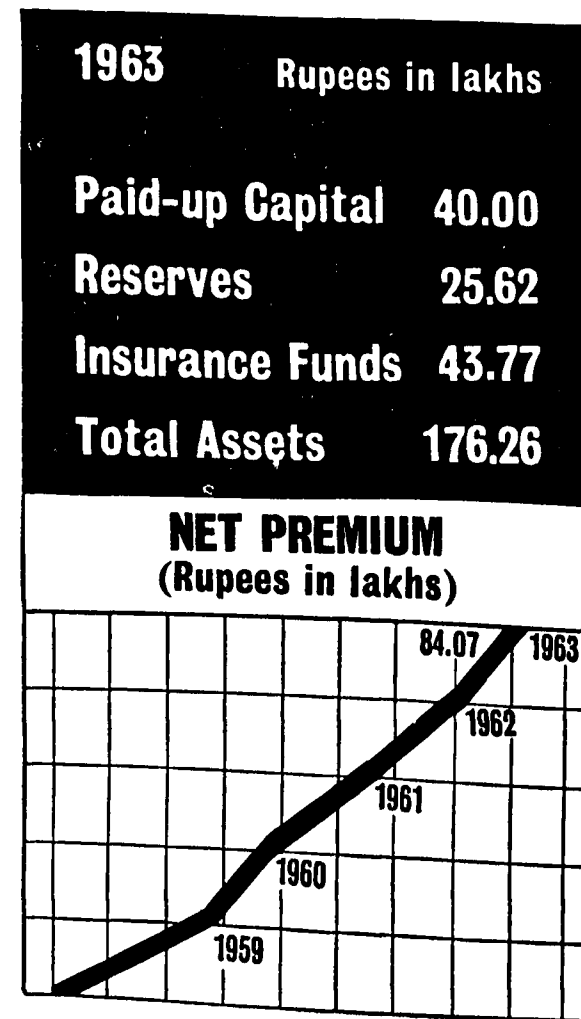
A praiseworthy aspect of Mr. Sen's food policy is the emphasis it places on increasing food production in the State. There is little room for extending cultivation in West Bengal, which has the lowest man-land ratio in the whole country, but a greater volume of food output can be obtained from the existing acreage through a better crop pattern and more intensive cultivation of land. The starting point for any plan of agricultural development has to be the production of better seeds. This is what the West Bengal Government wants to concentrate on at present. It is now engaged in the preparation of a scheme under which some 1,000 villages will be developed exclusively from the seed production point of view. The output target by the end of the fourth Plan is 1.5 million maunds. With better seeds distributed to farmers through State agencies, it is hoped that a great need of the peasant community will have been removed. West Bengal is encouraged by the effort in Punjab where a 500-acre seed farm is run very successfully by a business house from Calcutta. The West Bengal Government would like some such farms being started in the State by private enterprise through the application of principles on which organised industry is run, but it would prefer the job of quality seed production to be taken up by small cultivators. The idea is feasible, but in the absence of details it is not possible to offer further comment.

Having ideas is one thing. Implementing them is another. The West Bengal Government has been considering all sorts of schemes to nationalise the distribution of the essentials of life, and to raise food production in the State in as many ways as possible. It cannot complain of lack of funds which other States, notably Bihar, frequently do with or without justification. It has been lacking the administrative machinery to accomplish many of the things that it wishes to be done. The State Government is about to take over many fisheries in the neighbourhood of Calcutta city. After the take-over, it proposes to spend some Rs. 4 crores for the development of the fisheries with a view to obtaining some 500 maunds of quality fish and carp daily after about three years. Very appalling if one considers the present chaotic conditions in Calcutta's fish markets, but what has been the record of the Fisheries Department in the matter of fish supply to Calcutta? Its price control scheme has been a farce, it is hard to get fish at controlled prices and subsequently, Calcutta had to go without fish for days. Will this department be able to manage both production and distribution of fish? It probably has no better administrative machinery than the Government's Department



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of Agriculture which has been able to execute schemes worth only Rs. 9 crores so far out of a total third Plan allocation of Rs. 37 crores. The Government now wants to double this allocation in the fourth Plan, nearly half of which will be spent on minor irrigation works. A good idea again, but will the Government be able to implement it?

As the jute industry has justifiably declined to implement the Bonus Commission's recommendations for its labour, the workers have repeated their threat to go on a token strike on December 1. The workers are clearly resorting to pressure tactics. Their leaders conveniently omit any mention of the terms under which the Wage Board for Jute Industry's awards are being implemented. When the Wage Board was going into the question of determining the jute workers' wages, representatives of labour had urged that a scheme of guaranteed bonus should be introduced and that the question of any bonus of any other kind could be re-examined later after the expiry of the period during which the Board's recommendations would remain in force. On this basis, the employers' representatives and the Wage Board not only agreed to a guaranteed bonus but also to a general wage increase. It is worth mentioning that the workers' representatives had agreed to the award when they were fully aware that the Bonus Commission's report was impending. This should make it clear that the Bonus Commission's formula would not apply to the jute industry as long as the Wage Board's award remains operative. In fact, the Commission specifically exempted the jute industry from the purview of its enquiry because of this agreement.

The audit report 1964 of the Orissa Government does not

Decline in Tea Output

From Our Correspondent

MADRAS:

THE OUTPUT of tea in the whole country in 1964 may be satisfactory as the estates in Northern India are reported to have gathered a large crop in the past few months. The estates in the South, however, are not so happily placed as the serious drought that prevailed in the second quarter of this year withered the bushes and it was estimated that in the first six months, the output had declined by nearly 20 million lbs. The North Indian estates are probably coming to the rescue of the country as their counterparts in the South did in 1963. However, serious efforts are being made to overcome the deficiency of earlier months and a good number of large estates have succeeded in wiping out the earlier deficits. The favourable conditions during the South-West Monsoon have been helpful and it is even hoped that, with a favourable North-East Monsoon, new records would be established in a good number of cases. Even so, it is doubtful whether the total output will be in excess of the record figure of 1963.

There was naturally a decline in exports for a time and many estates could not realise satisfactory prices, even with a smaller crop, as the availability was not affected to any great extent because of larger despatches from Assam and West Bengal. Latterly, however, there has been a pick up in exports from Cochin and it has been estimated that in the first nine months of this year exports amounted to 25.23 million kg. against 32.98 million kg. Some part of the deficit may be wiped out in the remaining months of this year. The net volume of exports may still be smaller than in the previous year.

The decline in output of tea companies, in the Nilgiris

exactly flatter this Government's management of its finances. The report even suggests misuse of money out of the Orissa Contingency Fund. This Fund was initially fixed at Rs. 35 lakhs, but was later raised to Rs. 5 crores in November 1962 to meet various expenses, under the Emergency, of the State Government. The expenses could be defrayed as the need arose, but each item of expenditure has to be authorised by the Legislature subsequently. Expenditure of money out of this Fund has been sanctioned indiscriminately with the result that there has been a wide gap between the amount sanctioned and the amount actually spent. If nothing else, this shows how casual the Government has been in incurring "Emergency" expenditure. Of the other departments of the Government, Works and Tribal and Rural Welfare have come in for sharp criticism. In the former department, amounts specifically sanctioned under the Budget have been exceeded without proper authorisation and in some cases, there was no authorisation whatsoever. In the latter, several lakhs of rupees spent for housing a fair proportion of the poor Adivasi population of the State have gone waste, largely through faulty execution of programmes and inefficient implementation of housing schemes. The Department of Agriculture is also found guilty of negligence. Of the several seed farms run by it, not one is considered efficient and most are running at a loss for reasons directly attributable to bad planning. Yet the surprising thing is that the State Government is not particularly worried about its poor financial condition. It is making no attempt to collect its revenue arrears which are estimated around Rs. 10 crores, and shows an equal degree of unconcern about realising its advances and loans which are calculated at another Rs. 10 crores.

particularly, has had an adverse effect on the earnings of many companies. Those which were obliged to close their accounts in June or later, covering the period of drought were affected most. In some instances, the dividend payments on equity capital have had to be reduced. It is, however, hoped that the prospects for the subsequent year will be much brighter and it would be possible to raise larger crops and earn higher profits.

The decisions taken by the Chief Ministers at the Conference held in New Delhi about the food situation have not come as a surprise. It had been known earlier that many Chief Ministers were opposed to statutory rationing and that they were anxious to fix the responsibility on the Centre for supplying the needs of the deficit areas. Under the new arrangements, the Southern Zone will remain intact but it will be a zone only for purposes of calculating total availability of foodgrains in the four States of Andhra Pradesh, Madras, Mysore and Kerala. The inter-State movement of foodgrains will be carried out on a government to government basis, perhaps under the directions of the Centre, as recent experience has not been satisfactory. While there was an anxiety on the part of the surplus States to underestimate their ability to export rice, the deficit areas exaggerated their requirements from outside sources. The Andhra Pradesh Government has now agreed to supply 800,000 tons of rice in a year which must be regarded as reasonable. Madras State too may be able to export a net quantity of 100,000 tons. It may thus be possible to supply Kerala 800,000 - 900,000 tons from these two States while the Centre may probably agree to release 200,000 tons from its stocks. But the total requirements of Kerala have now been estimated at 2,720,000 tons

capacity of 112 tonnes. Such a crane has never been displayed in any industrial fair. Top ranking officials of various Governments, including those from India, are expected to visit the fair.

In addition to the promotion of international trade, the Jubilee fair will be a useful forum for exchange of technical experience. A scientific conference is being held at Leipzig at the time of the Jubilee Fair which will discuss the "Effect of the technical revolution on human society." Two symposia will be held separately which will discuss specific problems, including the one dealing with the trade between the two world systems. Special lectures are being arranged for new methods of production.

In order to accommodate the rush of visitors — the fair authorities expect a record number of visitors to take part in the Jubilee celebrations — no less than four hotels are under construction. About 80,000 persons can be accommodated in Leipzig as paying-guests. The fair will bring together buyers, technicians, scientists, economists, journalists etc. from different lands since Leipzig is well-known as a sample fair, with an international character.

DCM : Three Quarters of a Century

Speaking on the occasion of the 75th anniversary of the Delhi Cloth Mills, the Prime Minister, Mr. Lal Bahadur, urged the industrialists to spread out and build a prosperous India. He emphasised the significance of co-operation between the private sector and the public sector which, he believed, should work together to achieve the maximum possible industrial expansion in the country. The corporate sector, he added, should try to maintain reasonable prices and profits so that the consumers did not suffer and the industry flourished for the benefit of the common man.

Mr. Bharat Ram, Chairman, the Delhi Cloth and General

Mills Company Limited, indicated that it was in 1889 that a small spinning mill was established at Delhi which has now grown into an organisation of substantial size with various industrial units branching into many fields of manufacturing activity. The first major fillip to the company's growth came during the World War I, when it started the manufacture of tents for defence requirements. Later on it established three textile mills in Delhi, a fourth at Lyallpur, two sugar works at Daurala and Mawana, in addition to a distillery and a confectionery unit at Daurala. A small sulphuric acid plant was set up during World War II, which formed the nucleus of the chemical unit. Today the D.C.M. is one of the biggest manufacturers of chemicals such as sulphuric acid, caustic soda, chlorine, nitric acid and superphosphates. In addition to having a large spinning unit at Hissar, the company established a few months ago a PVC plant and a rayon tyre-cord plant at Kotah, involving an investment of nearly Rs. 12 crores. A new Division has also been developed for designing and supplying of chemical plants.

The growth of the company in financial terms may be gauged from the fact that in 1939, just 25 years ago, the capital and reserves amounted to Rs. 1.44 crores; and the total annual turnover was Rs. 1.99 crores. During 1963-64, the last completed year, its capital and reserves amounted to Rs. 13.33 crores and the annual turnover was Rs. 46.78 crores. One of the significant factors which helped in the unbroken progress of the company has been the stress laid on the employee-employer relations by the organisation. It has kept high standards of labour well-being and has provided facilities for gratuity, provident fund, bonus, medical aid, schools, as well as recreational and religious activities, well in advance of contemporary practice. The company has provided for a director on its board of directors entirely elected by the workers since the year 1939.

Sugar Factories Demand Increased Prices

From Our Correspondent

BOMBAY :

THE RECENT fixation of ex-factory prices of sugar has sorely disappointed the Deccan sugar factories, so much so that the Deccan Sugar Factories' Association has sent an urgent telegram to the Union Minister for Food and Agriculture seeking an interview for a thorough discussion of the question. That such a discussion is called for is obvious, as no account seems to have been taken by the authorities concerned of the problems of the sugar industry, especially of the joint-stock sector, in Maharashtra. The price fixed for Maharashtra sugar, as per the announcement on November 12, 1964, is the same as that notified on May 22, 1964. Even at that time, sugar factories in Maharashtra had drawn attention to the fact that the sugar prices then fixed had not provided fully for actual costs. Since then the position has worsened and costs have gone up further.

For one thing, this year, sugar factories are required to pay cane price, inclusive of transport and harvesting charges, which works out much higher than the cane prices fixed by the Union Government, thanks to the pressure of the State Government and the high gur prices. And, even so, they cannot be sure of adequate cane supplies, because co-operative units pay a relatively higher price, that is an ex-field price of Rs. 59 per quintal, excluding the transportation and harvesting costs. The latter can afford to do so as the cultivators, being themselves the shareholders of these co-operatives, prefer this to a higher dividend as they know they stand to benefit in another way, namely by way of tax relief on the entire price of cane paid by them. Apparently the implications of this difference in the financial structure of joint stock sugar factories and co-operative sugar factories are not ade-

quately appreciated. Then, again, sugar factories in Maharashtra have to meet the increase in dearness allowance granted to workers since last October according to the Wage Board recommendation. In consequence, costs have gone up so much that it is not difficult to appreciate the apprehensions of the D.S.F.A. that the patently uneconomic price for Maharashtra sugar factories now fixed by the Union Government will only further worsen the plight of these factories which are in a precarious position even as it is.

The authorities may say that the prices will again be revised at the end of the current sugar season, as was done last year, but this cannot be taken for granted, the more so because the Tariff Commission has been asked to make an exhaustive study of the cost structure of the sugar industry and recommend fair prices payable for sugar produced in the different regions, and the Government may well take the stand: "Let the Tariff Commission make the recommendations; we shall revise the prices thereafter". In the circumstances, the least that the Union Government can do, if it does not want the country's total sugar production to suffer, is to announce an interim increase in the price of sugar payable to factories in the Deccan so as to cover at least the higher cane prices and the increased dearness allowance.

The Indian Roads and Transport Development Association (I.R.T.D.A.), Bombay branch, has drawn pointed attention to the inadequate provision for road construction in Maharashtra. It may be recalled that the National Council of Applied Economic Research (N.C.A.E.R.) has recommended an outlay of Rs. 129.5 crores for the construction and improvement of 19,200 miles of roads for the 1961-71 decade. As against this,

the Building and Communications Department seems to favour an allocation of only Rs. 75 crores for road construction during the 1966-71 period. Adding Rs. 27 crores apportioned for the 1961-66 period, the total works out to just Rs. 102 crores for the 1966-71 decade, or a shortfall of nearly as much as the provision during the current Plan period.

The need for an intensive road development programme in Maharashtra is clear from the very poor road density figure for the State. As against 11.9 miles of road per 100 square miles in States like West Bengal, Maharashtra has barely 2.7 miles of road per 100 square miles. The inadequacy of roads has not made itself felt as keenly as it would have, by reason of the relatively lower vehicle population in the districts of the State. And the lower vehicle population, in turn, is the outcome of the onerous tax burden on motor vehicles. Next to Madras, taxation on motor vehicles in this State is the highest in India. But, if the surcharge on diesel-driven vehicles, which seems to be the sole prerogative of Maharashtra in India, is also taken into account, there may not be much to choose between Madras and Maharashtra.

Failure of Management in Ranchi

From Our Correspondent

CALCUTTA :

THE INDIGNANT questions in the Lok Sabha about the disastrous fire in the plant of the Heavy Engineering Corporation and the enquiry report of Mr. Justice B. Mukerji which follows, were fully justified considering the revelations which have been made through the judge's report. The heavy machinery complex, which has come up in this part of India in collaboration with Russia and Czechoslovakia, is not only a great show-piece of the public sector, but by its very nature, the enterprise occupies a pivotal position in the scheme of planned industrial growth. The enquiry report has squarely fixed the entire responsibility for the fire on the failure of the management to foresee the possibility of sabotage when the labour situation was getting increasingly difficult. The management had only thought that the labour situation was volatile. This kind of thinking did not indicate that the management was quite aware of the explosive possibilities. As Mr. Justice Mukerji has rightly said: "In my judgment, the management's great failure had been their slackness in security arrangements — a false sense of security appears to have been generated when there was nothing like proper security in the area. . . . There should have been, I feel, sufficient security consciousness all round the administration and every effort should have been made to see that whatever was required to make the security arrangements perfect and to make the security impregnable, was done. There was but a vague consciousness in the Heavy Engineering Corporation that some sort of security arrangements were necessary. I have a feeling that, to most men in the Heavy Engineering Corporation the security personnel existed only to guard against thefts, but even in this they have not been very successful. Possibly no one had any clear conception that security was necessary to guard the stores and the plants against sabotage also." But while the administrators were not overmindful of the need for proper security arrangements, they were engaged in what Mr. Justice Mukerji has described as a "scramble for places in every quarter." This he considers as a great misfortune. He has further added: "The schism in the administration started and grew to unseemly dimensions because of this scramble so that steps have to be taken to eliminate this danger to the extent it is reasonably possible — public criticism, as also the greater part of the dissatisfaction in the ranks of the employees was due to this."

The persistence of the Maharashtra Government in continuing the surcharge on diesel-driven vehicles certainly becomes a worthier cause. At least until 1956 when diesel oil was duty-free, one could understand this surcharge, but after that year, when the Government of India imposed an excise import duty on diesel oil (this averages about Rs. 1.99 per gallon today), the State Government should have withdrawn the surcharge and contented itself with the levy of 25 paise sales tax. But it is difficult to get any Government to give up a tax, more so State Governments which are now being asked to tap all sources to find funds for the next Plan. Be that as it may, another occasion presented itself to the State Government to do away with the surcharge, without, at the same time, losing any revenue. This was when the State Government imposed laden weight restrictions, which have more than compensated the Government for any potential loss due to withdrawal of surcharge. So far, however, the Maharashtra Government has not done anything, but now that its attention has been drawn to this anomaly, as also the adverse effect on dieselisation of road transport, it is to be hoped the authorities would lose no more time in righting a glaring wrong.

Another aspect to which Mr. Justice Mukerji has drawn pointed attention is the attitude of the officers of the Government of Bihar in whose territory the heavy machinery complex is situated. The judge rightly thought that they were reflecting the attitude of their masters, and hazarding a guess, he found a few reasons. One was that the Government of Bihar never liked the appointment of Dr. A. Nagaraja Rao as chairman, but when the then Union Minister for Steel, Mines and Heavy Engineering took a firm stand in this matter, the Bihar Government could do nothing about it, but it smarted under a sense of defeat. This kind of attitude on the part of State Governments, if persisted in, or if it becomes a common pattern, would lead to many complications in the future, so the judge has advised the Government of India to give its fullest consideration to this matter. Since the report was published, there have been some changes in the top bracket of the HEC's administration. A new chairman (from the private sector) has been appointed and some other top officials have been replaced. Only a few dealt with in the report remain, including the Director of Finance. The former chairman, Dr. Nagaraja Rao, it seems from the statement of Mr. T. N. Singh, Minister in charge of Heavy Engineering, had left the service even before the enquiry by Mr. Justice Mukerji started. He is now an adviser to the Planning Commission. Even so, he had been asked to submit his reply on some of the points raised in the enquiry report. Dr. Rao has since submitted his explanation and the Government is now studying it. This sort of reply apparently has not satisfied the House, the Speaker especially, who has promised that he will allow a special debate on the subject on a later date.

★ ★

If West Bengal's Chief Minister, Mr. P. C. Sen, sees something of a personal triumph in the new food distribution policy of the Centre which the latter has decided to adopt in consultation with State Chief Ministers, he will not be far wrong. The proposed cordoning off of "big cities which suck in vast quantities of food from rural areas," and the statutory rationing in them, inter-State movement of foodgrains only at the Government level and some amount of Central responsibility for supplying foodgrains from the surplus to deficit States as well as from its own stocks, are the ideas which had been conceived by Mr. Sen. His advocacy of these measures became

V.B.

CORPORATION MEETING

INDIAN OIL CORPORATION LIMITED



Speech of Shri P. A. Gopalkrishnan I.C.S.,

Chairman, INDIAN OIL CORPORATION LIMITED

at the Annual General Meeting on November 24th 1964

ANOTHER YEAR OF PROGRESS AND ACHIEVEMENTS

Gentlemen,

The Balance Sheet and Profit and Loss Statement of the Indian Oil Company are in front of you for your ratification. These documents throw a flood of light on the transactions of the Company but I shall confine myself in this statement only to certain salient features.

1. The sale of oil products has gone up to 1.17 million kilolitres as against 6,29,639 kilolitres in 1962-63. The sale of Petroleum Coke was 11,498 metric tons in 1962-63 but it is 26,488 in 1963-64.

2. The operational cost per kilolitre has come down to Rs. 29.21 as against Rs. 30.16 in 1962-63 and Rs. 31.68 in 1961-62.

3. The profit before taxation is Rs. 104.77 lakhs as against Rs. 62.41 lakhs in the previous year. The return on equity capital is 21.1 per cent as against slightly less than 20 per cent in the previous year.

4. The profit would have been very much higher but for two important items of expenditure which the Company had to bear. One is the under recovery of railway freight of Rs. 55.71 lakhs on account of the location of the Gauhati Refinery. Government have fixed ceiling selling prices for all oil products on the basis of import parity and companies are allowed to charge only up to these ceiling prices plus freight to the consuming point from the relevant port.

Since many of the consuming points are situated farther away from Gauhati than from the port, the Indian Oil Company had to bear the excess railway freight which it could not recover from the consumers. Burmah Oil Company's share of this unrecovered freight has been taken as Rs. 19 lakhs in our accounts as approximately this amount is due to us from them.

The second item of expenditure is the under recovery of Central Sales Tax amounting to Rs. 26.92 lakhs. This is collected at the rate of 2 per cent on sales outside Assam but accrues to the State Government, as it has not exempted inter-company transactions on oil products from sales tax as some other State Governments have done. The State Governments who have exempted such inter-company transactions from sales tax are Maharashtra and Andhra Pradesh. Kerala has also agreed to grant this exemption.

A word of explanation is necessary in respect of both the items. They refer to all the Gauhati products sold by the

Indian Oil Company either to consumers or to other oil companies. The latter have refused to pay their share of the under-recovery of freight as well as of central sales tax, on the ground that these are not recoverable from the consumer and they are allowed to sell products only at the ceiling selling prices fixed by the Government on the basis of import parity. References have been made to Government on these two matters for the last two years but to no effect. The Company had therefore no alternative but show these amounts as reductions from the profit made.

In spite of the two serious handicaps mentioned above, the Indian Oil Company has made a handsome profit in 1963-64 and the net profit (after taxation) gives a return on equity capital of 16.8 per cent.

The increase in sales has been made possible because the Company increased its tankages at installations and depots and built many new depots during 1963-64. The facilities of the Company have grown enormously and it can tackle a sale of more than two million kilolitres at the present time.

By an order of the Government, the Indian Refineries merged with the Indian Oil Company on 1st September 1964 and now the combined organisation is known as the Indian Oil Corporation Limited.

The Indian Refineries include the refinery at Gauhati and the one which has now gone on stream in Barauni. The third refinery at Koyali in Gujarat which is under construction by the Oil & Natural Gas Commission will also merge with the Indian Oil Corporation shortly.

The Corporation has at present two divisions, the Refineries Division and the Marketing Division. It will have two more divisions in future, the Pipelines Division and the Petro Chemical Division.

As I have already mentioned more than once in the statements that I have made before, this Corporation is likely to become the biggest oil organisation in the country in six or seven years.

Finally, I thank all the Directors of the Board for their co-operation and advice and thank all those officers and staff who have worked hard to make the year successful.

BOMBAY, 24th November, 1964.

NOTE: The above does not purport to be a report of the proceedings of the Annual General Meeting.

Trade Winds

WORLD TRADE AND ECONOMIC DEVELOPMENT

THE GUISES in which major economic problems are presented change from time to time, not unlike the varying fashions in more aesthetic aspects of our culture. This was pointed out by Mr. Pierre-Paul Schweitzer, Managing Director of the International Monetary Fund, while referring, in his address to the National Foreign Trade Convention in New York on November 16, 1964, to the various problems of economic development that have been continually highlighted in discussions on world trade in recent years. Economic development, of course, is not a new subject, but it has been discussed in recent years from a new angle — the raising of the standards of living of the poorer countries in the world "through the richer and poorer nations acting in concert." The developed countries are continuously receiving appeals from the developing countries in various international forums around the world, to do more and more to assist them in their efforts. This thrust has had its most obvious demonstration in 1964 at the United Nations Conference on Trade and Development. At this conference, one welcome feature was the emphasis put on trade rather than aid. Particular stress was laid on the need to improve access for the developing countries to markets in the industrial countries, particularly for their manufactured goods. This is a field in which much remains to be done in certain countries in Europe than in the United States.

A further important contribution to the solution of the problems of the developing countries can, in the opinion of Mr. Schweitzer, be made by the developed countries through policies directed towards maintaining high levels of demand and employment and a satisfactory rate of growth, thereby creating optimum conditions for rising imports from the developing countries. Such policies are, of course, directly in the interest of the developed countries themselves, but they sometimes encounter obstacles when high levels of demand exert undue pressure on costs and prices or give rise to balance of payments deficits, or both. The necessary conditions for ensuring prosperity in the developed countries can be created only through effective international co-operation in the formulation of economic policies pursued by the International Monetary Fund and other international organisations. This problem, of course, is also bound up with that of maintaining international liquidity at an appropriate level.

According to Mr. Schweitzer, a major problem for the world in the years to come will be how to find mutually acceptable ways of assisting the developing countries. A great deal of understanding will be needed on both sides: on the part of the industrial countries, there will be a need to appreciate more fully the sense of urgency which confronts a nation whose per capita annual income may be as little as \$100 or even less. On the part of the developing countries there will be a need to appreciate more fully that foreign aid cannot be the only concern of the major powers and that it is subject to the same processes as other decisions in democracies relating to the use of a nation's resources. If, however, one takes a long-term view, comparing the postwar period as a whole with other similar periods in history, one striking fact is the degree to which world prosperity has been promoted through effective international co-operation. Thanks to such co-operation, international co-operation, or even any serious recession in the world economy since the end of the war, and the growth of international trade and of national economies has generally been at an unprecedentedly high rate. Mr. Schweitzer feels confident that, in spite of different attitudes

and opinions among countries on particular questions, this co-operation will continue to strengthen and will provide conditions which will further enhance the growth of the world economy and the expansion of international trade.

GERMAN INDUSTRY DELEGATION

Headed by West Germany's most prominent banker, Mr. Hermann J. Abs, a 30-member top level German industry delegation is scheduled to tour India between January 15 and February 5, 1965. Coming in the wake of the recently concluded Indo-German investment protection agreement, the delegation will probe into general conditions and problems affecting the expected flow into India of German private capital which is hoped to play an increasing part in India's development during the fourth five-year Plan. After their visits to Bombay, Madras and Calcutta, the German industry executives will discuss with the Government authorities in New Delhi such topics as Indian tax impediments to foreign investment, the policy on foreign expert personnel, bank incentives and rupee stabilization. The findings of the delegation are awaited eagerly in German industry circles, as it is known that there exists considerable interest in foreign capital investment conditions in India, especially since repeated statements from Bonn Government sources in the recent past pointed out that government-to-government aid cannot be increased and that, therefore, German private capital should step in to help accelerate India's economic development.

The delegation will also pay a visit to the German-aided Rourkela steel works where practical application of German aid policies will be investigated, while at Kanskahall the German industrialists will study the effect of India's investment climate on the Utkal Machinery Ltd. which is German industry's biggest single private investment venture in India.

EXPORT FEDERATION

At a meeting in New Delhi on November 16, 1964 of the chairmen of export promotion councils, commodity boards and other important trade organisations, it was decided to establish a "Federation of Indian Export Organisations" in order (i) to promote the development of export trade; (ii) to sponsor study teams and trade delegations abroad, and to invite foreign importers, in connection with the export efforts; (iii) to undertake commodity and market surveys and disseminate market intelligence; (iv) to undertake publicity in support of exportable products of India and to participate in trade fairs and exhibitions; (v) to open foreign offices and branches and to establish liaison with trade associations abroad; (vi) to prepare, print, publish any papers, periodicals or reports and to further the aims and objects of the Federation by holding lectures, conferences, seminars and by other means; (vii) to provide common services for the benefit of Indian exporters and to act generally as the forum of exporters; (viii) to provide facilities for the prompt and equitable settlement of disputes arising in the course of foreign trade; (ix) to co-ordinate the export promotion activities of its constituents; (x) to co-operate and associate with other organisations with similar aims and objects; etc. Presiding over the meeting, the Union Minister for Commerce, Mr. Manubhai Shah, said that the proposed federation would be an integral part of the Federation of Indian Chambers of Commerce and Industry and that functions of this federation and other trade organisations would not overlap. He particularly emphasised the point that the functioning of the proposed federation would not come in the way of the various export promotion councils and commodity



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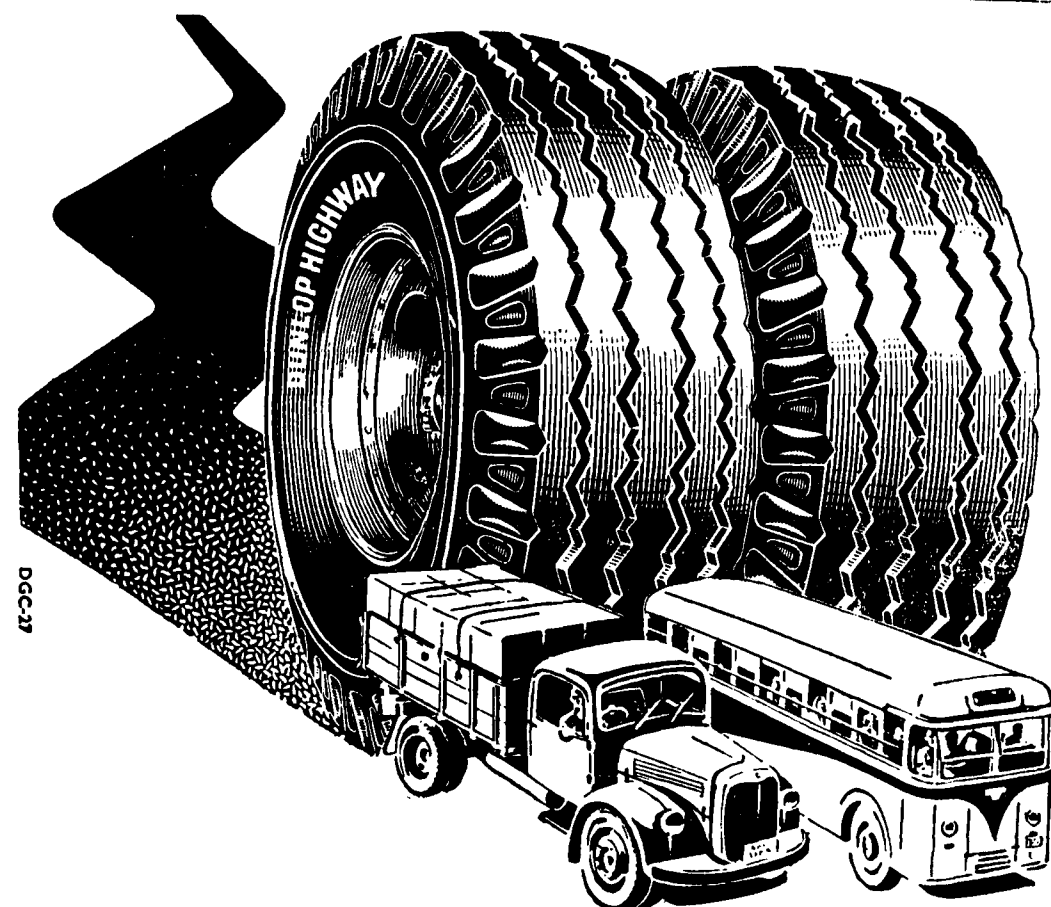
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Company Affairs

ODDH SUGAR

THE ODDH Sugar Mills Ltd., has reported encouraging results during the year ended July 31, 1964. The gross profit has risen from Rs. 79.39 lakhs to Rs. 103.96 lakhs and the net profit from Rs. 14.56 lakhs to Rs. 30.29 lakhs. The directors have, however, proposed to maintain the equity dividend at Rs. 20 per share of Rs. 100 each. The provision for depreciation and development rebate is higher at Rs. 12.48 lakhs against Rs. 10.43 lakhs and that for taxation at Rs. 60.79 lakhs against Rs. 53 lakhs. The directors have transferred Rs. 10 lakhs to general reserve and Rs. 5 lakhs to renovation and renewal reserve. The dividends will absorb Rs. 15.50 lakhs. The company crushed 117.65 lakh maunds of cane during 1963-64 and the sugar recovery was 10.18 per cent. The production of power alcohol and spirit has risen from 1.42 million gallons to 1.45 million gallons. The cane production on company's own farms has shown a rise from 3.13 lakh maunds to 5.51 lakh maunds. Vanaspati production totalled 16,900 tonnes.

MYSORE KIRLOSKAR

The Directors of Mysore Kirloskar Ltd., have indicated in their annual report for the year ended June 30, 1964 that the company recorded a profit of Rs. 22.39 lakhs after making provisions for taxes, depreciation, development rebate and gratuity. They have proposed the payment of Rs. 12.22 lakhs towards general reserve, Rs. 5.00 lakhs towards debt redemption reserve, Rs. one lakh towards contingency reserve and Rs. 4.40 lakhs towards replacement and rehabilitation reserve. An amount of Rs. 9.31 lakhs, being surplus to the statutory requirement in development rebate reserve, has been transferred to the dividend reserve out of which dividend has been paid on equity shares at the rate of 12½ per cent per annum, absorbing Rs. 7.54 lakhs.

It is indicated that the company continued to make good progress in the manufacture of existing lines as well as the Capston and Turret Lathes. Sales during the year under review were higher at Rs. 306.36 lakhs as against Rs. 223.20 lakhs during the last year, and this increase was witnessed almost uniformly in the entire range of its products. Apart from the Capston and Turret Lathes, the company has taken on hand the manufacture of grinders and monomatic lathes and it is hoped that it will be possible to place them in the market by about 1966. The directors have proposed to pay bonus equal to 25 per cent of the basic earnings of all employees of the company for the year under review.

BHARAT BIJLEE

Bharat Bijlee Ltd., which has maintained the dividend for the year ended June 30, 1964 at eight per cent on an increased capital, proposes to raise additional capital to finance its expansion programme. It is proposed to issue 30,000 cumulative preference shares of Rs. 100 each carrying interest at 9.3 per cent and redeemable after 12 years from the date of issue but not later than 15 years. These shares will be offered to the public through prospectus without being offered to the existing equity shareholders. The company proposes to issue additional equity share as rights to the existing equity shareholders in the ratio of one for one. The present equity capital of the company is Rs. 30 lakhs. The company's proposal to offer 20,000 equity shares of Rs. 100 each to Siemens Schuckertwerke, A.G. has not been approved by the Government of India. Agreements have been finalised to obtain a foreign exchange loan of over Rs. 30 lakhs from the foreign collaboration for the expansion of the company's motor and transformer departments. The company's order position is said to be satis-

factory and sales during the current year since July 1 have shown a rising trend. The company has taken possession of the land at Kalwe and development work will commence shortly.

NEW SWADESHI SUGAR

The New Swadeshi Sugar Mills Ltd., for the year ended June 30, 1964, has recorded a higher gross profit of Rs. 22.25 lakhs compared to Rs. 20.30 lakhs for the previous year. After providing Rs. 3.09 lakhs for depreciation, Rs. 32,000 for development rebate and Rs. 8.50 lakhs for taxation, the net profit has risen from Rs. 9.19 lakhs to Rs. 10.34 lakhs. The directors have declared a dividend of Rs. 29 per share of Rs. 100 each and Rs. 7.25 per share of Rs. 25 each, the same as in the previous year. A sum of Rs. 3.50 lakhs has been transferred to renovation and renewal reserve, and Rs. 3 lakhs to general reserve, while the dividend will absorb Rs. 3.94 lakhs. The amount carried forward is Rs. 6,000 against Rs. 16,000 brought in. The company crushed 31.71 lakh maunds of cane during 1963-64 compared to 17.67 lakh maunds in 1962-63 and the sugar recovery was 10.32 per cent against 9.78 per cent last year.

REMINGTON RAND ISSUE

Remington Rand of India Limited proposes to enter the capital market in January, 1965 with a public issue of Rs. 30.99 lakhs in equity shares of Rs. 10 each at a premium of Rs. 18 per share. The authorised capital of the company is Rs. three crores and issued, subscribed and paid-up capital is around Rs. 110.58 lakhs. Out of the present issue, 16,310 equity shares of Rs. 10 each have been reserved for allotment to the whole-time directors and employees of the company at a premium of Rs. 18 per share. The balance of 3,09,890 equity shares are to be offered for public subscription at a premium of Rs. 18 per share.

The company requires funds to finance the raising of the annual installed capacity of the standard model typewriters from 24,000 units to 36,000 units and also to increase the indigenous content of the typewriter being manufactured at the Howrah factory from 95.8 per cent to 99.15 per cent. It also has plans of quality improvement and cost reduction and at the same time to produce a new model typewriter. The company also manufactures and markets a wide range of other office equipment such as Kardex cabinets, filing cabinets, card index cabinets, files, ribbons and duplicators. The company is wholly owned subsidiary of Sperry Rand Corporation and after the present issue the parent company will hold 65 per cent of the equity share capital. Sperry Rand Corporation also holds 50,000 preference shares issued by the company.

FRICK INDIA

Frick India Ltd., a collaboration of Bombay Ammonia Private Ltd. and Frick Co., Waynesboro, Pennsylvania, proposes to manufacture industrial refrigeration machinery. The factory building of the company situated near Delhi is nearing completion and imported as well as indigenous machinery has already arrived at the site. Installation will start soon under the guidance of American technicians and the factory is expected to go into full production by March, 1965. In the first year of its production, it will manufacture industrial refrigeration machinery worth Rs. one crore and the output will be increased gradually in five years to reach an annual value of Rs. eight crores.

The company will shortly enter the capital market to raise nearly Rs. 10 lakhs by the issue of equity shares. The Indian directors and their friends are likely to subscribe to the extent of Rs. 2.50 lakhs and Frick Co. of Pennsylvania

boards; the federation would only co-ordinate and supplement the activities of the individual export promotion bodies.

The meeting also decided to set up a standing committee of 30 members representing major chambers of commerce (such as the Federation of Indian Chambers of Commerce and Industry, the Associated Chambers of Commerce and the All India Manufacturers' Organisation), export promotion councils and commodity boards. Mr. P. A. Narie.wala was elected President of the committee. A small committee was also elected to draft the constitution of the proposed federation.

INDO-AUSTRALIAN TRADE TALKS

A nine-member delegation of Australian businessmen led by Mr. A. J. White, had a meeting in New Delhi on November 16, 1964 with the Union Minister for Commerce, Mr. Manubhai Shah, and the senior officials of his ministry. The talks mainly concerned the expansion of trade and economic co-operation between India and Australia and the establishment of joint ventures by Australian entrepreneurs in India. The scope for increasing the export from India of items like tea, coffee, jute, black pepper and manufactured goods, and the import from Australia of tallow, wool, raw hides and skins, was discussed. The starting of joint enterprises in India making use of raw hides and skins and of Australian tallow and import of wool for commission combing and commission spinning for re-export were considered. Various other aspects of India's policy of welcoming foreign capital and technical know-how participation in approved enterprises within the framework of India's Industrial Policy Resolution and five-year Plan programmes were also discussed.

The delegation also had a meeting with Mr. T. N. Singh, the Minister for Industry and Heavy Engineering. Matters relating to industrial policy and development programmes were discussed. Mr. Singh pointed out that the five-year Plans had left ample scope for development of industries in the private sector and that the Governmental regulation of industries in India was aimed at ensuring development in certain desirable directions of high priority.

ISO ON METALS AND MANGANESE

The means by which recommendations on the mechanical testing of metals formulated by various technical committees of the International Organisation for Standardisation could be aligned, were considered at a meeting of the ISO Co-ordinating Committee on Mechanical Testing of Metals (ISO/METESCO) held in New Delhi earlier this month. It was agreed that all technical committees concerned with mechanical testing of metals should reconcile the differences which existed in the different methods recommended for testing of different metals and that in order to make the committee more effective the drafts prepared by various technical committees of ISO should be placed before it at the earliest possible opportunity and the technical committees need not wait till they had been finalised. The co-ordinating committee will hold its next meeting in the UK during the last quarter of 1965.

The draft ISO proposal on methods of sampling manganese ores (Part II, Sampling of Ores not Loaded in Wagons) was discussed at the fifth meeting of the ISO technical committee on manganese ores (ISO/TC 65) held in New Delhi earlier this month. The draft would considerably help in the formulation of more rational and economic sampling procedures for manganese ores. The committee agreed that as far as possible samples should be drawn from "ores in motion" so that reliable conclusions could be drawn about the quality of the material sampled. It was further agreed that sampling from "stationary ores" may be resorted to only if sampling during motion is not possible. The recommendations laid down in Part II would be applicable to all types of manganese ores (except to those

loaded in wagons) both by mechanical and non-mechanical means. It was also decided to draw up a second draft proposal on the subject in the light of the decisions reached at the meeting.

BOLD GRAIN SUGAR

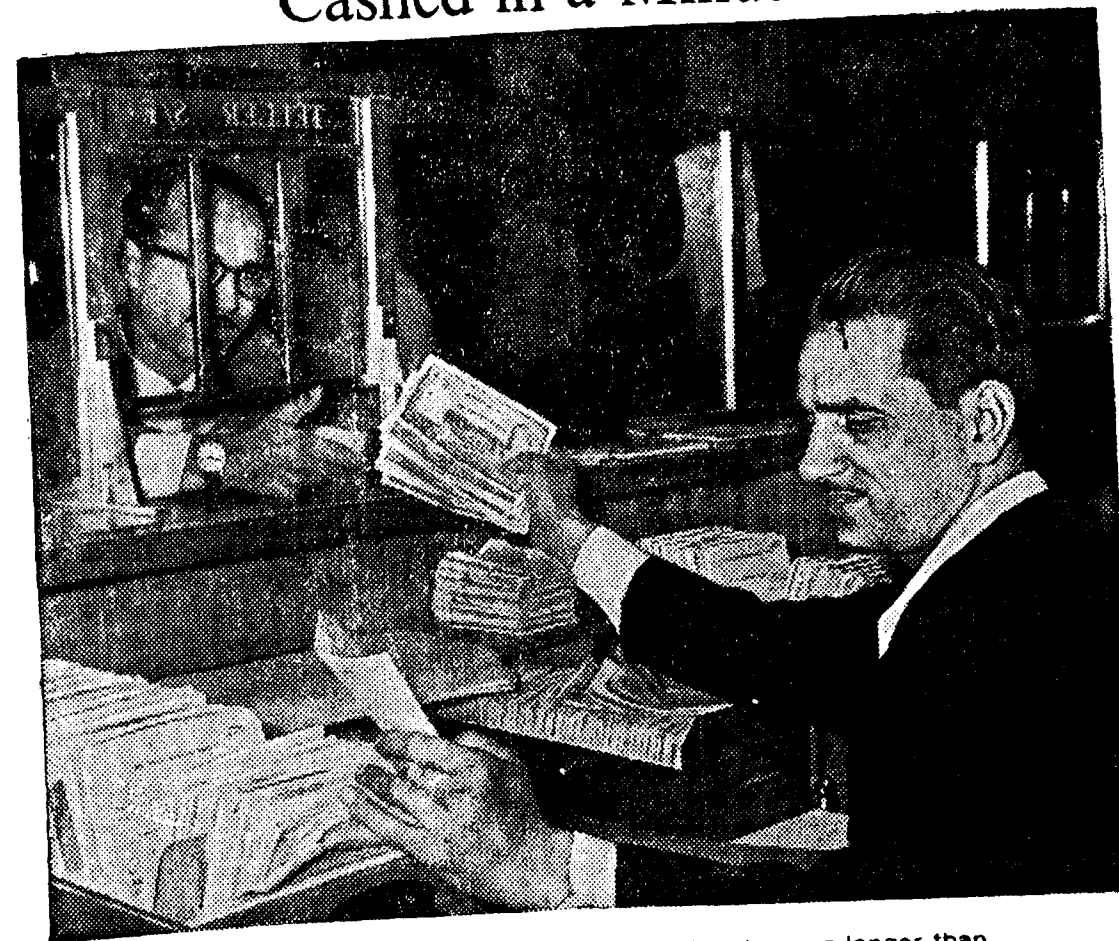
The Indian Sugar Mills' Association, Calcutta, has voiced serious concern at the decision of the Government to ban the manufacture of sugar of grain sizes 'A' and 'B'. (This decision was reported earlier in 'Eastern Economist' dated November 6, 1964, Page. 878). In a telegram addressed to the Union Ministry of Food and Agriculture the Association has pointed out that the sudden ban on the production of bold grain sugars is wholly unwarranted since factories have already commenced crushing operations for the season 1964-65. It is feared that this sudden prohibition will seriously dislocate the working of the factories, especially the carbonation factories numbering 36 whose production capacity will be adversely affected. These carbonation factories have installed costly plant and equipment for producing bold grain sugars for which there is considerable demand in the country due to the great preference therefor shown by consumers, including bulk industrial consumers. Besides, bold grain sugars have established markets and command a premium in normal free trade. As such, the Association points out, there is hardly any justification for the sudden prohibition on manufacture of bold grain sugars due to temporary difficulties experienced under controlled distribution which in itself is a temporary feature. It is hardly fair that Government should introduce such sudden measures of far reaching consequences which will seriously undermine the economy of a large number of sugar factories. Besides, Government's decision will sap the initiative in the industry for quality production. The Association has, therefore, urged the Government to reconsider the matter and if at all it is decided to prohibit the manufacture of 'A' and 'B' grain sizes, adequate time of at least two years should be given to the concerned factories to effect necessary changes in plant and machinery so as to guard against any dislocation in their working and thereby ensuring that output of these units is not affected.

According to the Indian Sugar Mills' Association, the total sugar production in the month of September, 1964, was about 18,000 tonnes as against 15,000 tonnes produced in September 1963. This brings the total production during this season till September 30, 1964, to 25,33,000 tonnes as against 21,25,000 tonnes during the corresponding period last season. The off-take of sugar from factories during the month of September 1964 (including 12,088 tonnes despatched for exports) was 1,95,000 tonnes as against 2,02,030 tonnes (including 6,289 tonnes despatched for export) during September 1963. The total despatches in 1963-64 season till September 30, 1964 were 23,60,000 tonnes (including 2,58,935 tonnes despatched for exports) as against 28,04,000 tonnes (including 4,95,610 tonnes despatched for exports) during the same period last season. The total closing stock of sugar with the factories on September 30, 1964, was 3,24,000 tonnes as against 3,15,000 tonnes on the same date last season.

INTERCONTINENTAL QUADRIJET

Air France has placed an order with "Boeing" for the latest and mightiest version of the "Intercontinental" quadrijet 707-328B, which has a range of 110,000 km. non-stop. Air France already operates a fleet of 24 Boeing 707-328's. Number 25th on the order book will be delivered in the second half of 1965. The latest order will thus bring the Air France's "Intercontinental" fleet to a total of 26. The company has 40 Caravelles, the world's largest fleet of such jets, and the largest Caravelle network, 52,707 miles of routes to 51 cities in Europe, North Africa, and the Middle East.

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around Rs. 12.50 lakhs out of which foreign components will be purchased. Imported machinery is likely to cost around 15 per cent of the capital expenditure. The company has been assured financial assistance to the extent of Rs. 25 lakhs from the Cooley Funds. Mr. John M. Seabrook, Chairman, Frick Company Inc. USA, who was here for a short visit, indicated that industrial refrigeration in India has great possibilities.

RANE (MADRAS)

Rane (Madras) Ltd. has proposed to issue rights shares. It is planned that steering linkage for TMB trucks will be made in collaboration with a German firm. Additional capital to the extent of Rs. 20 lakhs is needed and the directors decided after the recent meeting to issue during this year 1,22,569 equity shares of Rs. 5 each, and 65,000 — 9.1 per cent (taxable) 'A' preference shares of Rs. 5 each in the ratio of one ordinary share for every two shares held and one preference share for every four ordinary shares held. The issue of preference shares is underwritten by the Madras Industrial Investment Corporation. The company paid a dividend of 17.5 per cent on the ordinary capital for the year ended March 31, 1964. It may be recalled that the company increased its capital by a rights issue of one to three in 1960 and made a bonus issue earlier in 1956.

ORIENTAL POWER CABLES

Oriental Power Cables Ltd., proposes to increase its production capacity of paper insulated cables from 960 km to 1,600 km per year as also manufacture 640 kms of PVC cables per year. The company's collaborators, Sumitomo Electric Industries Ltd., Japan, have agreed in principle to capital participation for the expansion subject to the approval of the respective Governments. The details of the programme are being worked out. Till the end of October the company has secured orders worth about Rs. 2 crores for the supply of various sizes of cables from Government and semi-government bodies.

WEST COAST PAPER

The directors of the West Coast Paper Mill Ltd. have proposed the payment of dividend at the rate of Rs. 13 per equity share for the year ended June 30, 1964 as against a dividend of Rs. eight and Rs. eleven paid for the years 1962 and 1963, respectively. The production during the year under review touched a new peak at 30,213 tonnes as against 27,252 tonnes in the previous year. The turnover for the current year was higher at Rs. 4.44 crores as against Rs. 4.00 crores

last year. The increased production, sales and performance have resulted in a higher gross profit at Rs. 1.49 crores as against Rs. 1.10 crores last year, out of which provision for depreciation was Rs. 49.8 lakhs, development rebate Rs. 50,000 and taxation Rs. 51.00 lakhs. The results are considered favourable in view of the fact that there has been a continued increase in the cost of production due to rising prices of raw materials, essential chemicals like caustic soda, chlorine, railway freight, labour, wages, etc. while the selling prices of paper have been frozen for a long time.

R. H. WINDSOR (INDIA)

The factory of R.H. Windsor (India) Ltd. at Thana was inaugurated by Mr. K. Raghuramaiah, Minister of Supply and Technical Development, Government of India, recently. The first injection moulding machines under production in the new factory were on show for the first time following the inauguration. The company has a phased programme of production so that it will gradually increase its output and will also introduce larger sizes of moulding machines incorporating screw plasticisers, extrusion machines and take-off equipment, in line with the increasing growth of the plastics industry. The factory is equipped with latest machine tools and heat treatment facilities required for the production of the highly advanced precision components required for these machines. Engineers from R.H. Windsor Ltd., England, have already arrived in India and are assisting in the initial period of production in establishing proper manufacturing technique and quality control and also the training of the workers.

HINDUSTAN CONSTRUCTION

The directors of the Hindustan Construction Co. Ltd., a wholly-owned subsidiary of the Premier Construction Co. Ltd., have proposed a substantial increase in equity dividend to 50 per cent for the year ended August 31, 1964, after maintaining it at 20 per cent for the previous four years. The substantial rise in the dividend distribution follows a sizable improvement in the company's earnings. Preliminary reports indicate that the company's gross profit has moved up from Rs. 1.83 crores to about Rs. 3 crores for 1963-64. The net profit of the company is placed around Rs. 80 lakhs against Rs. 31 lakhs for the previous year. Of the total equity paid-up capital of Rs. 72 lakhs, equity shares of Rs. 71.63 lakhs are held by Premier Construction. The gross dividend income of Premier Construction from the holdings of Hindustan Construction shares will amount to Rs. 35.82 lakhs against Rs. 14.33 lakhs in the previous year.

COMPANY MEETING

DELHI CLOTH & GENERAL MILLS CO. LTD.

Speech by Dr. Bharat Ram, Chairman, Board of Directors, Delhi Cloth & General Mills Co., Ltd., delivered at the 76th Annual General Meeting of the shareholders of the Company on the 24th November, 1964, at Bara Hindu Rao, Delhi-6.

Friends,

It is a great pleasure for me to welcome you all to this 76th Annual General Meeting of your Company. Since we met last year a great tragedy overtook the country. We lost our respected Prime Minister, Pandit Jawaharlal Nehru. Indeed few people in any country at any time have contributed so much to enrich the lives of their countrymen. He was not a man of the moment, but an architect who shaped the destiny of India. He conceived things in a big way, and it is his farsightedness that made India embark upon a massive programme of social and economic development. Let us pay our humble homage to this great son of India and observe silence for a minute.

We are gratified that the void created by the loss of such an eminent personality has been repaired by exemplary democratic means. We now have as our Prime Minister, Shri Lal Bahadur Shastri. With his great attachment to social values, devotion to the cause of the common man and personal integrity, I have every hope that he will lead the country to greater and greater prosperity.

At the moment, however, the problems appear to me to be getting out of hand. In a single year, prices rose by more than 15 per cent, though this rise is mainly confined to agricultural commodities. There is no doubt that the spurt in the price level was occasioned, on the one hand, by short falls in agricultural production, and on the other, by excessive spending on the part of the Government on non-productive uses. The food shortage evinces rather clearly that our agricultural policy has not been working in the right manner. There have been failures in the administration of policy at village and block levels and incomplete co-ordination between different departments in Government. The impact of these shortages has been exaggerated by restrictions on free movement of food-grains imposed by State Governments. An artificial scarcity has been created in so-called deficit areas.

Thus, to a large extent the present rise in prices has been self-imposed and can be very much improved by removal of restrictions. We have been helped by timely assistance from foreign countries particularly the USA. While such assistance is of great importance to overcome temporary difficulties, we cannot depend on such assistance for all time. It is absolutely necessary for the country to become self-sufficient in food production and the administrative structure and policy to be reoriented towards this goal. It is no use diverting the public attention by placing blame at the door of one section of the community or the other. No system of distribution will be effective if production itself remains at a low level. There should be adequate incentives for the farmer to produce more and he should be provided with adequate facilities at the right time. Uptill now industrialists have not taken direct interest in agriculture. I feel that such interest is absolutely necessary; at least by those who run industries primarily based on agriculture. If I may say, it should be possible to impart to agriculture the techniques that make the successful running of industries. Our experience will be useful in this behalf.

The food shortage has created many problems not only in the economic sphere, but in others on which the very social order depends. Mischievous elements in society have taken

advantage of the explosive sentiments and aggravated what would appear to be minor handicaps. There are disturbances everyday in some part of the country or the other. Scenes of lawlessness in which even students are participating have become common. Strikes are organised at vital points like docks which have to clear food imports.

All this is happening when we are programming the Fourth Plan with a comparatively faster growth. It is reported that the Fourth Plan will be designed in a manner which will help rapid growth of agricultural and industrial output. The problem, however, is not one which merely calls for greater expenditures. Unless effort is concentrated on specific factors which promote productivity directly, it is difficult to see how it would be possible to increase production and control the price level. So in the Fourth Plan outlays must be such that they will augment productivity. A balance has of course to be secured between short-term and long-term yields. It will be dangerous to dissipate resources in non-productive fields.

There is a contradiction in the present economic situation. While on the one hand there is a rapid increase in prices of commodities, there is, on the other, almost a continuous decline in the level of share prices. It is more natural to expect that prices of shares provide hedge against inflation. But not only have they failed in this respect, but have even declined by a substantial margin. This shows that there is certainly something wrong in the financial policy which has tended to divert larger parts of investible funds from the people to Government. This aspect is again revealed in smaller contributions to new issues. Even good companies are finding it difficult to raise rupee resources. A great many of the new issues are underwritten and a large part of the issue is held by the underwriters themselves. This situation is not conducive to rapid industrial development. Unless there is a free flow of finance from people to industry it is not possible for industry to secure the necessary balance between different types of finance consistent with considerations of risk and profitability.

The major factor which led to freezing of the flow of finance from the public was additional taxation, particularly in the Budget for 1963-64. Considering the measures adopted in the last four years the yield from additional taxation will be about Rs. 2,500 crores over the Third Plan — Rs. 800 crores more than the Plan provision. This unprecedented draft on private income has naturally depleted the investible funds in the hands of the private sector. What is worse is that a

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BRANCHES DIVISION

Cawnpore Woollen Mills Branch
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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.

large part of the resources mopped up by additional taxation was dissipated by Government over uses which did not increase the productive capacity of the country. In the first three years of the Third Plan alone over Rs. 600 crores have been absorbed by purposes unrelated to the Plan. To this extent the growth in national income was suppressed and the generation of investible finance was lessened. It would have been more proper for the Government to secure finance for investment by borrowing on the capital market. This would have not only promoted better use of resources but indicated the urgency of the investment in different sectors of the economy. But to replace taxation by borrowings would again require the revival of the market for Government securities. Thus, on the whole, it would appear that fiscal and monetary policies have tended to mitigate the growth of private industry by creating scarcity of finance. Establishment of newer financial institutions will, if anything, deter the growth of normal channels which alone can sustain development. Industry cannot be made to depend only on financial institutions in which case these institutions will virtually assume an unhealthy dominant position. Looked at from any angle, it is imperative that the savings in the hands of the individual must be encouraged.

In this connection, I would like to refer to the much talked about 'unaccounted money'. This has been made to appear the principal villain in the present crisis. Let me be clear that I would not justify any wrong business practices, but at the same time, I would not like the business community to be wrongly blamed. Government have organised raids to unearth this unaccounted money, but often the raids have not resulted in any tangible results. They have only created an atmosphere of suspicion which does no one any good. On the contrary, the tensions which follow and the distrust which is shown lead to inaction and only hamper the growth of industrial activity. I, therefore, hope that Government will show greater understanding and ensure greater security and individual freedom. The punishment of the guilty, I feel, cannot be justified by harassment of the honest.

I must here refer to the tacit assumption of Governmental thinking that in proportion as the State interferes more and more with established institutions, it will approach nearer and nearer to perfection. Only this can explain the plethora of laws, rules, regulations and directives. I submit that this idea that the problems of the country can be solved by the exercise of political power should be abandoned. It is time that Government adopted a purposive policy which will evoke from the community at large wholehearted, instinctive, spontaneous response to programmes of development. Unless, we are able to solve the problems quickly by releasing productive forces, I venture to express the fear that the democratic way of life itself will be in jeopardy.

I feel that the greatest handicap from which we are suffering is the way in which policies are implemented — or rather not implemented. When it comes to the stage of implement-

ation, there is so much of vacillation and delay. It appears as if our administrative machinery is loathe to move. Everyone is only too painfully aware of the gap between programmes and performance. I am of the view that this state of affairs could be remedied if only the Government would see that in all areas of activity those who do not produce results will not be tolerated, whether at the ministerial or administrative level.

I have briefly referred to some of the economic problems facing the country, and if immediate steps are not taken, the danger is that these problems may become even more difficult of solution.

Coming to the Company's affairs, as you are aware, the Company has completed 75 years of its successful and progressive working. To mark this happy occasion, your Directors have recommended a special dividend of 2 per cent on Ordinary shares. It is not necessary for me to review in detail the progress of the Company; but suffice it to say that starting from a very small beginning today we are ranked among the seven biggest companies in the country. This fine record of progress and good name of the Company has been made possible by the co-operation and dedicated efforts of generations of our team of workers and Managers who have been, and will continue to be, the Company's most valuable asset. It is also not necessary for me to recall again the part played by the late Lala Shri Ram who in fact has been the chief architect of D.C.M.

As you will observe from the Balance Sheet, while the gross profits of the Company have increased from Rs. 3,39,22,290 to Rs. 3,94,00,334, the net profits have gone down. This phenomenon is not unusual or unhealthy and may continue as long as the Company continues to invest large amounts of money in new industries because of the heavy initial depreciation and development rebate on new investments.

All the units of the Company have done well in the last year except the Sugar units which, like all other Sugar mills in our area, have suffered due to shortage and low quality of cane. Even in the current year, the prospects do not appear to be very bright for the Sugar industry. You will be pleased to know that the P.V.C. Plant of the Company is now in full production and the Rayon Tyre Cord Plant is expected to start very shortly. Unfortunately, there is a danger of the P.V.C. Plant having to reduce its production due to a cut in the electricity by the Rajasthan Government. However, the Company is making efforts to find an alternative solution.

In the end, I would like to place on record our sincere appreciation of the wonderful work of all our workers and staff whose efforts have enabled us to achieve such good results during the year.

NOTE: This does not purport to be a record of the Proceedings of the Annual General Meeting.



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SOUTH INDIA SHIPPING CORPORATION LIMITED

(Incorporated on 22-1-1964 under the Companies Act, 1956)

Registered Office:—"Dhun Building", 175/1, Mount Road, Madras-2.

SHARE CAPITAL

	Rs.
Authorised Capital:	
5,00,000 Shares of Rs. 100 each	5,00,00,000
Issued Capital:	
1. Subscribed:	
350 Equity shares of Rs. 100 each by the Signatories to the Memorandum of Association	35,000
49,650 Equity Shares of Rs. 100 each by the Directors, friends and others	49,65,000
2. Present Issue:	
1,50,000 Equity Shares of Rs. 100 each	1,50,00,000
	<u>2,00,00,000</u>
Paid-up Capital:	
350 Equity Shares of Rs. 100 each Rs. 50 per share paid up (Subscribed by the Signatories to the Memorandum)	17,500
49,650 Equity Shares of Rs. 100 each, Rs. 25 per share paid-up	12,41,250
	<u>12,58,750</u>
Out of the Present Issue:	
1.a) Messrs. Peninsular & Oriental Steam Navigation Co., Beaufort House, Gravel Lane, London E.1, U.K., have agreed to subscribe and will be allotted 70,000 Equity Shares (35% of the issued capital) of Rs. 100 each at par for cash	Rs. 70,00,000
b) Messrs. Anglo Norness Shipping Co. Ltd. of Bermuda have agreed to subscribe and will be allotted 10,000 Equity Shares (5% of the issued capital) of Rs. 100 each at par for cash	Rs. 10,00,000 80,00,000

NOW ISSUED FOR PUBLIC SUBSCRIPTION AT PAR FOR CASH

70,000 Equity Shares of Rs. 100 each	Rs. 70,00,000
--------------------------------------	---------------

BOARD OF DIRECTORS

- SRI A. D. SHROFF, (Chairman)
Bombay House, 24, Bruce Street, Fort, Bombay-1.
(Indian, Business Executive).
- Director of:**
New India Assurance Company Limited (Chairman)
Bank of India Limited. (Chairman)
Associated Bearing Co. Ltd. (Chairman)
Bradma of India Ltd. (Chairman)
Elpro International Ltd. (Chairman)

- THE RIGHT HONOURABLE KENNETH JAMES WILLIAM, (Earl of Inchcape), 40, St. Mary Axe, London E.C. 3, England. (British, Merchant),
Director of:
Burmah Oil Co. Ltd.
The Chartered Bank.
Inchcape & Co. Limited (Chairman).
Peninsular & Oriental Steam Navigation Company.
Royal Exchange Assurance.

- Alternate:**
MR. D. W. LAW, 'Coromandel House', Boat Club Road, Adyar, Madras-28 (British, Merchant).
Director of:
Binny & Co. Ltd. (Chairman).
The Buckingham & Carnatic Co. Ltd. (Chairman).
Bangalore Woollen, Cotton and Silk Mills Co. Ltd. (Chairman).
Macneill & Barry Limited.
State Bank of India (Madras Local Board).

- MR. K. M. CAMPBELL,
Tudor Manor, Bayford, Hertfordshire, England. (British, Business).
Director of:
British India Steam Navigation Co. Limited.
The Chartered Bank.
Peninsular & Oriental Steam Navigation Company.
New Zealand Shipping Co. Ltd.
Trident Tankers, Limited.

- MR. J. W. ANSON, "Seaward",
Mackinnons Bldg., 4, Ballard Road, Bombay-1. (British, Company Director).
Director of:
Mackinnon Mackenzie & Co. Private Ltd., (Chairman).
Mazagon Dock Ltd.
Bombay Chamber of Commerce and Industry (Member of the General Committee).
Bombay European Hospital Trust (Chairman of the General Committee and Trustee).
British India Steam Navigation Co. (India) Pvt. Ltd.

- SRI J. H. TARAPORE, "Dhun Building",
175/1, Mount Road, Madras-2. (Indian, Business).
Director of:
Managing Partner: Tarapore & Co., Engineers and Builders.
The Indian Mutual General Insurance Society Ltd. (Chairman).
The South India Carbonic Gas Industries Ltd. (Chairman).
The Reinsurance Association of India (International) Ltd.
The Egmore Benefit Society Third Branch Ltd. (President).

- SRI C. S. LOGANATHAN, 6, Vasu Street, Kilpauk, Madras-10. (Indian, Business)
Director of:
The Travancore Cements Limited (Chairman).
The India Cements Limited.
The Travancore Rayons Limited.

Chemicals and Plastics India Ltd.
The Cauvery Spinning & Weaving Mills Limited.

7. SRI T. S. NARAYANASWAMI,
2, Dr. C. P. Ramaswami Iyer Road, Alwarpet,
Madras-18 (Indian, Industrialist).
Director of:
The India Cements Limited.
The Industrial Chemicals Ltd.
The Madras Industrial Investment Corporation Ltd.
The Madras Aluminium Co. Ltd.
Chemicals and Plastics India Ltd.

8. SRI K. PALANI,
25, Venkatanarayana Road, T. Nagar, Madras-17.
(Indian, Business).

Director of:
The India Cements Limited.
The Industrial Chemicals Ltd.
W. S. Insulators of India Ltd.
The Madras Aluminium Co. Ltd.
National Implements (India) Private Ltd.

9. MR. V. S. S. DEMPO,
Santa Cruz, Goa (Indian, Industrialist).
Director of:
V. S. Dempo & Co. Ltd. (Chairman and Managing
Director).
Dempo Brothers Private Ltd.
Marmagao Shipping & Stevedoring Co. Pte. Ltd.
Dempo Sons Pte. Ltd.
Dempo Engineering Works Pte. Ltd.

BANKERS TO THE ISSUE:

1. The Bank of India Ltd., 175/1, Mount Road, Madras-2.
2. The Punjab National Bank Ltd., 107, Armenian Street, Madras-1.
3. The Central Bank of India Ltd., 158, Mount Road, Madras-2.
4. The Indian Overseas Bank Ltd., 151, Mount Road, Madras-2.
5. The Indian Bank Ltd., Indian Chamber Building, Esplanade, Madras-1.

LEGAL ADVISERS:

1. Sri R. Narasimhachari and Sri N. Varadarajan, Advocates, "Sarnath", Dr. Rangachari Road, Madras-4
2. Sri T. Raghavan, Advocate, 11-B, Mowbrays Road, Madras-18.

AUDITORS:

1. Messrs. Brahmayya & Co., Chartered Accountants, Andhra Insurance Building, Thambu Chetty Street, Madras-1.
2. Sri K. Venkatasubbiah Naidu, Chartered Accountant, "Dhun Building", 175/1, Mount Road, Madras-2.

UNDERWRITERS:

The entire issue to the public of 70,000 Equity Shares of Rs. 100 each has been underwritten as follows:

Name and Address of Underwriters	Value of Shares Underwritten:
1. The Madras Industrial Investment Corporation Limited, 23, Nungambakkam High Road, Madras-34	Rs. 50,00,000
2. The New India Assurance Co. Ltd., New India Assurance Building, 87, Mahatma Gandhi Road, Fort, Bombay-1.	„ 10,00,000

3. The Bank of India Limited,
70/80, Mahatma Gandhi Road,
Fort, Bombay-1. „ 10,00,000

BROKERS:

MADRAS:

1. Paterson & Co., Vanguard House, 11/12, Second Line Beach, Madras-1.
2. Chitra & Co., 322/323, Linghi Chetty Street, Madras-1.
3. Dalal & Co., 362, Esplanade, Madras-1.
4. M/s. Subramaniam & Co, 14, Second Line Beach, Madras-1.
5. Kothari & Sons, Oriental Buildings, Armenian Street, Madras-1.

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2. Batliwala & Karani, Union Bank Building, Dalal Street, Fort, Bombay-1
3. P. R. Subramaniam, 70-A, Stock Exchange Buildings, Apollo Street, Fort, Bombay-1.
4. M/s. Mahadevia Bros., Stock Exchange, New Buildings, Apollo Street, Fort, Bombay-1.
5. M/s. Dhirajlal Maganlal Purshottamdas, Stock Exchange Building, Apollo Street, Fort, Bombay-1.
6. M/s. Merwanji Bomanji Dalal, Allahabad Bank Building, Apollo Street, Fort, Bombay-1.

CALCUTTA:

1. Place, Siddons & Gough (Private) Ltd., 6, Lyons Range, Calcutta-1.
2. G. M. Pyne, Allahabad Bank Buildings, 14, India Exchange Place, Calcutta-1.

DELHI:

1. Harbans Singh Mehta & Co., 33, Regal Building, Parliament Street, New Delhi.
2. P. Roy & Co., 3/8, M. M. Road, Junction Panchkuin Road, New Delhi-1.

OBJECTS AND PROPOSED ACTIVITIES

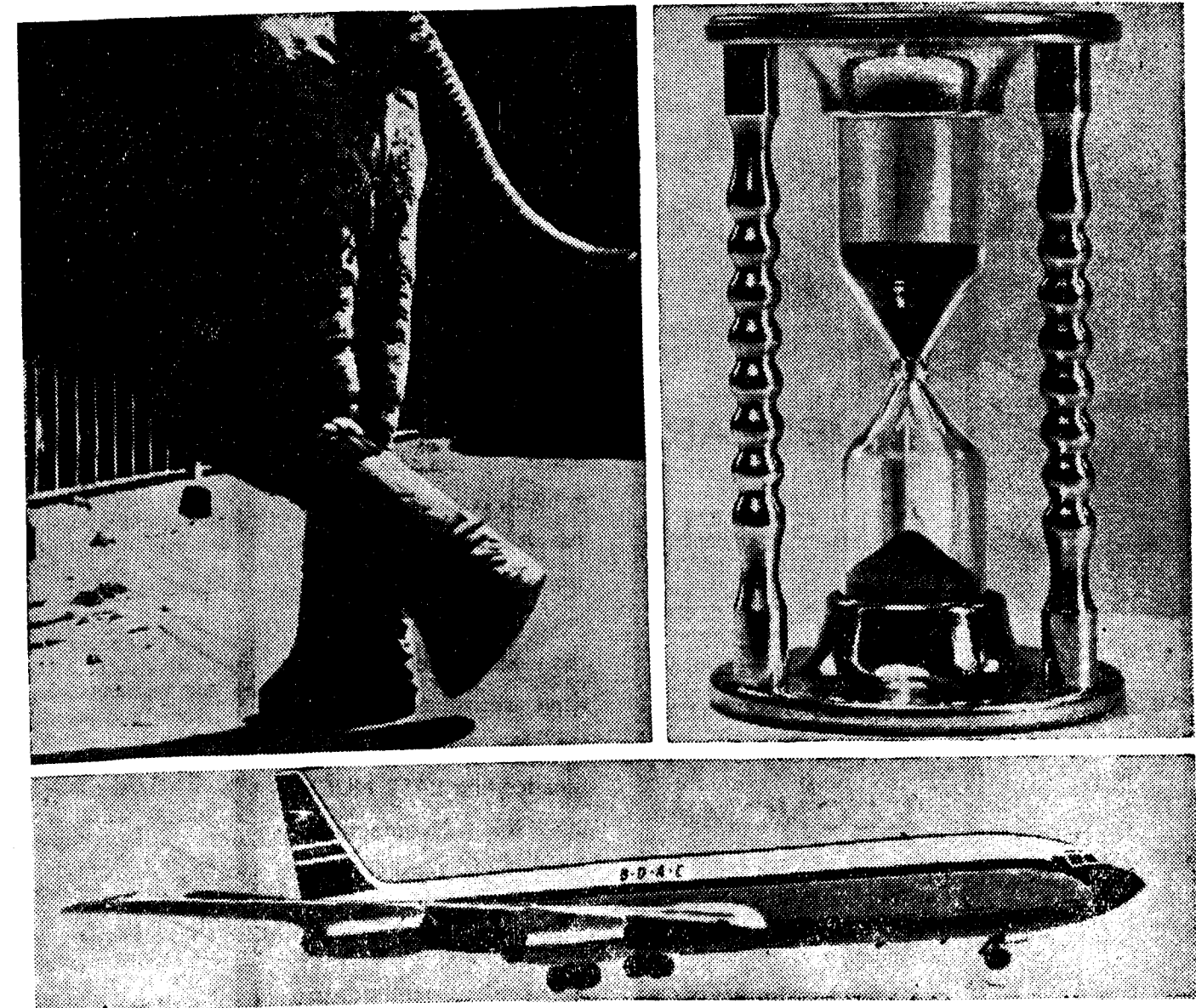
The Company proposes to engage in the world-wide tramp- ing and coastal trade. With this end in view, the Company has, in the first instance, ordered five bulk carriers of about 38,100 DWT each from Bremer Vulkan Schiffbau und Maschinenfabrik, Bremen, West Germany, suitable for carriage of bulk cargoes, from light grains to heavy ores. The vessels are to be built to the design and specification approved by Sir Joseph W. Isherwood and Company Ltd., London, one of the world's most renowned firms of Naval Architects and Consultants, specially in ship design and supervision of construction of ships. The first bulk carrier is expected to be delivered about November-December, 1965 and others at an interval of three months each thereafter.

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Copies of Application Forms and Prospectus can be obtained from the Company's Registered Office, from any of the above mentioned Underwriters, Brokers and Bankers to the issue named in the Prospectus or any of their main branches at the addresses given in the Prospectus.

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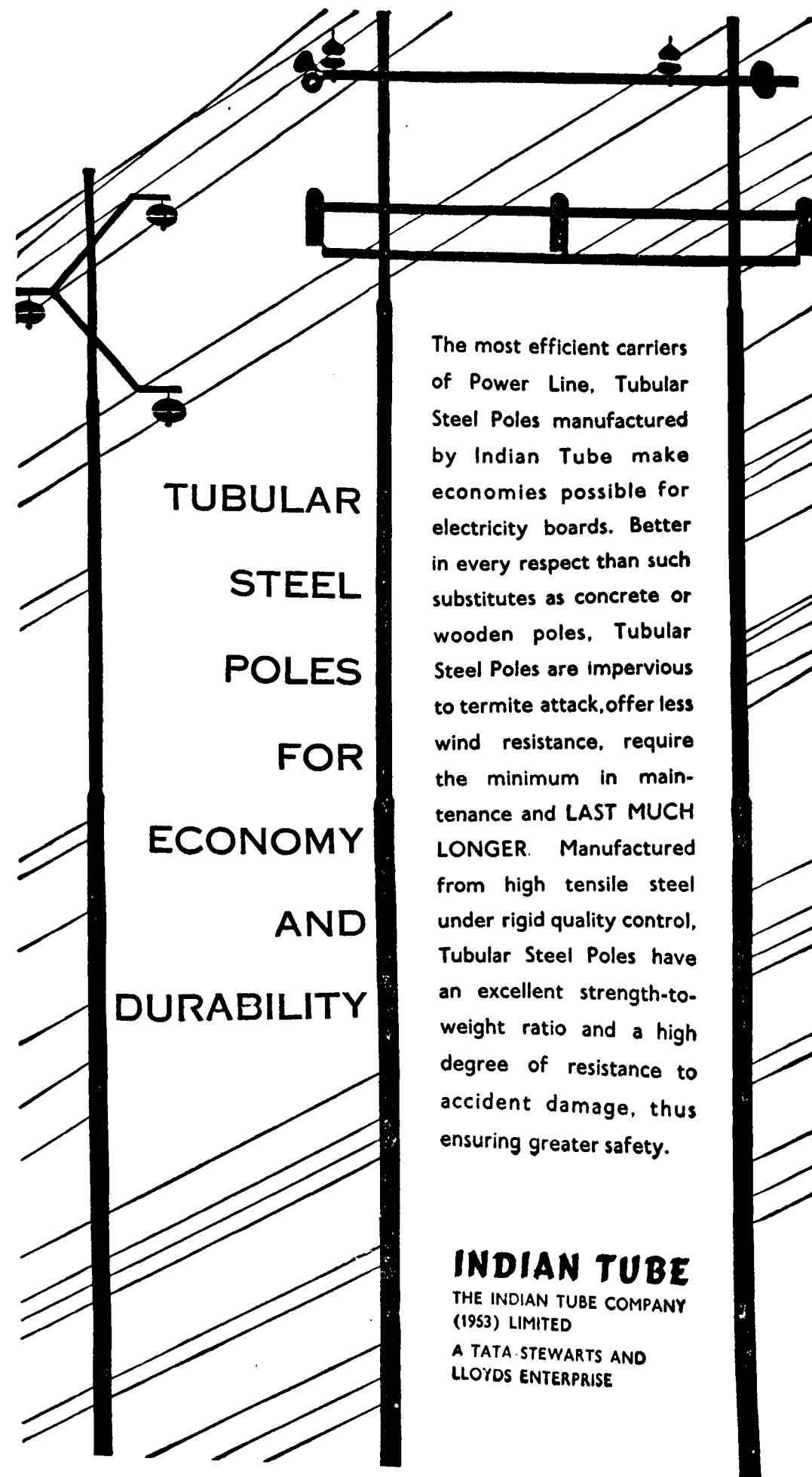
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Readers' Roundtable

TORONTO STOCK EXCHANGE

Sir, — Here are a few observations about the Toronto Stock Exchange which, I am sure, will interest your readers.

I had an occasion to see recently the latest methods and mechanics at work in the Toronto Stock Exchange in Canada. Efficiency and speed have been attained there with great understanding so as to stimulate business activity in an ever increasing measure. No wonder that the volume of trade in this stock exchange has been rising up at the rate of 10 to 15 per cent annually during the last few years.

The latest installation is an electronic computer which has been assembled for this exchange by Ferranti Packard at a cost of about Rs. 50 lakhs (one million dollars). By boldly investing in this very complicated but highly efficient instrument, the members of this stock exchange who are also subscribers to this special service will now be able to get information "on any stock listed in the stock exchange" within two seconds. Into its magnetic tapes will be stored the history of all the listed stocks and each of these will have a code number; the subscriber who pays Rs. 750 (\$150) a month will be provided with special teletype and he has simply to dial the code number of the stock regarding which he desires to have information and in exactly two seconds, the computer will type back the latest information on the stock, including (i) the latest price; (ii) the highest and the lowest prices the stock has been traded on that particular day; (iii) the number of shares traded and (iv) the highest and lowest prices for the year. This system will work not only within the stock exchange building but also in the offices of stock brokers in Toronto and elsewhere in Canada and the United States, covering long distances. The authorities of the stock exchange told me that they were planning to connect it to the regular telex system of the world through which they hope to make it possible for anyone, anywhere in the world to dial the exchange's code numbers and get the requisite information within seconds. This is by far the most advanced system adopted anywhere in the world. Another interesting feature is that the dialling system will work round the clock and not during the Exchange's normal trading hours only (between 10 a.m. and 3-30 p.m.).

Yet another good point about this system is that it de-

livers in about six minutes, tape for newspapers' teletype-setting machines containing complete reports of the day's activities, showing all the stocks traded, their high and low prices, their closing prices and the change in price in relation to the preceding day. To start with, a few Canadian papers and the Canadian Press, Canada's co-operative news agency (corresponding to India's PTI and UNI), have adopted this system.

For making it foolproof as regards the information that is constantly transmitted, the tapes of this system are checked automatically by another component which scans them and compares them with the information recorded in the computer at the rate of 312 characters a second — much faster than the human eye can read. The information contained in the computer can be printed as required at the rate of 120 lines a minute to show the variations in the stock prices.

In another part of the exchange, the record of every transaction is stored in punched cards which are stocked in fire-proof, water-proof vaults and kept for 10 years; they can be run through the machines to trace the whole history of the price movements.

Though the Toronto stock exchange was started as early as 1852, it received formal recognition only in 1878; its rapid growth started only from 1934. Today it is the third largest stock exchange in the world, the first two being New York and London. It is, however, the world's largest trading centre for mining shares.

Over 1,000 different companies are listed in this exchange; their total market value is more than \$85,000 million. Last year, a total of 800,000 shares were traded valued at \$2,000 million. On the average, about 20,000 different transactions involving about 4 million shares take place every day. On exceptional days, however, it is different. When the news of a rich zinc-copper-silver strike in North Canada came in one day, a total of more than 28 million shares (seven times the normal level) were traded in one day.

K. S. RAMANUJAM.

MADRAS.

BOOKS BRIEFLY

Statistical Handbook 1964: Published by the Engineering Association of India, India Exchange, Calcutta-1; Pp. 131; Price Rs. 5.

THE FIRST issue of "Statistical Handbook 1964", published recently by the Research Department of the Engineering Association of India, contains a wealth of statistical information portraying the different facets of the Indian economy with special emphasis on the engineering industry. The booklet covers a wide range of subjects such as national income, manufacturing, basic metals, foreign trade, power, transport, labour and prices. Besides giving a full picture of the engineering industry, it also contains some significant statistical tables such as "cases of satisfactory utilization of capacity",

A Rich Fare

"cases of under-utilization of capacity", "acute cases of under-utilization of capacity", demand forecasts for energy, pig iron, alloy steel and a host of other interesting tables. Another feature of the publication is that a complete section has been devoted to international comparisons. Agriculture has, however, been completely left out in this publication. A separate section on planning, highlighting the progress achieved under the three Plans, and some general tables giving basic data on population, demographic trends, external assistance, direction of trade, etc. may also be included with advantage in future editions. Apart from its pleasing get-up, good printing and fair presentation of data, this pocket edition will be useful as a book of ready reference to all students of economic affairs.

RECORDS AND STATISTICS

The Profit Motive—I

PROFIT IS a much-discussed subject. Often been misunderstood, it has even more frequently been misinterpreted. No here has the profit motive been more fiercely pilloried than Communist, fellow-travelling or dogmatic socialist literature. But, despite political persecution, the presence and the power of the profit motive have persisted in economic systems all over the world — and now 'Pravda', the organ of the Soviet Communist Party, has donned sack-cloth and daubed ashes all over itself and conceded that even the centrally-planned and totally-controlled economy of the Soviet Union must at last learn to come to terms with the indispensable indispensability of the profit motive as the motive power of economic progress. aid 'Pravda', in a recent editorial:

"The plans of production of consumer goods are very often approved without taking into consideration the demands, trade organisations and the requirements of the population".

This practice, says 'Pravda' solemnly, "is a wrong practice" and it proceeds to call upon consumer industries to plan their production on a basis of profitability. 'Pravda' asserts: "It is time to give more independence to the enterprises so that they will be economically interested in producing high-quality goods popular among the customers".

PROFIT : *Whatever you call it, however you count it, profit is basic and indispensable to all societies, including Crusoe's and Khrushchev's.*

Profit is implicit in all major societies and political systems in every period of history. Most of us think of profit in familiar and immediate terms, with reference to the modern day operations of businesses we know and patronize. However, there is a far broader frame of meaning surrounding the word, and it is only within this larger context that the role of profit and the profit motive can be understood.

Profit is accounted not only in dollars, but also in rupees, pesos and lire. It can also be measured, with less convenience but equal precision, in head of cattle or bushels of grain. It is intimately connected with the complex economic life of every 20th Century metropolis, but it functioned as powerfully in the operation of a pre-Christian Greek trading port. Its significance was no less to Robinson Crusoe, operating his island economy with a single helper, than it is to the 185 million residents of the United States. It is, in short, a function of the human condition, not to be associated with a single time or social group.

There are many ways to define profit, some so complex as to be valuable only to professional economists. Here, one of the briefest of classical definitions serves best. Profit is what is left when the costs of some activity are deducted from its revenues. A simple equation, it is subject to a vast amount of misinterpretation. As a sum left over at the end of the calculation, it has acquired such unfortunate designations as "residual" and "remainder," words devoid of constructive implications. In truth, profit is the margin for growth, and

WIDE OPTION : *Through the marvellous and sensitive mechanism of profit, society gains many alternatives, and self-interest is transformed into public interest.*

Every economic system needs some regulatory device. There may be a way to decide what to make and when, how to distribute it and to whom, and what the terms and amount of reimbursement are to be. In the free society, that regulatory mechanism is the profit motive. It provides guidelines for the substantial majority of all economic activity in the

The prophets or the high priests of the Soviet Communist system have presumably started learning from their mistakes. A desirable development, no doubt; but still a costly process. Unfortunately, example in these matters seldom serves. Experience, it appears, has to be gathered the hard way — by a personal repetition of other people's mistakes to be regretted in retrospect. Hence, perhaps, the amazing statement by the Prime Minister, Mr. Lal Bahadur, that the Government proposes to relieve shortages of consumer goods by setting up or expanding the production of those goods in State undertakings. The argument here apparently is that the profit motive of normal industry and commerce has failed the people and that, therefore, the latter must seek refuge in nationalised industry allegedly activated by some vague philanthropy.

In the circumstances, 'Eastern Economist' believes that it would be doing a public service by presenting in its columns some recent discussions, responsible and realistic, of the dynamic role of profit in promoting economic growth, high standards of living and expanding welfare. Follows, then, an extensive reproduction of passages from a pamphlet "The Profit Motive" published by E. I. Du Pont DE NEMOURS & COMPANY, the well-known American firm and a world leader in the chemical and allied industries:

the energizing agent of production. It is the reward to the venturesome, the return for effort expended. To the corporate manager it may be dollars in a bank; to the Soviet farm minister, the seed grain in a warehouse; to the nativelander, the racks of dried fish stored against the future. Whatever its form, profit is vital to any society.

Many times, societies or fragments of societies have tried to divorce themselves from profit. Every attempt has failed. In Europe, Utopians, Owenites, socialists, communists, and Marxists tried appeals to patriotism, love of family, nationalism, idealism, and sense of duty as substitutes for the profit motive. In America, the Jamestown and Plymouth settlements were first intended to operate as "anti-profit" societies. More than 100 other communal experiments were tried in the subsequent century. Noble as some of these appeals were, none of them produced solutions to the basic economic problems of providing food, clothing and housing.

The only such communities to survive, here or in Europe, were those which abandoned such economic theorizing and embraced the profit motive. The outstanding examples are the Soviet Union. Committed to maximum production, zealous in its drive to save and invest in industrial facilities, the USSR today is perhaps as "profit" minded as any country. That nation's economic objective is to make goods cheaply and sell expensively, investing the difference in State-run industrial facilities, and in military and propaganda programmes.

US, and has proved uniquely effective as an instrument of progress.

There are a number of alternate ways to guide economic life, and they have been tried many times in different places and centuries. Commissars and production czars have been

appointed to control labour and divide its output. Hereditary monarchs have issued codes under which goods are to be made and consumed. Numberless dictators ranging in shades of autocracy from monstrous martinets to benign, almost selfless shepherds, have attempted to make the market-place do their bidding. Whatever the individual nuances of these systems, all are variations on a common theme. One man directs others in the conduct of economic affairs; in the last analysis, compliance can be assured only through the use of troops.

Apart from their political cannottations, these controlled economies must be judged as partial successes. Mankind has at least survived the worst of its economic mistakes, and recorded some advance in centuries to which the concept of the free market was as remote as the doctrine of political liberty. No alternative, however, has proved nearly as effective as the profit motive in stimulating and regulating economic activity, and in turning the fruits of enterprise to the service of society.

It is in the large and open market, catering to a staggering variety of needs, whims, and differences of opinion, that the profit motive meets its major economic test and performs most brilliantly. (It works as well in a small, static society, but that is hardly a measure of its present utility). Sprawling and variegated, the economies of such nations as the United States may seem too disorganized to respond to the balance wheel of profit seeking. None of the millions of business units in the US holds final say in the market, nor is there any central purchasing office or scheduling agency to bring order to their individual efforts.

PROFIT SEEKERS : *One of the strengths of the US system is the dispersal of the quest for profit among millions of business units. Large and small, local and national, they all must seek customer favour. Unless they gain it, they can have little or no hope for any profit.*

Broker and banker, contractor and clerk, landscape gardener and lawyer — all share the common ambition to realize a profit. The diffusion of the profit motive among this widespread assembly is one of the great strengths and traditions of the US economy. The American's quest for profits is entirely voluntary, undertaken despite numerous risks and hazards. There is a healthy individualism about it, for each of the millions who participate has different contributions to offer. It is the experience of these individuals that establishes the milestones and guide posts of our market-place for, in sum, the deeds of the profit seeker and his customer 'are' the nation's economy.

Representatives of the Wilmington, Delaware, marketplace are but a small cross section of that city's business group, and their numbers could be multiplied many times over by drawing upon other communities throughout the US. Diverse and gigantic as the open market is, the many participants in it all are striving to make a profit, either on their own behalf or to the account of their sponsors. Their willingness to cope with the problems of business, to provide all manner of special goods and services, and to bear the burdens of such responsibility is simply based on the hope of earning a suitable return.

The US economy is predicated on the belief that buyer and seller alike are promised gains in the marketplace. In the long run, the seller can hope to survive only when he can satisfy the needs and expectations of the buyer. The converse also is true. The buyer will have access to the goods and services of the seller only if there is some gain to be realized from the sale. In the absence of fiat or subsidy to make his stay in the

This, though, proves to be the virtue of the profit system. There are as many listening posts as there are businessmen. The voice of the consumer is heard in the place where it will do the most good, in the stores and offices wishing to attract him as a customer. Thus it is that an automaker determines what sort of transportation equipment he can sell most readily. Thus it is that each of the thousands of communities in the nation receives approximately as many gallons of milk, crates of lettuce, carloads of carpeting, miles of electrical cord, bundles of magazines, and cartons of shoelaces as it happens to want, without notable gluts or shortages, without benefit of a central clearing-house, and with remarkable dispatch.

Because vendors and producers are always mindful of the profit or loss that attends their decisions, the market remains almost instantaneously sensitive to fluctuations in demand and changes in preference. It responds more readily, and often more rapidly, than could any economic czar or State commission. Inevitably, some mistakes in judgment are made. In any society, some unwanted goods are produced; inefficient or inadequate distribution processes sometimes are prescribed. When the power of economic decision is vested in the hands of one man or a few, such errors are serious, for they affect at a stroke whole segments of society. However, in the open market, errors tend to be minor in scale and self-correcting. One firm may ignore or misinterpret its customers' wishes, but as its sales and profits decline, it is likely to draw few imitators. The open market, frankly and avowedly dedicated to the profit of individual units, is the most versatile and responsive of economic mechanisms, as well as the only one parallel to the concept of political and personal liberty.

marketplace permanent, the profit seeker is obliged to close his doors when his business ceases to be profitable

The quest for profit is most familiar in the direct proprietor-customer exchange. However, active proprietors of unincorporated businesses represent less than 10 million people in the nation's labour force of 75 million persons. What of the clerk in the department store, the white-collar worker in the large corporation, or the mechanic in an industrial complex? Indirectly, their activities and aspirations are as profit-centred as those of the grocer, butcher, or television repairman.

The profit seekers in these larger business units are not all found at the top of the executive echelons, or among the ranks of the leading stockholders. The clerk in the accounting offices, the designer in the engineering laboratories, and the foreman in the production plant, if not equally close to questions of profit and loss, stand to gain themselves only if their company operates profitably. In the final analysis, all are concerned with the profit motive to some degree, for their jobs and future prospects depend on the company's profit.

As long as the opportunity to profit is present, the profit seeker will go about his daily occupation voluntarily, and very large numbers of people will continue to be attracted into business with the hope of reaping gains. With such a wide distribution of people, there is no end to the variety of products and services to be presented to the market. The selection will always be large, and growing, as each profit seeker tries to demonstrate his community of purpose with the customer.

UTILITY OF PROFITS : Profits perform an immensely practical function in a capitalistic society. In a way, they serve both as its rudder and engine.

In 1776, the year America declared its independence, a Scottish economist published his own testament to freedom. His book, one of the most influential treatises in history, set forth the thesis that a profit-minded, competitive economy contained its own control valves and compass, and could best serve society if left to its own devices. The economic structure of the free world has changed greatly since Adam Smith's time, but the essential wisdom of his doctrine has only been reinforced by the passage of time.

There is, as he noted, an "invisible hand" which turns the self-interest of the individual to projects "most agreeable to the interests of the whole society." That guiding hand is the quest for profit. It motivates men to work in activities of which the community approves, stimulates investment in enterprise, and controls the allocation of energy and capital.

Left to its own devices, the market will find the most suitable proportion of farmers, cobblers, engineers, and architects. Should more enter one field than society deems suitable, the price of their products or services will fall, and some will be driven from contention. By the same token, a shortage of talent will make the pursuit of a career more profitable and

hence more attractive, automatically drawing more practitioners.

Just as this happens with people, it occurs with savings and products. Both gravitate towards the locale or section of the market where they can attract the highest profit. The rise and fall of profit tells investors and producers how well they have served the market in the past, and suggests their course for the future.

Almost any commercial organization which has been in business more than a few years could supply confirmation. A particularly good illustration is the Du Pont Company, which has operated continuously since 1802.

During its first century, Du Pont made only explosives. This was one of the primary needs of the young nation, not only for defence but also for road building, for clearing land, and for mining. With the advance of technology, other opportunities began to look profitable and appealing, and were pursued. Today, Du Pont makes more than 1200 products or product lines, and only a small segment of its operating investment and sales can be attributed to explosives. The promise of profit originally put the Du Pont Company in business, and expanded the product portfolio as the nation's needs changed.

(To be continued)

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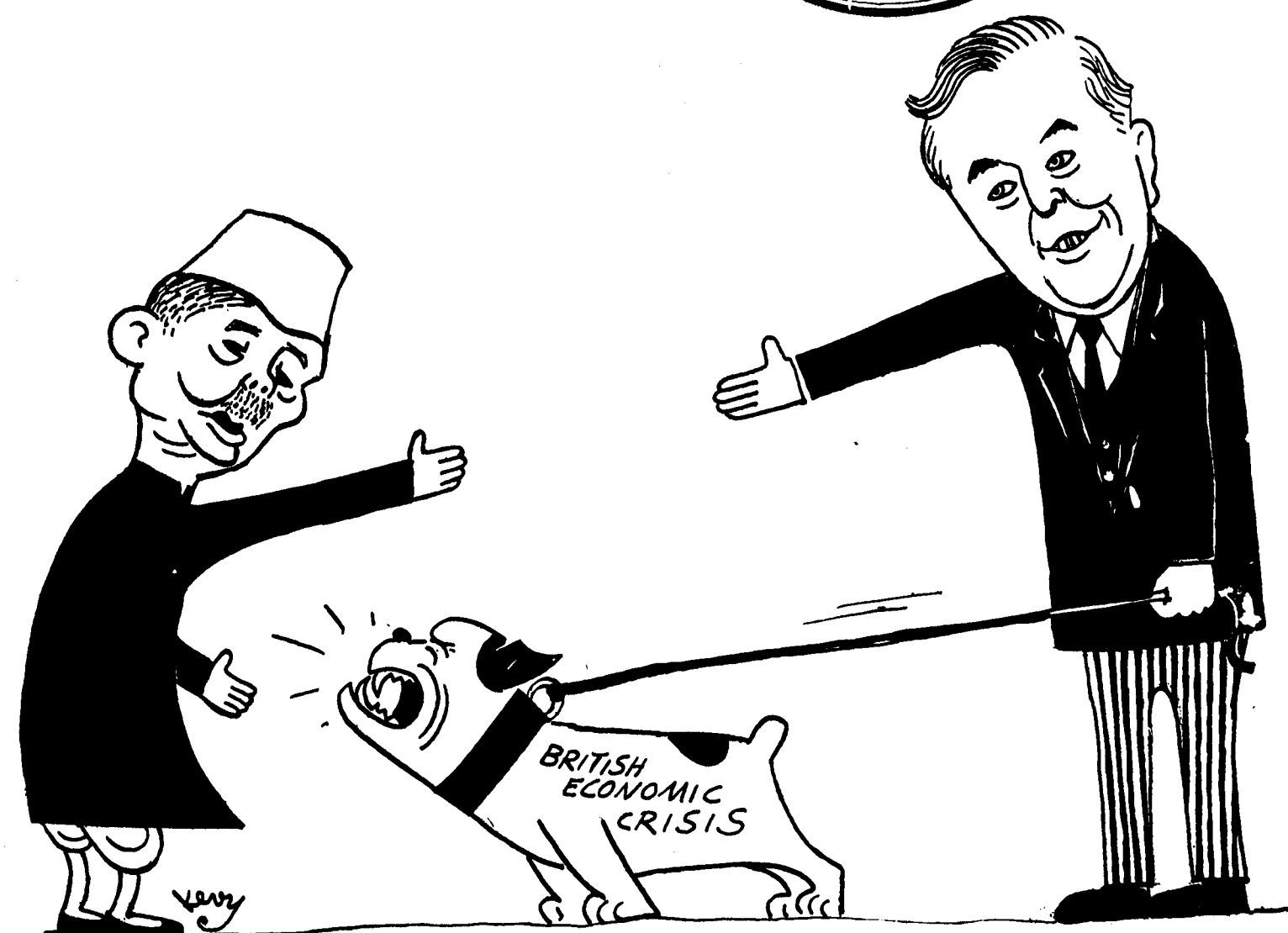
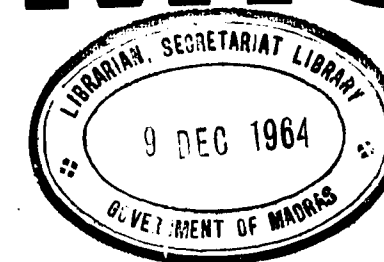
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EASTERN ECONOMIST

VOL. 43

23



The Guardian Watchdog

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DECEMBER 4, 1964

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When the Monarch Trades

IN THE life of a government as in that of an individual there sometimes comes a moment when a thing is done not because it is the right thing to do but because something has to be done. The project for Food Corporations falls in this category. While sponsoring the related Bill in Parliament, the Central Minister for Food and Agriculture naturally attempted to make out a positive case for the measure. He said that a Central and possibly State Food Corporations were needed to ensure remunerative prices to the farmer and reasonable prices to the consumer by rescuing both from the rapacity of parasitical middlemen. He also argued that the proposed machinery was necessary for building up a government buffer stock which would even out violent fluctuations in supplies or prices over a period. But it is clear for all to see that had the Government's policies relating to agriculture been even moderately successful over the last 15 years, there would have been no need for the kind of State trading in foodgrains which is now being attempted. The Food Corporations project, in other words, amounts to a plain and simple confession forced from the Government of the failure of its farm policies. By the same token, it is only so long as food production fails to improve that the pretext could be kept up that continued State trading in foodgrains is in the national interest. We must therefore hope that, in the next few years, sound policies will be pursued for increasing food production and that, as a result, State trading in foodgrains will find itself put out of business.

Meanwhile it is fortunately quite in order to give a word of praise to the hard-working Minister for Food and Agriculture. It is good to see that he is determined to organize the State trading body in such a manner that it functions as a commercial organisation. How far his intention is realized would depend on the machinery and methods which the Corporations actually employ. The Bill itself does not shed much light on this point and Mr. C. Subramaniam has so far not been particularly forthcoming either. We hope the Central and State Food Corporations, when set up, would function through private trade channels and commercial banks as far as possible. A project of this kind could easily come to grief if an army of administrative, clerical and field staff is allowed to prey on it.

The Minister has said that it is planned to buy about three million tonnes of rice in the new crop year through the proposed State trading organisations. A decision about wheat is to be taken in the new year in time for the Rabi harvest. The quantity of rice proposed to be bought presumably includes the amount of 1.95 million tonnes which surplus States have agreed to make available for distribution among deficit States. To the extent that the presence of the Central Food Corporation and its subsidiaries or agencies could better equip the Central Government to ensure that the governments of surplus States are sufficiently co-operative, the country may derive a limited short-term advantage in the difficult days ahead. But even here — and even more in the matter of its long-term virtues — the projected State trading in foodgrains will be watched critically in the country. As it is, the food economy of the nation is in shambles and the first duty of State trading would be to take care that it does not make confusion worse confounded.

Film Finance Corporation

ONE OF the leading industries of India, the financial problems of which are quite different from those of the manufacturing industries, is the film producing industry. An important feature of this industry is that the main security that it can give to its financiers is the picture negatives which are a good security if the picture hits the box office, but they are worthless if the picture fails. The film industrialists are also confronted with the problem of unforeseeable expenses, making budgeting a complex problem. Sometimes, to give a free hand to the artistes for creative work, the producers exhaust the entire available finance before the picture is even half-way complete. The film producers have also to pay the stars much above the contracted amounts. They are also at the mercy of the film distributors in view of the shortage of theatres. Realising these difficulties of the film industry the Government of India set up a Central Government Film Finance Corporation in March 1960 to extend credit to the film producers and to encourage the production of films providing healthy and purposeful entertainment. It is proposed to examine the working of this Corporation for the four years ending March 1964. The rate of interest charged by the Corporation is 9 per cent but a reduction of 1½ per cent is given if the repayments are prompt.

Table I shows the disposal of the loan applications by the Corporation. It would be seen that the applications both received and accepted by the Corporation dropped in 1963-64 over the previous year. This fall is surprising and is indicative of the fact that even after three years of its working the Corporation is not receiving the right type of applicants for loans.

The total value of loans sanctioned to 48 producers since the commencement of the Corporation to March 31, 1964 amounted to Rs. 136.18 lakhs. Out of this, the Board of Directors of the Corporation cancelled in 1963-64 loans amounting to Rs. 20.05 lakhs to six applicants as they could not fulfil the conditions on which the loans were sanctioned. Therefore the effective loan amount sanctioned up to March 31, 1964 was only Rs. 116.13 lakhs.

Out of the loans sanctioned of Rs. 116.13 lakhs, the actual disbursements up to March 31, 1964 were only Rs. 59.72 lakhs. The gap between sanctioned loans and disbursed amount amounting to Rs. 56.41 lakhs, that is about half of the sanctioned loans, is due to the following reasons. In 12 cases, the loan agreements involving a sum of Rs. 31.97 lakhs were not executed up to March 31, 1964. This showed that the applicants were not perhaps serious about their applications and that the Corporation had sanctioned loans for them very much in advance of their needs. Again, sanctioned

loans are advanced not in lumpsum but in instalments in relation to the work to be done. Delay in rendering proper accounts of earlier instalments results in further instalments being held back. The Corporation's first instalment of loan does not start until the producer has invested in full his own share of the cost of the picture. In good many cases, this takes longer time than anticipated at the start. There are other factors also responsible for stoppage or delay in the release of loans such as difficulty in getting artistes, non-settlement of disputes with distributors, excessive expenditure in relation to the budgeted cost, etc.

The fact that in four years the Corporation has been able to disburse in all only Rs. 60 lakhs to producers would legitimately raise the question as to how it has been using its finances during the last four years. In the first year of its working which ended in March 1961, the Corporation did not disburse any loan to the producers of films, but instead deposited a considerable part of its paid-up capital of Rs. 20 lakhs on short-term and fixed deposits with the State Bank of India. Consequently, of the total income of the Corporation for the year at Rs. 36,857, as much as Rs. 32,440 were secured as interest on bank deposits. In the second year, the Corporation increased its paid-up capital from Rs. 20

TABLE I
DISPOSAL OF LOAN APPLICATIONS

		Applications		Applications rejected or withdrawn or where sanctioned loans are subsequently cancelled	Applications under consideration at the end of the year
		Received	Accepted		
1960-61	No.	16	1	3	12
	Amount in thousands	4834	350	1050	3434
1961-62	No.	16	8	9	11
	Amount in thousands	4863	2838	2284	3175
1962-63	No.	46	25	24	8
	Amount in thousands	15262	6729	8905	2803
1963-64	No.	36	8	28	8
	Amount in thousands	9181	1696	8395	1893
Total	No.	114	42	64	
	Amount in thousands	34140	11613	20634	

lakhs to Rs. 44 lakhs, but the actual loan disbursed during the year amounted to Rs. 11 lakhs only, with the result that during this year also a substantial part of the remaining Rs. 33 lakhs was kept as deposit with the banks. Since these bank deposits carry only a small rate of interest, the Corporation secured an interest of Rs. 56,810 only whereas on the loans to film producers of Rs. 11 lakhs, the Corporation obtained an interest of Rs. 50,937. In the third year, the Corporation increased its paid-up capital from Rs. 44 lakhs to Rs. 50 lakhs when the disbursement of loans during the year to the film producers increased to Rs. 25 lakhs. Even then, at the end of the third year's working the Corporation had a bank deposit of Rs. 23 lakhs as against the loans to film producers of Rs. 28 lakhs. The result was that in the third year of its working while the income by way of interest from film producers amounted to Rs. 1.39 lakhs, the interest on bank deposits was Rs. 1.16 lakhs. It was in the fourth year of the working that the Corporation became a lending institution to the film producers as it derived the bulk of its income from interest on loans to producers of films only. In that year the Corporation secured an interest of Rs. 3.34 lakhs as interest from producers of films against Rs. 0.48 lakhs only as interest from bank deposits. But in that year, in its anxiety to draw the sanctioned loan of Rs. 10 lakhs provided in the Government of India budget for 1963-64, the Corporation disregarded sound commercial principles. For the sanctioned loan of Rs. 10 lakhs was drawn carrying an interest of 7 per cent in the last fortnight of 1963-64, only to be deposited with banks fetching a much lower rate of interest.

Since the paid-up capital held by the Central Government was the main source of finance available to the Corporation during the four years ending March 1964, it would be interesting to see the rate of return after tax on this capital employed.

TABLE II
RETURN ON CAPITAL

	(In Rs. lakhs)			
	1960-61	1961-62	1962-63	1963-64
(i) Paid-up Capital	20.00	44.00	50.00	50.00
(ii) Profit after Tax	(—) 0.18	0.19	0.17	0.37
(iii) Interest earned from Bank Deposits	0.32	0.57	1.16	0.48

It would be seen from Table II that the Corporation incurred losses in the first year of its working while the profits were negligible in the remaining three years. It would be further seen that if the interest receipts from the short-term bank deposits made by the Corporation in view of its inability to lend money to film producers is deducted from the profits earned by the Corporation, during all the four years the Corporation

incurred losses.

Although the financial working of the Corporation during the first four years has not been satisfactory, it is gratifying to note that out of the 26 pictures in all to which loans were disbursed in full or part, 11 were released up to March 31, 1964. Six of them have won awards in India and abroad.

Some comfort can be derived from the fact that the film corporations in other countries have also not been very successful from the very beginning. Thus, the U.K. corporation after incurring huge losses for over a decade has turned the corner now. But it has still considerable losses of previous years, roughly £4.29 million, to wipe out. In France the film corporation had to be wound up owing to continued losses. But it would appear that the Indian corporation would continue to remain a drain on the exchequer so long as it is not in a position to strike a neat balance between its two apparently conflicting objectives of extending loans to film industry and encouraging the production of films, which provide healthy entertainment and at the same time are purposeful.

Eastern Economist 20 Years Ago

DECEMBER 8, 1944

There are many kinds of market research. The most typical is the investigation by sample of consumer preferences. The estimation of consumer purchasing power in the various income groups and in different parts of the country, the study of how in fact the public uses its purchasing power, the study of the marketing system including the organization of wholesale distribution as well as retail outlets, and investigations into the best sites for the location of chain stores, other shops, places of entertainment, etc., in which pedestrians passing different sites are counted and their movements studied, are some of the forms which market research has taken in the industrially advanced countries. Clearly, what type of market research can produce the most satisfactory results depends on the context. Thus, if a soap manufacturer wants to know why his rival's product is preferred in a certain area, the investigation by sample of consumer behaviour and attitudes in that locality become relevant and may help him to find out for which of its attribute exactly is his rival's product desired by the consumers in that area. Again, if it is a case of a ghee-manufacturer wishing to push up sales in a particular locality given largely to the consumption of vanaspati, it becomes necessary for him to estimate the consumer purchasing power in that locality in order to judge whether a reduction in price would have an adequate effect on the elasticity of demand for ghee and induce a sufficient number of people to consume ghee instead of vanaspati so that the reduction in profit per unit may be made worth while by reason of increased turnover.



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NCB/46A

Highlights of the Week

AFRICA: WELCOME INDIANS

THE INDIAN Industrialists' Goodwill Delegation, which toured nine African countries, namely, Ethiopia, Ghana, Kenya, Malawi, Nigeria, Zambia, the Sudan, Tanganyika and Uganda, last week submitted its report to Mr. Manubhai Shah, Union Minister for Commerce, and to Mr. K. P. Goenka, President of the Federation of Indian Chambers of Commerce and Industry. The Delegation has brought the encouraging news that in all these African countries, Indian collaboration was much sought after and it was for this country not to miss the chance of active collaboration with Indian and African business men operating there, for the establishment of new industries.

Mr. A. M. M. Murugappa Chettiar, an ex-President of the FICCI, led the Delegation. At a Press Conference in New Delhi, Mr. Chettiar said that collaboration between the Indian and African business men offers both "an opportunity and a challenge." There was an urgent need for the establishment of an appropriate agency for co-ordinating the various programmes of collaboration and co-operation with these countries. The tour had a great educative value for the members of the Delegation who felt that this country could no longer rely on conventional methods of trading. "Trade can form only a part of the total economic relationship which must extend itself to other forms and collaboration in investment and technical assistance", reported the Delegation. It added that India could provide machinery and technical know-how for setting up such industries as cotton textiles, sugar, cement, jute, light engineering, tanneries, etc. The terms to be offered will have to be competitive with those being offered by other countries.

Possibilities of Expansion

The country-wise surveys made by the Delegation provide useful facts about the economies of these countries and about the possibilities of expansion in different branches of industry. The surveys provide information regarding the legal provisions for protection of private property, repatriation of capital and profits, the availability of economic benefits and various other reliefs provided in export and import duties. The general investment climate in these countries is favourable towards India and reasonable facilities are offered to collaborators. The tax laws are lenient and the return on capital employed is encouraging in relation to many other countries. It is no exaggeration to say that the capital invested in most of these countries can be had back within five to six years by way of profits. The purposeful collaboration envisaged by the Delegation will be on the basis of India deciding to provide machinery, capital equipment and technical know-how and not in terms of Indian finances which are vitally needed at home.

The country-to-country assessment made by the Delegation regarding the possibilities of setting up of new industries is an eye-opener. In Ethiopia, for example, the success of the first major industrial unit set up with Indian collaboration — Indo-Ethiopian Textiles — has created considerable confidence in the capacity of the Indians to set up new industries. The management of another existing textile mill in Ethiopia has been handed over to the group running the Indo-Ethiopian textiles. This demonstrates the high degree of confidence enjoyed by Indian business men in Ethiopia. In

Ghana, where the planning concept is very well understood, there are the possibilities of setting up industrial units in collaboration with Government on a turn-key basis; equipment may be supplied on deferred payment terms extending from seven to ten years and for running, in the first instance, with Indian managerial and technical personnel. Kenya and Malawi both offer possibilities of building up handloom textile industry. In Northern Nigeria, the Birla Group of Industries has received approval for setting up a textile mill at Kaduna. A jute mill and an asbestos cement plant are also likely to be set up by Birlas in this country. Proposals for collaboration are also under active consideration of the Nigerian Government for setting up units to manufacture man-made fibres and pharmaceuticals and for establishing a solvent extraction plant and a tannery. There is no anti-Indian feeling in Nigeria. The Sudan offers numerous opportunities of collaboration between the Indian and Sudanese business men. India can extend co-operation to the Sudan in providing turn-key jobs and in making available managerial and technical facilities. Tanganyika is awaiting collaboration from India in the establishment of its first cotton textiles mill. A favourable climate for Indian business men prevails in Uganda where an agreement was signed recently for setting up sugar factories in collaboration with Indian entrepreneurs. India can supply machinery and building equipment as well as managerial personnel in the initial stages. In Zambia an enamelware plant is being set up in collaboration with an Indian entrepreneur. This is only a brief list of the possibilities offered by these African countries.

It is gratifying to learn that the Delegation received encouraging reports regarding the performance of the Indian personnel that had been sent to the various African countries for rendering assistance in various activities such as civil aviation, railways, education, ports and harbours, etc. The Delegation gathered the impression that the Indian personnel in these countries had created a friendly climate and all the doubts about Indian technicians or Indian machinery and equipment being unwelcome were unfounded. The Delegation has stressed the fact that African personnel will need to be trained in Indian factories for strengthening the bonds with these countries. Only through this two-way traffic can the co-operation between India and the African countries be fostered.

The commercial publicity for informing the Africans about India's industrial development and potentialities, the Delegation observes, has not received the attention that was due to it. Much work needs to be done in this direction. A large number of Government officials from the African countries should be encouraged to visit India frequently so as to enable them to have negotiations both with the Government and business men here for the establishment of those industries in which India has specialised and for which she can provide not only industrial machinery but also technical know-how.

EUCCHARISTIC CONGRESS

BOMBAY PLAYED the host this week to the 38th International Eucharistic Congress in which delegates from no less than 40 countries participated. The Papal Legate, His Eminence Gregory Cardinal Agagianian, stated in his opening address that the Congress was being held in India for the first time. This country had been selected for holding the Congress because "from times beyond human memory, India had been noted for its deep religious instincts". Pope Paul VI also

participated in the Congress.

Th's gathering of Catholics from all over the world did provoke some misinformed and misguided sections regarding the purpose for which it was being held in India. The Prime Minister, Mr. Lal Bahadur, explained in the Lok Sabha that the Catholic Congress was not intended as an aid to religious conversion. Mr. Nath Pai's suggestion that "the image of India should not be marred by any hostile speeches", got support from all sections of the House with the result that considerable restraint was exhibited even by the extremist sections.

Besides focussing attention on the religious aspects for moral uplift, a separate Food Seminar discussed the problem of the race between population growth and food production in the world. Dr. B. R. Sen, Director-General of Food and Agriculture Organisation, stated at the Seminar that the world was likely to face a large-scale famine in 1980 if the current trends in population and food production continued. Even at present, according to the estimates of the FAO, nearly half the world population at about 1,500 million suffered from malnutrition. As many as 63 million persons per year were added to the world population, most of them in the poorer countries of Asia, Africa and Latin America. At this rate, population of the world is likely to double during the next 35 years. Since per capita output of food production has tended to decline over the past few years in Africa, Latin America and the Far East, the degree of malnutrition has increased.

Threat to Peace

"Deprivation on such a vast scale is not only morally indefensible but poses a serious threat to social order and international peace", said Dr. Sen. He went on to explain the role of agriculture in providing stimulus to economic growth. He said that crash programmes of industrialisation would not offer all the basic requirements of economic growth if they were not accompanied by an agricultural revolution. To this imbalance between industry and agriculture was added the pressure of adverse terms of trade for the primary producing countries. Even the recent United Nations Conference on Trade and Development failed to devise ways and means to reverse this trend. While the decision to set up a permanent body in the UN framework to continue the work of the Conference was a right one, mere creation of such a machinery would not deliver the goods if "the political will to act was absent". Discussing the case of India, Dr. Sen said that her economic difficulties were caused by stagnation in agricultural productivity and the most effective approach to increase food production was to concentrate efforts on increasing the yield per unit of land. He also gave the opinion that agricultural education and extension services needed to be allocated a much higher priority in the investment of national resources.

In the fight for raising productivity of land, Dr. Sen observed, no nation could attain success through its own efforts. The assistance of the developed nations was a necessary prerequisite because the current volume of aid provided by the developed nations to the developing nations was not adequate. The recommendation had very often been made that the developed nations must give at least one per cent of their national income by way of aid to the developing nations but even this modest target had not been achieved so far. Unless the quantum of aid was enhanced, there was little hope of improving the frustrating conditions which prevailed in the developing countries. An appeal to the "christian conscience" of the developed countries — to feed the hungry, clothe the naked and shelter the homeless — was made at the Seminar by Cardinal Agagianian, who presided over the Seminar.

Two other religious groups also held their conferences

last week. At Sarnath, the seventh Conference of the World Fellowship of Buddhists was inaugurated. The President, Dr. Radhakrishnan, addressed this Conference. In a stirring speech, the President said that "we are unworthy descendants of the great Master. We have to make ourselves different from what we are. We should follow Lord Buddha's teachings in spirit, not only in letter". Another convention, mostly of Muslims, though named the National Democratic Convention, was held in New Delhi and was addressed by Mr. G. L. Nanda, the Union Home Minister, and Mr. Morarji Desai, a former Finance Minister of India. At this Convention the Muslims were urged to identify themselves with this country and not to think in terms of narrow religious groupism. All these three conferences highlighted the fact that in secular India all religious groups enjoy complete freedom in the pursuit of their beliefs. Secularism has not meant negation of religion. It has, on the other hand, provided opportunities to all the groups to preach peacefully their respective religious faiths.

FOOD POLICY

THE UNION Minister for Food and Agriculture, Mr. C. Subramaniam, made a statement in the Lok Sabha on November 29, 1964 in which he gave the salient features of the food policy evolved at a Conference of the Chief Ministers held at New Delhi on the 17th and 18th of November. The essence of the policy is that the Government must build up buffer stocks of rice and wheat in order to meet the scarcity conditions which emerge from time to time in various parts of the country. Statutory rationing has been recommended only



"Aren't we a Nation praying devoutly with one voice: 'Give us this day our daily bread?'"

December 4, 1964

EASTERN ECONOMIST

for Calcutta. As regards other cities with a population of one million and above the State Governments have been given the option to introduce such regulatory measures as they consider necessary. The major points on which agreement was reached were:

"The present zonal restrictions on the movement of wheat may be allowed to continue and the position reviewed in March 1965 when the prospects of the next wheat crop would be known. Each State may be constituted into a separate rice zone except that the Northern Zone comprising the State of Punjab and the Union Territories of Delhi and Himachal Pradesh may continue as at present.

"Rice will be purchased on Government account in the surplus States for supply to the deficit States on a Government to Government basis. The States concerned have agreed to the following quantities being procured during the period from November 1, 1964 to October 31, 1965 for supply to the deficit States:

Andhra Pradesh	800,000 tonnes
Madras	200,000 "
Madhya Pradesh	400,000 "
Punjab	250,000 "
Orissa	300,000 "

Over and above these quantities, such additional quantities will be procured as are necessary to meet the internal requirements

of the States.

"The main objective of the procurement and import policy is to enable a sizable buffer stock of rice and wheat to be built up. This implies restraint on issues from Government stocks during the post harvest period. Statutory rationing will be introduced in Calcutta on a date to be fixed by the State Government. As regards other cities with a population of one million and over, State Governments have been given the option to introduce such regulatory measures as they may consider necessary and the Central Government would make available such supplies as are necessary for meeting the commitments in these cities. The informal rationing introduced in Kerala will continue.

"State Governments may be permitted to prohibit the export of coarse grains from their respective States except that surplus States which have traditionally been exporting coarse grains to other States should continue to allow such export on a regulated basis. All restrictions on the movement of pulses may be removed immediately except that the existing restrictions on the export of gram may continue till the arrival of the next crop and the States concerned shall allow export of 50 per cent of the stock of gram held by traders. All restrictions imposed by State Governments on the movement of oil and oil seeds may be removed immediately except that the existing restrictions on the movement of mustard seed from U.P. may be allowed to continue till the arrival of the next crop."



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Abolition of Managing Agency System: The matter of gradually abolishing the managing agency system in well established industries was under examination and no decision had yet been reached, Mr. T. T. Krishnamachari, Finance Minister, told in the Rajya Sabha.

IBRD Loan Utilisation: Private sector collieries had placed orders worth Rs. 14.77 crores out of the World Bank loan of Rs. 16.67 crores. Mr. P. C. Sethi, Deputy Minister for Steel and Mines, told the Rajya Sabha that in order to facilitate utilisation of the loan, the Government had sanctioned a scheme for partial guarantee by the Government for advances to be given by credit institutions to collieries in the private sector. Other concessions, besides rise in coal prices, had also been extended to the industry.

Movement of Coal by Coastal Ships: Mr. Raj Bahadur, Minister of Transport, stated in the Rajya Sabha that coastal ships had already been carrying coal for quite a long time. The quantity of coal thus moved was about a million tons per annum till May 1961 when a revised target of 2 million tons per year was fixed due to the shortage of rail capacity. Since then, the percentage of coal carried by coastal ships to the total

quantity of coal transported by all means had been: 1961-62 — 3.05 per cent; 1962-63 — 3.45 per cent; 1963-64 — 3.07 per cent; and 1964-65 (up to September 1964) — 2.67 per cent. Due to certain recent developments, however, the Government was re-examining the position and a study was being made of the long-term pattern of production and distribution of coal with a view to taking a decision as to the quantity of coal that should be earmarked for transport by the sea route.

Jewellery for Exports: Mr. Manubhai Shah, Union Minister for Commerce, told the Lok Sabha that the Union Government was considering release of gold from the Reserve Bank's gold reserves to jewellery manufacturers to relieve the shortage of gold for the manufacture of jewellery for export. Details of the scheme were being worked out. Foreign exchange earnings from the export of jewellery, he added, had increased substantially. During 1963-64, export earnings on this account (including exports of pearls and precious stones) amounted to Rs. 11.53 crores. In the current year estimates were that they would fetch nearly Rs. 14 crores. The general policy, he added, was that unless 25 per cent of net saving was shown by a manufacturer, he would not be entitled to import any machinery or tools.

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December 4, 1964

FROM THE PRESS GALLERY

Focus on the Atom Bomb

By Our Parliamentary Correspondent

NEW DELHI :

IF THE acute food problem in the country dominated the Parliamentary proceedings last week, the nuclear explosion by China was the centre of Parliament's attention this week. The question of whether India should go in for the manufacture of the atom bomb cropped up thrice in the Lok Sabha — first on Monday during the question hour, then again on that day and the two subsequent days during the debate on foreign affairs and for the third time on Friday when a non-official resolution on the subject came up for discussion. The other highlight of the Lok Sabha's proceedings this week was the adoption by the House of the Food Corporation Bill. The Rajya Sabha debated the University Grants Commission's report and the working of the Export Credit and Guarantee Corporation.

Although the Prime Minister, Mr. Lal Bahadur, had assured the Lok Sabha during the question hour on November 23 that the Government was fully seized of the threat posed by the recent nuclear explosion by China and would consider at the appropriate time what steps should be taken to meet this menace, he apparently failed to satisfy members, both on the opposition and the treasury benches. During the debates on foreign affairs and the non-official resolution calling upon the Government of India to manufacture the atom bomb, member after member pleaded for either India developing the nuclear deterrent of her own or entering into full security arrangements with other powers, especially the United States and the Soviet Union, to meet the Chinese threat. They assailed adherence to the policy of India confining the use of nuclear energy only to peaceful purposes and concentrating on arousing world opinion against China. From the opposition benches, the bitterest critics of this policy of the Government were the Swatantra leader, Mr. M. K. Masani, the SSP spokesman, Mr. Nann Rai, the Socialist leader, Dr. Ram Manohar Lohia, the Jan Sangh leader, Mr. U. M. Trivedi, and the independent member, Mr. J. B. Kripalani. Some Congress members, though not so vehement in their criticism of the official line, also lent support to the call for India reversing her stand on the manufacture of nuclear weapons.

Nuclear Umbrella

Mr. Masani wanted India, along with such Asian countries as Malaysia, the Philippines and Japan, to seek guarantees from the US and the Soviet Union in the context of Chinese nuclear threat. He doubted that the Soviet Union would agree to the conclusion of an arrangement of this nature but suggested that an approach could be made to it. Mr. Kripalani went a step further. India, he opined, could not rely on a totalitarian country like the USSR for this purpose. It was, therefore, necessary that steps should be taken to seek assurances of help from the West. Mr. Kripalani saw no harm in the West having military bases in India. No European country, he argued, had lost its sovereignty because of military alliance with the US or installation of US military bases in its territory. Behind these observations of Mr. Masani and Mr. Kripalani, apparently, was the feeling that India neither possessed the scientific knowledge nor the industrial base for manufacturing the atom bomb. Dr. Lohia also doubted India's capacity to produce the bomb. She had neither the will nor the industrial base for developing nuclear power, he said. Mr. Nath Pai and Mr. Trivedi pleaded for India making her own atom bomb. In the debate on the non-official resolution, various members extremely drew upon Dr. H. J. Bhabha's recent broadcast and urged the Government to find out exactly how much a nuclear bomb would cost.

Despite all this criticism, the Prime Minister stuck to the declared policy of the Government — the policy of harnessing nuclear energy only for peaceful purposes — and brushed aside the demand for manufacturing the atom bomb. He asserted that a programme of nuclear armament would have a crippling effect on the country's economy; it would also mean a setback to the efforts being made throughout the world to promote nuclear disarmament. The Prime Minister received good support for the official thinking on the matter from the former Defence Minister, Mr. V. K. Krishna Menon, who said that India would be violating many international commitments if she decided to make the bomb. He described the Chinese atomic explosion as an event that added to the menace to India, to the world and to China itself. It was not a question of Chinese explosion only, but of proliferation of this weapon of mass destruction. "This country and other countries," Mr. Menon stressed, "must now enormously increase their energies and everything else to have the atomic weapon completely abolished."

Beaten Track

While initiating and replying to the debate on foreign affairs, the Minister for External Affairs, Mr. Swaran Singh, mostly retread the ground he had covered last week when he made a statement on international development since the last session of Parliament. Two new significant observations he made were in regard to the proposal of the Ceylon Government to have a separate electoral list for people of Indian origin who were to be granted Ceylonese citizenship, and the US-Soviet dispute over contributions to the UN peace-making operations. He expressed Government of India's concern at both these issues.

The Ceylonese delegation at the Delhi talks, Mr. Swaran Singh said, had made no mention of a proposal for separate electoral list for the Indian settlers who were to be granted Ceylonese citizenship. Mr. Lal Bahadur was taking up the matter with the Ceylonese Prime Minister, Mrs. Bandaranaike. Mr. Swaran Singh defended the recently-signed Indo-Ceylonese agreement and stressed its two important features which were that the 525,000 persons of Indian origin to be accepted by India were to be repatriated over a period of 15 years and that these repatriates would be permitted to bring their assets. The Indo-Ceylonese agreement, however, was criticised vehemently by some Opposition members who accused the Government of following a weak-kneed policy on the question of Indian settlers in Ceylon. The readiness of the Government of India to talk to Pakistan over the Kashmir issue also came in for criticism by many members.

Referring to the US-Soviet dispute over contributions to the UN peace-keeping operations, Mr. Swaran Singh said that Government of India was trying to bring about a settlement of the issue on a basis acceptable to both the countries. Recalling that 1965 had been declared by the UN as the international co-operation year at the suggestion of the late Mr. Nehru, it would be a sad thing, he said, if this year were to begin with apprehensions in the minds of the people all over the world about the future of the UN. Mr. Swaran Singh went on to say that it was important that the members of the UN should strive to save the world body from disintegrating on account of the dispute over contributions to the peace-keeping operations.

The foreign policy of the Government, of course, was approved by the House after rejecting various Opposition amendments questioning the soundness of the Indo-Ceylonese agreement, the propriety of continued readiness to hold talks

with Pakistan on the Kashmir issue and urging the Government to embark upon nuclear-based defence installations in the country.

The Lok Sabha adopted the Food Corporation Bill. In his reply to the clause-by-clause discussion on the Bill, the Union Minister for Food and Agriculture, Mr. C. Subramaniam, reiterated that the basic policy of the Government was to ensure remunerative prices for farmers. Till the remunerative prices were fixed by the Government on the recommendations of the Agricultural Prices Commission, yet to be appointed, the ad hoc prices already announced would remain operative. The Minister justified fixation of maximum prices also in the interest of consumers. The Food Corporation, he pointed out, would have to function within the framework of this price policy and would have to see that trade did not get an opportunity to exploit either the farmers or the consumers.

The Lok Sabha also passed the Prevention of Food Adulteration (Amendment) Bill which sought to tighten the law against food adulteration. The penal clause in the Bill, however, was softened a good deal by a last-minute official amendment. As reported by the Joint Select Committee, the Bill made it obligatory on the courts to award imprisonment up to six months for adulteration offences. In addition, there was a provision for imposition of fine up to Rs. 1,000 on the offenders. The official amendment gave the courts powers to award prison sentence of less than six months or a fine of Rs. 1,000 or both.

Warehousing Facilities

Among the other Bills passed by the Lok Sabha last week were the Representation of Peoples (Second Amendment) Bill, which sought to clothe the Election Commission with powers of a Civil Court as mentioned in the Commissions of Inquiry Bill, Act, and the Warehousing Corporations (Supplementary) Bill, which aimed at expanding the scope of activities of the Central Warehousing Corporation and the State Warehousing Corporations so as to enable them to provide storage facilities for such commodities as tobacco, lac and wool in States which pass the necessary resolutions under article 252 of the Constitution. The debate on the non-official resolution on the future of Goa and a few other territories was postponed till the next session as the issues involved were delicate and required calm and careful consideration.

The Rajya Sabha debate on the University Grants Commission's report was notable for the demand made by several members for the immediate introduction of regional languages as the media of instruction in universities. Some members also criticised the Union Education Minister, Mr. M. C. Chagla's recent statement in Ahmedabad for a "go-slow" policy in regard to the change-over to regional languages. References were as well made to the deteriorating standards of education and the growing indiscipline amongst students. Replying to the debate, Mr. Chagla gave a "solemn" assurance that he would do everything in his power to support and strengthen Hindi and other Indian languages. In the interest of national unity, he would, however, equally fight for the retention of English (as the medium of instruction in universities) till such time when Hindi could take its place. Quoting from the recommendations of the Kunzru Committee, the Inter-University Board, the Chief Ministers' Conference (August 1961), the National Integration Conference (October 1961) and various academic councils, he defended the Government's education policy and refuted the allegations that he was pro-English and did not support Hindi or regional languages. He was only trying to implement the findings of these bodies, he asserted.

The debate on the working of the Export Credit and Guarantee Corporation was highlighted by the reassuring statement of the Union Minister for Commerce, Mr. Manubhai

Shah, that the third Plan export target of Rs. 3,800 crores would be more than fulfilled. The Minister appealed to members not to exaggerate the instances of corruption, over-invoicing and under-invoicing in Indian trade as it would do incalculable damage to India's business interests in the international markets. Mr. Shah denied that India's exports were heavily subsidised. While 83 per cent of the country's export trade was unaided, only 17 or 18 per cent of the total of Rs. 800 crores of exports were subsidised, he pointed out. Mr. Shah asserted that no country's total export trade was without some element of subsidy and if India subsidised a small portion of her trade, she was not doing something contrary to international practices. In a mixed economy, the Minister said, there was room for both the public and private sectors to play their role in the foreign trade of the country. He did not agree with Mr. Bhupesh Gupta's demand of nationalisation of the import and export trade, but added that the Government was not dogmatic in this regard and if it was considered necessary in national interest, any commodity could be exclusively entrusted to the State Trading Corporation for trade purposes. Prof. Ruthnaswamy (Swatantra) made a significant point in the debate. For stepping up exports, the Government, he suggested, should constitute a cadre of commercial travellers to visit various countries for studying their tastes and requirements.

The Rajya Sabha passed the Indian Trade Unions (Amendment) Bill and referred the Banaras Hindu University (Amendment) Bill to a joint committee of Parliament. The Trade Unions Bill sought to disqualify for five years any person convicted of an offence involving moral turpitude from becoming or continuing as a member of the executive or as office-bearer of a registered trade union. The BHU Bill aims at developing this University as a unitary residential teaching institution. The non-official Bill seeking to prohibit companies from contributing any money to any political party or political fund, however, was rejected by the Rajya Sabha.

Question Hour

Revival of Small Car Project : The Deputy Minister of Industry and Supply, Mr. B. Misra, disclosed in the Lok Sabha that talks were being held with certain Indian as well as foreign parties in regard to the revival of the small car project. As these talks were in early stages, it was difficult to spell out the details, he added. The possibility of achieving substantial economies in the production of cars was through maximisation of the scale of production. With this end in view, the Government has put the following alternative proposals before the three existing car manufacturers: (i) The existing car manufacturing facilities may be integrated into a common unit to produce one or at the most two makes of cars, making rational use of available facilities and undertaking expansion in the most economic manner; (ii) One of the existing manufacturers may be selected for substantial expansion on a competitive basis with reference mainly to requirements and arrangements for foreign exchange and assurance in regard to price reduction.

The Deputy Minister also stated that the response from the manufacturers to these alternatives had not been encouraging. Two of the manufacturers had stated that even if their capacity were stepped up to 50,000 cars per annum, the reduction in price from the current level would not be more than about Rs. 750 per car. He indicated that one of the reasons for the high prices of cars was the higher cost of locally purchased ancillaries. This matter was under investigation with a view to taking remedial steps, wherever necessary.

Monopolies Panel Report : The Monopolies Commission is expected to submit its report to the Government by October-end, 1965. This was disclosed in the Lok Sabha by Mr. B. R. Bhagat, Minister of State for Finance.

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Colombo Plan for Mutual Aid

G. R. KAPADIA

OUR COUNTRY should feel not a little gratified that, according to the 13th annual report for 1963-64 on technical co-operation of the Colombo Plan Council, it occupied a key position as a major Asiatic donor of training places in the region. India gave 284 places, which was 77 per cent of the total, and was also the second largest donor of experts numbering 106. This is a remarkable achievement considering our own deficiencies in the field.

The Colombo Plan is Asia's largest co-operative endeavour in the technical field, and the terms "donors" and "recipients" in the organisation are often overlapping; the majority of the countries in the region, notably India, are both donors and recipients. Thus, the terms, used only for clarifying statistical data, are usually avoided in all the discussions and deliberations of the organisation. The Plan is a unique network, multilateral in its organic structure but bilateral in orientation, as its origin and subsequent growth to the present dimensions amply bear out.

Major Donor

As most of the Asian countries are economically deficient, the Colombo Plan, as a vast Asian co-operative venture, has to be necessarily worked with the aid of developed countries. Here the major donor of training places, according to the latest report, was the United States, which provided 2,164 places or 48 per cent of the total. In financial terms, the donors had lent or given \$14,864 million of which the US alone supplied 90 per cent. Thus, stripped of all verbiage that surrounds it, the Colombo Plan cannot be worked without substantial aid from the developed countries.

Granting this outside aid, the fact remains, however, that a large part of Asia has come together to provide mutual assistance in the key sphere of technological know-how for furthering economic development. The entire project, from the beginning to date, has been conceived in the spirit of the words of Mr. J. K. Galbraith: "To see the countries of the world not as divided between the developed and the under-developed, but as spaced along a line representing various stages of development is essential for obtaining an accurate view of the problem of assistance.... The provision of aid is seen, as it should be seen, as a co-operative endeavour in which all countries may participate."

It is significant that our country's national planning and the embryo idea of the Colombo Plan started in the same

year — 1950. The Colombo Plan was born in January of that year when a group of Commonwealth nations met in the capital of Ceylon. What was initially envisaged was a loosely-knit club in which developed nations and needy Asian countries could work out bilateral aid agreements in the technical sphere.

Normally, it takes a long time for such a wide-ranging concept to develop, but in this case a Consultative Committee was soon set up to survey the needs and assess the resources available and needed for the extensive and sprawling region. Then a framework was to be built up based on these data for international co-operative endeavour.

At the original meeting of the Consultative Committee in Sydney in May 1950 only Commonwealth countries were to be included, but soon the periphery of the organisation was enlarged to include other countries as well. At a second meeting in London in September 1950, a six-year programme for the Colombo Plan was considered. The remarkable alacrity with which the original idea was pushed through by all the countries concerned was ample evidence of the crying needs of Asia in this field and the urgency of meeting them in good time if economic development was not to stall in a key sector.

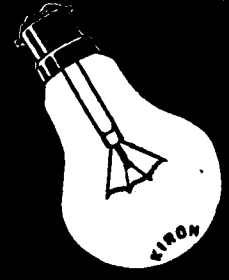
Technical Development

Full 13 years after this gaping need was seen, it is still realised, as the latest report says, that "technical co-operation in the Colombo Plan region should be intensively pursued to make the most effective use of the growing resources for such programmes within the region." The words, while revealing a laudable resolution, also betray that the pace of development in the technical field has not been as expected.

The beginning was good enough. Two bodies were set up for co-ordinating the entire work of technical aid and co-operation among the participating countries. They were the Colombo Plan Council for Technical Co-operation (which meets from time to time in Ceylon's capital) and the Bureau of Technical Co-operation (a small agency permanently installed in the same place.) The former is a clearing-house of information, while the latter is a forum — a clearing-house of ideas — for discussing all plans and work relating to bilateral technical aid.

Continuous effort has been made to enlarge the scope of training within the Colombo Plan region, because talent al-

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ways flourishes better in its own native environment. In 1960, the Bureau authorised to arrange, with financial assistance from the Ford Foundation, for a comprehensive survey of training facilities in the area. The so-called Mills report on the subject appeared the following year.

Disconcerting Revelations

Some of the revelations in the report were highly disconcerting. Though Asia suffers acutely and endemically from shortage of technical skill, even the existing training facilities in the area, the report said, were not being fully utilised. This was a worse case than idle industrial capacity.

According to the report, the achievement showed a decline instead of growth. In 1958-59, 321 training places were supplied within the region; in 1959-60 the number was 12 less and, in 1960-61, 35 less. The setback was sought to be rectified by what became known as the "Australan proposal" at the Melbourne meeting in November 1962. Concrete measures were suggested. The Bureau had to play a more active and decisive role in furthering the cause of intra-regional training aid. This was to be done by bringing together potential aid donors with potential recipient countries.

Diligent efforts have been made to get over the early setbacks in the Colombo Plan, but the results have still fallen short of expectations. Since the special meeting of the Colombo Plan Council in April 1963, all the emphasis possible has been on increasing technician training within the region, though this should not necessarily mean reduction in the training provided outside the region. If funds were scarce for providing training places within the region, the obvious remedy was to resort to third-country training.

Appreciable obstruction exists to such development, because some countries, with mistaken ideas of patriotism, are inclined to favour the national language as a medium of instruction and not English or French, which lend themselves

better to a thorough comprehension of the complex scientific know-how of the modern world. Living allowances of trainees in advanced countries are also attractively higher while, what does not quite square with nationalistic fervour, training in countries outside the region is still considered in many quarters as more esteemable and reliable.

Any palpable benefits accruing to the region from the Colombo Plan cannot be gauged with any precision, as technology is only one of the factors, albeit an important one, entering into national economic development. In recent times, industrial production in the region has been up by eight per cent a year, though most underdeveloped countries started almost from a scratch only a few years ago. Food output has been higher by an annual three per cent. These increases are to be set off against the population spiral at an annual rate of two per cent.

Political factors have also thwarted the economic development of a large part of the region. There are "neutralist" countries holding precarious and ever-shifting power against assailants both from the right and left. There is a marked drift towards the left in some countries under strong Communist influence. Indonesia is pitted against Malaysia, a Colombo Plan partner. "Neutralist" Cambodia cannot tolerate Thailand, which is openly anti-Communist. Over the entire region, above all, hangs the Chinese expansionist threat, with the recent atomic blast to show how real it is now, from Korea's 38th Parallel to the Himalayas.

Yet the Colombo Plan provides a network of nations comprising almost the whole of non-Communist Asia. From the original nine members, countries comprising the Colombo Plan have swelled to 22 with the admission of the Maldives Islands (off India) and Afghanistan during the past year. The conglomerate of nations may look loosely-knit, but the real wonder is that it should have existed at all for 14 years and, what is more, should hold out promise of fast growth and cohesion in the future.

WINDOW ON THE WORLD

In the Land of the Deutsche Mark

BY THE EDITOR

BETWEEN May-June, 1958, when I first visited West Germany, and October this year when I was most recently in that country, I have had opportunities of going there every other year, travelling fairly extensively and meeting leaders in business, government and the press. As a result, I have been able to accumulate a record of personal impressions of some of the aspects of the justly famous and much discussed "German economic miracle." I am, however, not going to dwell here in detail on the success story of the German economy. The facts are widely known and the statistics easily available. It would be more to the point to talk about what appeals to me as basically significant in what little I have been able to learn about the West German economy.

Striking Consensus

I have been much impressed, for instance, by the firm national consensus that there is in that country on the broad principles of the management of the national economy. It is this persisting consensus, rather than even the undoubtedly talented Professor Ludwig Erhard, which may justly be described as the architect of the German economic miracle. The credit that must belong to Prof. Erhard is that it was he who, through his policies as Federal Minister of Economics, created a climate favourable for that consensus to develop. Prof. Erhard (now the Federal Chancellor) was the architect, in other words, not so much of the economic miracle as of the national consensus which worked that miracle. This distinction in my view is an important one. It was not as if the West German people followed Prof. Erhard with blind faith in his powers as a miracle-maker. He had to earn their confidence and their support the hard way. It was only by following policies or making decisions which currently and concretely strengthened the national economy and improved the living conditions of the people that Prof. Erhard could keep the conduct of the national economy free of the plague of sterile and sectarian controversies and earn broad national trust and support. Prof. Erhard, in other words, had to demonstrate at each stage of West Germany's post-war reconstruction and development that his programmes produced results. Only then was he able to proceed to the next stage. Only thus could a national consensus for the building up of the economy have taken form and become the basic constructive factor in the growth of the West German economy from strength to greater strength over a period during which very little in the world economy has remained stable except the Deutsche Mark.

I am not suggesting here that there have never been any differences in West German views on German economic issues or questions. On the contrary, there is certainly much lively debating of economic issues. Business men, for instance, will not be business men if they do not argue that they must necessarily know better than ministers or bureaucrats what is good for the nation's business just as governments will not be governments if they do not claim that they ought to know better than business men what was good for the people. During my last visit, for instance, I heard it said so often at my meetings with West German industrialists that the tax burden, direct and indirect, was the highest in the world that I was almost tempted to buy a nice little present in West Berlin for the Indian Finance Minister to show my appreciation of the civilized humanity that Mr. T. T. Krishnamachari, by inference, might be presumed to display towards the tax-payers in his power. It was amusing too to hear West German business men protest in the same strong terms as ours do against the unimaginative restrictionism of central banking authori-

ties. To my thinking, however, such debates are inevitable in and incidental to discussions of the affairs of complex modern economies. What really matters is the basic consensus to which I have referred and which seems to dominate and discipline economic thinking in West Germany to an extent far greater than almost anywhere else in the world. This consensus consists in a clear recognition of and fidelity to certain essentials of economic policy-making and management. Thus, there is an overwhelming feeling in West German minds that there could be little that is more important to prosperity and economic progress than production — unless it be productivity.

In London, recently, I listened to Prime Minister Wilson admonishing the British people on television that the world did not owe Britain a living. I imagine Prof. Erhard never had to tell the German people this truth because they must always have been keenly aware of it. The German people know that, given their relatively small population and their heavy dependence on imports of raw materials, they could manage to live well only through ruthless efficiency in selling the products of their skills to the rest of the world. The heavy export bias of the West German economy is a constant thought and goad in the minds of all Germans who have anything at all to do in any manner with the industry or the commerce of that nation. The sharp competitiveness of German merchandise has not helped to endear West German industry to other exporting countries and chagrin, if not resentment, has often found expression in the propagation of the canard that West Germany's export boom is created by some kind of a Marxian surplus squeezed out of German workers rendered rather helpless by the absence of a strong trade union movement. I do not think that there is any substance in this allegation. It is true that the West German economy has one of the brightest national records for industrial peace in recent years, but it is not because its workers are organizationally weak.

No Marxian Surplus

It surely stands to reason that had the conditions in West Germany warranted it, a militant trade union movement could and would certainly have taken shape there. It is because policies in government and industry have been remarkably successful in distributing widely and fast the material benefits of West Germany's post-war economic reconstruction and development among the various sections of its people, including industrial workers, that the co-operative atmosphere we see in West German industry has come to be regarded as the workers' best friend besides being a good thing in itself. It is possible that over the greater part of post-war West German economic history productivity has been increasing faster than money wages. But this does not necessarily mean that the worker has been receiving less than his due. On the contrary, to the extent that the higher rate of productivity in industry has helped to find resources for larger investments on science and technology in industry itself or for the strengthening of the national economy as a whole, including its weaker sectors, such as agriculture, the West German worker has necessarily profited from the relative stability of prices, a strong national currency, competitiveness of West German exports in world markets and secure and expanding employment opportunities for himself. I have said earlier that I do not intend quoting much statistics, but I cannot resist the temptation at this point to make mention of the fact that real wages in industry have increased faster in West Germany than any other country in the world, having indeed more than doubled since 1950. To sum

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up, the West German worker co-operates for the excellent reason that it has paid him and continues to pay him to do so.

This is not to say that all is contentment with industrial workers in West Germany. That country has no more succeeded in abolishing economic inequalities than any other country, however industrially advanced or otherwise prosperous. At the railway station at Frankfurt, where I had gone on an early morning walk, I tried to work up a conversation with a group of semi-skilled factory workers (one of whom happened to have picked up some English while holding a job in the Middle East). They were guzzling their beer down with their bread rolls and I for one was not at all surprised to hear quite a few sarcastic remarks from some of them about what to them was that other affluent world of bankers and big industrial barons which they could only watch from a distance. There must certainly be poor people in West Germany, as President Johnson has declared that there are in the United States. But the true meaning of poverty has to be found in terms of its economic geography and the vast majority of those who are poor in West Germany are poor only in relation to others in that country who indeed must be very rich. This is not to say that economic or social discontent in West Germany could be dismissed as illusory any more than anywhere else in the world and one political and social consequence of this discontent is, at any rate, immediately relevant to current West German politics. There is certainly a substantial feeling in the land that there is more of private affluence than the country could afford and less of public welfare spending than the people need. This is an area of political controversy where the Social Democrats, now in opposition, could effectively raise some of their more forceful challenges to the ruling party of Christian Democrats.

Productivity Gospel

There is, however, little danger that any possible sectarian conflict or conflicts among political or economic groups would seriously distract national attention pre-occupied with production and productivity. This is because the West German people as a whole do not yet seem to be quite sure that West Germany has really firmly established its status as a strong and viable economy in this complex and competitive world. There is, indeed, a genuine anxiety that the German economic miracle might turn out to have contained more than an element of the miraculous. This is partly because of historic reasons. The fact that West Germany is now the second largest trading nation in the world has not yet served to wipe out memories of a not-too-remote past when Germany had to consider itself a "have-not" power in comparison with such economically and politically powerful "haves" as the United States, Great Britain and France. It is a familiar argument in West Germany that, however rich or prosperous that country may seem now, its economic base, particularly in the matter of capital accumulations, is much more narrow than not only the American but also the British and the French. The feeling of being short of capital is in fact one of the major anxieties of West German business. This mood cannot be dismissed as an insubstantial sentiment. The German tax laws, which discriminate very markedly indeed in favour of distributed profits, have not encouraged the accumulation of corporate reserves while the high consumption trends in the national economy naturally lengthen out the process of personal savings being returned in force to investment in industry. As a result, West German businesses, whether large or small, have to look to outside sources of finance, often government institutions, to an extent greater than they feel comfortable about. Even the biggest corporations are not saved this dependence especially where their financing of any substantial investments abroad is concerned.

The sense of insecurity arising from having to operate from a relatively narrow capital base is aggravated by the

awareness that the West German economy is heavily mortgaged to international trade. The trade and balance of payments surpluses which West Germany has been piling up year after year have caused envy across the world, but in West Germany itself they are regarded with mixed feelings. Apart from the fact that their internal economic policies have to be nervously vigilant against the inflationary potential of the surpluses, the West Germans find further cause for discomfort in the circumstance that their country's foreign trade-oriented economy must necessarily be vulnerable to factors over which their own economic policy-makers can have but little control. Thus the inflationary pressures with which France and Italy, West Germany's major trading partners in the European Economic Community, have currently to cope with could set up unsettling stresses in West German economy as easily as the policies of trade and commercial restrictionism which Britain has begun practising might do.

West Germany has to import very substantially in order to keep its industry going and it has to export as considerably in order to be able to pay for what it needs to import. That it has been remarkably successful in this exercise so far is something to be grateful for, but that it may continue to succeed is not something which could, in the West German view, be taken for granted. This mood of caution could explain much of the ambivalence that is so noticeable in West German trade and aid policies. While on the one hand top policy-makers in Bonn as well as the spokesmen at world gatherings have refreshingly and repeatedly declared themselves to be in favour of liberalizing the commercial policies of industrialized nations in regard to developing countries, a marked partiality has in actual practice been shown for hastening slowly where West Germany's own performance is concerned. Similarly, although West Germany must undoubtedly be ranked among the first five countries of the world which have done most in the field of international economic aid, its spokesmen seem to have fallen into the curious habit of making it unduly obvious to the world that in this matter of aid, their country and its government are being pushed farther and faster than they would like to be. It is a familiar thesis in West German government and industry that their country must needs be on its guard against being inveigled into trade or aid commitments larger than what its intrinsic resources or prospective capacities could prudently discharge. But while a conservative and cautious assessment of the economic miracle may have served to impress on the West German mind the need for prudence in assuming external commitments, it has certainly had a very different effect, wholly tonic, on certain important attitudes in industry. I am referring here to the aggressive pursuit of technological dynamism in plants and factories. Precisely because West German business realizes that the national economy has still to go a long way before it becomes as resourceful and viable as those of certain other advanced industrial countries in the West and is simultaneously fully aware of the need to preserve a fierce competitiveness in world market, it seems to have made it its religion to go after productivity with all the skills at its command.

Two Fronts

This battle for higher and yet higher productivity is being carried on along two broad fronts. In the first place, there is the campaign for creating and raising human skill in industry through vast training programmes. The big firms and corporations have thrown themselves into this work with a vigour and earnestness which are among the most pleasing qualities of West German economic life today. Technical training establishments attached to factories and plants have now become an integral part of the national education system by serving as a bridge from basic schooling to gainful employment for the young people of the country.

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still greater heights the productivity of capital investment in plant and machinery. West German industry has always been research-minded and the status which research has now come to occupy in the board rooms of West German firms and corporations is a very exalted one indeed. Vast funds are being appropriated for the discovery of new products and processes but this activity, however attractive immediately, is not allowed to overshadow the importance attached to basic research in the laboratory projects and programmes of the top leaders in West German industry. Some of the most promising and spectacular exertions in the field of industrial research now in progress in West Germany relate to electronics including automation and nuclear power generation. Incidentally, I am greatly impressed by the fact that research scientists and laboratories in West German industry seem to be in close communication, if not collaboration, with research activities in US industry. I have also noted with interest that there is a free flow of ideas as well as pooling of personnel across and among research institutions in the country. As an example of the co-operation and understanding that exists in the scientific sphere among institutions in West Germany, I may perhaps mention the fact that the big industrial firms take care to train sufficient numbers of junior scientific workers and laboratory technicians so that no need arises for their poaching on the scientific staff of the universities or their teaching and research establishments.

To conclude, despite the consistent and colossal success of the West German economy over a period of at least 15 uninterrupted years, those who have the responsibility of keeping the economic miracle going, whether they be in government or in business, do not show any sign whatsoever of underestimating the complexities of their task. Complacency, one feels, would be the most unforgivable sin in this land where nothing seems more real and close to its people than the ceaseless call of new challenges and opportunities. For West Germany no visa is needed — for its people believe that they must keep their eyes and ears open to all the winds that blow across the face of the earth

II

MY LAST two visits to West Germany were sponsored by the Press Bureau of German Industry in India acting on behalf of the six leading West German firms — Krupps, Demag, Mannesmann, GHH, AEG and Siemens — who have participated in building the steel plant at Rourkela and who thought it useful to invite "economic journalists" from this country to assess for themselves the climate prevailing in West German industry for co-operation with India's industrialization.

The earlier of these visits was in July, 1962, when the journalist group concerned was visiting West Germany against the background of Indo-German recriminations over dislocations, disappointments and difficulties in the proper commissioning of the Rourkela steel plant. Not only the six West German firms associated with the Rourkela project but the entire West German industry and, in fact, the West German Government as well, was at that time both angry and distressed at what they considered to be unreasonable and unfair criticisms of the character and competence of West German industry from sources in this country, not excluding the Government of India. It was strongly felt that the world image of West German industry was being spoilt by the West German firms in Rourkela being made to bear the blame for the organizational, technical and managerial weaknesses of the Indian elements in the project. I do not want to make any further reference to what was after all not a very agreeable chapter in Indo-West German economic co-operation, but would only mention that the impression I got during the earlier visit was that the Indian journalists had been taken to West Germany largely in order that they might learn at first hand how much

Rourkela mattered to West German industry and what the points of view were of the West German firms concerned as well as the West German Government with regard to where, why and because of whom matters went wrong in Rourkela in those very difficult months, both before and after the inauguration of the plant.

On the second visit, which was in October this year, however, the mood in West Germany was much more relaxed. There might still be problems in Rourkela but Rourkela as such has ceased to be a Problem and the steel plant there which at one time threatened to prove the rock on which Indo-West German economic co-operation might break itself, has since been agreeably established as the most important landmark of West Germany's association with this country's industrialization and, more significant still, as the dynamic core of an increasingly ampler partnership. Consequently, I found my hosts in West German industry this time more in a mood to look ahead into the future of India's development and discuss the responsibilities which the richer nations have in the area of international economic aid. I have always held the view that even if the rigorous realism of West German aid attitudes might sometimes have irritated those, such as ourselves, who are at the receiving end, their high seriousness must always command our respect. As in everything else which concerns themselves, the West Germans tend to emphasize "results" in the aid field as well. This is not to imply that they have consciously eschewed the idealism which so powerfully colours, for instance, the basic American philosophies of international economic co-operation. But I hope I am not mistaken in suggesting that the West Germans do not suffer from any undue partiality for any vague "do-goodiness" which fails to benefit demonstrably him that takes — and, let me add, him that gives as well.

The "Scheel" View

One of the most articulate proponents of the view that aid must produce results is, of course, the Federal Minister for Development Aid, Mr. Walter Scheel, who seems to enjoy the confidence of West German industry to a greater extent than almost any other leading personality in Bonn. Mr. Scheel is a candid critic of the "prestige-thinking" which in his view dilutes the purposiveness and degrades the efficiency of much of the planning in developing countries. He is an uncompromising advocate of the thesis that the developing countries should carry out their industrialization with more deference than they are usually inclined to show and less indifference than they have been betraying for the "calculation of economies". In alignment with this line of thinking, Mr. Scheel further holds that his Government should in future confine its development aid to grants-in-aid for technical assistance and for technical training purposes as well as "soft" loans for the improvement of the infrastructure of aid-receiving countries. Mr. Scheel, in other words, is not generally in favour of West German aid finance being used by the governments of developing countries for the setting up of industrial undertakings in the public sector. It is true that such finance has been provided for the Rourkela steel plant, and it is indeed likely that similar allocations will be made as plans for further expansion of the steel plant are mutually agreed upon from time to time. But there is no mistaking the West German view, both in government and in industry, that Rourkela must be regarded as an exception, because of its vast financial dimensions, to the general desirability of inter-governmental aid not being drawn upon for the setting up of specific industrial plants — an activity which is firmly held to belong to private investment and private enterprise.

An integral part, consequently, of the "Scheel view" of inter-governmental aid are its robust assumptions regarding the potentialities and prospects of the contribution which pri-

ate capital and industry in the advanced countries could make to the economic growth of developing nations. Pointing out that even if the growth rates in the standard of living and or foreign trade fixed by the UN should come true, it would take the developing countries some 80 years to reach the present standard of living in Europe and even 120 years to reach that of the United States, Mr. Schuel argues that the going would become even more hard and prolonged for the developing economies if they do not deliberately opt for policies which enable them to make the most productive use of the capital and know-how of industrialized countries.

These and similar West German thoughts on development aid I found repeatedly expressed during discussions with representatives of government or industry. The purpose seemed to be to convey convincingly to the people of this country the message that while West Germany was as keenly interested as ever in associating itself with the industrialization and economic development of this country, it is firmly persuaded that it can do its best more by exploring opportunities in the area of private capital and private enterprise rather than by employing taxpayers' money for inter-governmental aid transactions.

Not "Tired"

It is possible, however, that this purpose could be misunderstood; and it is indeed plausible to argue that the constant harping on the issue of aid discloses a certain "India-tiredness" in the minds of the West German people. I am, however, reluctant to accept such inferences. On the contrary, I feel that West German interest in Indian development is increasing rather than diminishing. Only it is seeking new forms and new directions. It has become less philosophic and more businesslike, less vaguely trusting and more frankly insistent on results. It is, of course, fully realized that inter-governmental aid cannot be cut off all of a sudden or even substantially reduced quickly, but it is held that the emphasis should progressively shift from inter-governmental transactions to commercial activity.

Here it is necessary to bring out very clearly an important element in the attitude of West German industry towards development aid. I have referred in the earlier section of this discussion to the fact that the capital base of the West German economy is relatively small and I have also mentioned the fact that West German industry has a nagging feeling of being short of capital. Being realistic, West German industrialists are prepared to reconcile themselves to the fact that giant projects, such as complete steel plants, could be financed only with governmental aid funds — although I may mention in passing that a high executive in a heavy engineering firm in the Ruhr district, did tell me that he saw no reason why West German industry could not find from its own resources its share of the capital as a partner of international consortia of investors and industries from a number of other advanced countries (the United States, Britain, France, Japan, etc.) participating jointly in the establishment of new steel plants in this country. Being realists, again, they object not so much to West German tax money being employed to finance West German exports of plant and machinery as to this tax money being used for this purpose in the form of inter-governmental aid. In other words, West German industry realizes that its own private resources may not be adequate for a large-scale investment-cum-export effort in developing countries and is, therefore, quite keen on those resources being supplemented by West German government finance, but it demands that the West German Government should make this money available as loans to West German industries for investment abroad rather than as aid to foreign governments. Thus what is being foreseen is that, while the total flow of capital and know-how from West Germany to developing countries expands

steadily, the channelling of these resources is re-ordered and re-directed.

This naturally raises the question of how reasonable are the prospects of increased private capital in the area of West German participation in this country's industrialization. This subject was discussed quite frequently and from various angles during the stay of the journalist group in West Germany, but I am sorry to say that it has not been easy for me to identify any consensus among West Germans themselves or even only among West German industrialists. This is, of course, partly because of the "poor cousin" psychology which haunts West German thinking on capital investments abroad — a mood to which I have already referred more than once. Leading West German industrialists seem never tired of lugubriously emphasizing that their country cannot hope to be able to invest as much abroad as the United States or even Great Britain does. Consequently, few responsible West Germans are prepared to attempt any definite estimate of what could be the probable size of West German capital investments in this country on the assumption that a favourable climate is created here for this movement.

It is, of course, readily agreed, when it is pointed out from the Indian side, that there is certainly scope for a substantial improvement in the present position in which West German private investments in this country amount only to a meagre Rs. 80 crores. It is also agreed that steps should be taken at both ends to remedy this situation. Vagueness, however, promptly returns when discussion turns to what those steps might be. Even at the risk of indulging in leading questions, some of us on the Indian side found ourselves asking whether West German private investment was being inhibited by our tax policies or by our dilatory or complicated administrative procedures. German business men agree quite naturally that taxation could be less burdensome and the Government more businesslike, but an impression that was left on me was that most of the West German industrialists with whom the Indian journalist group discussed this subject seemed to have no strong feelings in the matter. It is, however, possible that this subdued sentiment may be due to the fact that detailed taxation and procedural problems are the headaches of men lower down in company hierarchies than the directors or chief executive officers who usually represented German industries in discussions with the Indian journalist group.

Investment Guarantee

Part of the explanation may also be that the West German mind, in business as well as in government, seemed obsessed with the subject of an investment guarantee agreement between Bonn and New Delhi. I use the verb "obsessed" advisedly since I could not escape a feeling that an exaggerated importance was being attached to the conclusion of such an agreement. This is not to deny that Bonn probably might have had reasonable grounds for being irritated over the time consumed in the prolonged and fastidious negotiations which the Government of India presumably considered necessary before the agreement could be finalized as it was at last done and confirmed by exchange of letters on October 15. The details of this agreement have been noted elsewhere in this issue and I may merely add here that while this document may be valuable as a reassuring support for the psychology of West German business upset by the confiscations of its assets in two world wars and, at a more practical level, facilitate the issuing of guarantees by the West German Government to its industrialists investing abroad, I see no reason for believing that this agreement could work a sea-change in the Indo-West German investment situation. After all is it not the case that many leading firms in West German industry have already come to India, without waiting for the investment guarantee agreement? It was certainly urged on the

journalist group that although the giants of West German industry may not care for the cover of an investment guarantee, their smaller colleagues might be happier for the security provided. This explanation need not be ignored, but it is interesting that many leaders in West German industry are ready to concede that it is certainly not the case that an army of small and medium West German businesses has been waiting only for the signal of the investment guarantee agreement for entering India. All things considered, the investment guarantee agreement may only be one element in the evolution over a period of a large-scale movement of West German capital and enterprise into the industrialization of this country.

In the short period, however, more may be gained by some purposive expansion on the part of the leaders of West German industry who are already here and who know their India well. I, for one, have never been able to understand why there is so little of collaboration between the big German firms and their Indian counterparts. The situation is all the more surprising because of the splendid success of the Tata-Mercedes Benz venture in the automobile industry. I found many West German business men remarking on this collaboration with pride and pleasure. There is surely scope for many more joint enterprises of this quality and on this scale in the private sector. Unfortunately, many leading West German industrialists are rather reserved in their assessment of such possibilities. I have an uneasy feeling that this is because there is not enough of mutual knowledge or mutual understanding between the bigger industrialists of the two countries.

Some Grievances

Lack of understanding, again, seems to function as a bottleneck elsewhere too. I have referred in this article often enough to the critical attitude of West German business men towards inter-governmental development aid. I must here make it clear that while those business men are certainly not overkeen on their government lending to other governments, they have no ideological inhibitions whatsoever in doing business with governments or public undertakings in other countries on a strictly commercial basis. In this context, there does seem to exist some hard feeling between the Government of India and some of the leading industrial groups in West Germany. A director of one of the leading West German corporations, for instance, complained that his company was obviously not treated with fairness in the award of contracts for a major public sector project in this country although according to him his company had offered more advantageous terms to the Government of India than the successful bidder who came from another foreign country. A director of another company which has collaborated with a firm registered in this country in setting up a heavy engineering enterprise was found to nurse a feeling that a certain contract for the erection of machinery might have gone (or be going) to another bidder because the latter had the advantage of being a "wholly" Indian firm. These are grievances the merits of which cannot evidently be assessed here but I believe that I would be within bounds if I suggest that it is important that the Government of India should always exercise the greatest thought and care in ensuring not only that discrimination is not practised but also that it is not even suspected.

Rather interestingly, New Delhi may also have its own complaints to press. I cannot obviously disclose my sources, but I have reason to believe that there is a suspicion at the highest levels of the Government that business men from certain foreign countries, notably West Germany and Japan, are rather free with under-the-counter commissions for government officials who could award contracts or influence the awarding of contracts. It is clear that a misgiving of this nature entertained in high government circles may come in the way of freer and franker dealings between the govern-

ment of this country and foreign business men, industrialists or exporters seeking to transact business with it.

Before I leave this subject I wish to emphasize that, in my view, the most important single factor which could encourage an early increase in the flow of West German investment and enterprise in this country would be a positive pursuit on both sides of collaboration arrangements between Indian and West German business men for the setting up of industries. The recent inauguration of an office of the Indian Investment Centre at Dusseldorf is a step in the right direction. I was witness to the enthusiasm which this project aroused in the business community in West Germany and I interpret this enthusiasm both as an indication of the present meagreness of knowledge among the West German business community about investment possibilities and problems in this country as well as of the desire that there is to learn more.

A project of some possibilities is the programme which is being organized for a delegation of German industrialists to visit this country early in the new year. This delegation will have 30 members and will be led by West Germany's most prominent banker, Mr. Hermann J. Abs, who is not only no stranger to this country but is one of its good friends abroad. It is to be hoped that the work of this delegation would contribute to more and more West German business men knowing about and meeting with more and more Indian business men. The West German delegation could particularly be helpful in arousing the interest of and educating managements of medium enterprises in West Germany many of which currently seem to depend for their knowledge of India or of investment possibilities here on what they hear from or are told by the directors or senior executives of top West German firms which are already established in this country. While I agree that the guidance which the leaders of West German industry thus give to their rank and file may be sound and useful, I hope it will be conceded that problems and points of view are not always common to big businesses and the smaller ones and it is therefore desirable that the latter too should have independent opportunities of analyzing and understanding situations by means additional to word-of-mouth counsel from their bigger brethren.

Million Mark Vision

Finally, I must once again stoutly refute the suggestion that criticism of development aid in West Germany implies any "India tiredness". On the contrary, I wish some of us here would show anything like awareness which I found in West German industry and its leaders of the immense possibilities of the effective demand for goods and services which the steady economic development of a nation of 450 million people must necessarily unleash over the coming years. I wish, again, that people here in government, business or, let me add, journalism, share the vision which seems so much a reality for and from the board rooms of West Germany's great firms and corporations — a vision of millions of homes in the towns and villages of this country coming to possess, item by item, a large variety of articles for common use and for comfort which science and technology are steadily being organized to produce in ever-growing measure at ever-lowering costs. West German industry, indeed, seems to know its India better than many Indians theirs. The world's most export-minded nation is certainly not going to let its interest go by default in one of the most promising mass markets which this aging century may present in its closing decades. West German industry may certainly prefer to produce in West Germany and export to India if that were possible, but since it is becoming increasingly necessary for the industrialized countries of the world to produce in India in order to be able to sell in India, I have little doubt that the cue will not be missed in the Ruhr or, indeed, anywhere else in the bustling and buoyant industrial community of West Germany.

Why British Bank Rate Had to be Raised

PAUL EINZIG

LONDON:

IN AN article appearing in the October 23, issue of 'Eastern Economist', I pointed out that it was a mistake to regard the "stop-go" policy as a relic of the past. "We shall learn it sooner or later at our cost" I concluded, "that it is as necessary as ever". In exactly a month after the publication of that article — much sooner than I anticipated at the time — the British Labour Government felt impelled by events to revert to "stop-go" by raising the bank rate to the crisis level of 7 per cent. This was deemed inevitable in order to defend sterling against a sweeping attack that was developing, even at the cost of checking the expansion of the domestic economy.

It was with the utmost reluctance that the Government departed from its repeatedly-declared determination never to revert to "stop-go". The fact that it has now adopted substantially the same policy which it denounced on many occasions in the past, and that in doing so it had to defer temporarily hopes of expanding production and raising the standard of living, must have gravely damaged the Labour Party's position in the country. That in spite of this the Government has resorted to the bank rate weapon is due to its realisation that in the absence of its use it would soon be facing a crisis of first-rate magnitude.

Beyond doubt the Government is right in claiming that it has inherited a most unsatisfactory economic situation from its predecessor. But it cannot disclaim responsibility for bringing about an aggravation of that situation by its own actions and inactions.

The Government inspired distrust abroad by adopting an attitude similar to that of Latin American dictators whose first action upon seizing power is to reward their henchmen who had rendered assistance in the military coup. The creation of many new Ministerial posts and the positively indecent haste in raising the salaries of Ministers and Members of Parliament in the middle of an acute balance of payments crisis was obviously against the public interest, because it was bound to make it more difficult to induce the trade unions to agree to an incomes policy. Everybody is aware that the Government's success in restoring the economy depends on its success in achieving an incomes policy. Yet that success was jeopardised.

Ideological Equalitarianism

The untimely increase of pensions and the abolition of the nominal charges made on certain National Health Services, and the financing of the resulting cost by means of taxing the higher incomes conveyed the impression that the Government attached more importance to ideological equalitarianism than to the solution of the balance of payments problem. This attitude is based on ignorance of the elementary Keynesian principle that more equal distribution of incomes is inflationary, ignorance which gave rise to doubts as to the soundness of the economic advice received by the Government.

The decision of the Government to press forward with steel nationalisation and with other anti-capitalist measures aggravated doubts about the priority given to the task of finding a solution to the balance of payments crisis.

Above all, the repeated declaration of the Government's determination not to revert to "stop-go" gave rise to fears for the future of sterling. By publicly renouncing the use of the most effective weapon for its defence the Government encouraged speculators in the belief that they could attack sterling without running the risk of incurring losses.

Progress towards the adoption of an incomes policy has been far from satisfactory. Although behind closed doors Ministers warned trade union leaders that unless an incomes policy is adopted it might become inevitable to revert to "stop-go", in view of the public declarations in the opposite sense these threats were not taken seriously. The Government encountered difficulties in obtaining trade union approval even for a vague "declaration of intent" which would be in any case meaningless in practice.

Even though the Prime Minister and the Chancellor of the Exchequer repeatedly declared their determination to defend sterling, these declarations carried but little conviction until they showed that they were prepared to follow up their words by action. None of the measures they adopted prior to the increase of the bank rate was very impressive. But nobody could possibly fail to be impressed by the gesture of raising the bank rate to 7 per cent. It is impressive precisely because it is in flagrant conflict with everything the British Labour Party stands for. For this very reason it should inspire confidence in the sincerity of the declaration to defend sterling at its present parity.

Faulty Advice

Unfortunately, Government spokesmen deemed it necessary to water down these declarations somewhat by promising to various industries immunity, or comparative immunity, from the effects of the higher bank rate. In this respect too, the Government does not appear to be well served by its economic advisers. Somebody ought to tell Ministers that the only reason why bank rate is effective is because it hurts, and the extent of its effectiveness depends on the extent to which it hurts.

The Government and its advisers seem to imagine that foreigners are impressed by the bank rate increase simply because the figure of seven has replaced the figure of five. But foreigners are no fools. They are impressed by the 7 per cent because they assume that it has a deflationary effect and relieves part of the overload on the economy. But if the Government should subsidise a large proportion of those who have to pay higher interest in order that they should not curtail their activities, to that extent the higher bank rate will be ineffective. The moment foreigners discover this they would cease to be impressed by the 7 per cent bank rate. It seems reasonable to assume that the unfavourable reaction that followed the sharp appreciation of sterling on November 23 was due to the indications that the Government intends to mitigate the deflationary effect of the higher bank rate.

Even so, the Government deserves high praise for a very courageous act, all the more so since it antagonises millions of its supporters throughout the country. It must not be forgotten, however, that had it not been for the Government's ill-advised and short-sighted policies, the 7 per cent bank rate would not have been necessary. In itself a Labour victory at the election did not provoke an attack on sterling. It is only when the policies of the new Government became evident that a wave of distrust came to develop. If only this experience has taught the Government a lesson that country must be placed above Party both country and the Government would greatly benefit by it in the long run.

[The upward revision of the bank rate failed to lessen the pressure on the pound. It was only when central banks of 11 countries and the Bank for International Settlements extended a credit of £3,000 million on November 26 that confidence in the sterling revived. — Ed.]

LISTENING POSTS

Indo - German Investment Guarantee Agreement

By Our Special Correspondent

NEW DELHI:

DETAILS ARE now available of the Investment Guarantee Agreement concluded between India and the Federal Republic of Germany in October last. The agreement is applicable to all West German investments, including those from Land Berlin, made on or after October 15, 1964, provided they are approved and authorised under the four Indian laws, namely, the Capital Issues Control Act, the Foreign Exchange Regulations Act, the Industries (Development and Regulation) Act and the Indian Companies Act, and are covered by the Federal Republic's guarantees. It will also apply to German investments made or approved between January 1, 1960, and October 15, 1964, in respect of which the Government of the Federal Republic of Germany has issued or will issue a guarantee to cover non-commercial risks. If the Government of India thinks it necessary to modify the provisions regarding authorisation of foreign investments, such modifications will be communicated to the German Government and shall govern German investments from the day they are given effect to.

The agreement provides that:

- 1(a) German investors shall in matters related to their investments not be subject to treatment less favourable than that accorded to national or other foreign investors in similar circumstances.
- (b) German investors shall be permitted after payment of taxes to transfer to the Federal Republic of Germany profits, interests, dividends and royalties derived from their investments as well as repayments of loans.
- (c) In the event of total or partial liquidation of a German investment in India, the proceeds of such liquidation may be transferred without undue delay or in such manner as may have been laid down in the document of approval or consent before the investment was made.
- (d) The Government of India does not intend, as a rule, to nationalize or expropriate approved foreign investments. Any decision to nationalize or expropriate a German investment or part of it taken by the Government of India shall be based on practical considerations and be taken in the national interest. In the event of a German investor being directly or indirectly deprived of his investment by nationalisation or expropriation, the Government of India shall pay fair and equitable compensation and shall permit its effective transfer without undue delay.
- (e) The rate of exchange for transfers under the foregoing sub-paragraphs shall be the rate for current transactions within the meaning of the provisions of the International Monetary Fund.
- (f) The Government of India will grant, in accordance with its general policy, the necessary permits to German nationals whose training or experience is specially required by an investment and who desire to enter and stay in India to carry on activities related to such investment except in so far as reasons of public order, security, public health or morality warrant otherwise.
2. If the Federal Republic of Germany has given a guarantee for an investment, and if any right or title of

the investor has by virtue of law or legal transaction been transferred to the Federal Republic of Germany in accordance with the guarantee arrangements, the Government of India will recognize the transfer of any right or title of such investor to the Federal Republic of Germany and the subrogation, by virtue of law or legal transaction, of the Federal Republic of Germany to any such right or title.

- 3(a) In the event of disputes concerning the interpretation or application of this agreement, the Government of India and the Government of the Federal Republic of Germany shall enter into consultations with a view to settling the disputes to mutual satisfaction.
- (b) If the two Governments do not succeed in settling such a dispute by agreement within a reasonable period of time, it may be referred by either Government for final and binding determination to an arbitral tribunal, provided the dispute refers to a matter or question in respect of which the Federal Republic of Germany has or had assumed a guarantee.
- (c) The arbitral tribunal shall comprise three arbitrators, one arbitrator to be named by each Government and the third to be agreed upon by the two arbitrators so chosen, provided such third arbitrator shall not be a national of either country. Each Government shall designate an arbitrator within two months of the date of delivery by either Government to the other Government of a diplomatic request for arbitration of dispute. The third arbitrator shall be agreed upon within two months. If any of the arbitrators is not designated or agreed upon within the time limits indicated, either Government may request the President of the International Court of Justice to make the necessary appointment or appointments by choosing the arbitrator or arbitrators. The arbitrators shall base their award on Article 38 of the Statute of the International Court of Justice.
- 4(a) The Government of India reserves the right to revoke or modify this agreement after a period of notice of six months. In such an event, however, the provisions of paragraphs 1 to 3 of this agreement, along with the authorisation provisions applicable at the time of approval of the investment concerned, shall continue to apply to investments made during the period of validity of this agreement for a period of five years after its expiry or 15 years after the date of any such investment, whichever is longer.
- (b) The Government of India has taken note that the Government of the Federal Republic of Germany regards this understanding as provisional and may make proposals for its amendment, particularly in the event of the conclusion of a multi-lateral convention on protection of investments or of a bilateral agreement.
- 5(a) Nothing in the agreement shall prevent the Government of India from imposing temporary restrictions on transfers referred to in para 1 above in exceptional circumstances when a transfer without undue delay would result in serious strain on India's monetary reserves taking into account India's total transfer commitments and balance of payments situation.

- (b) In such exceptional circumstances the amounts to be transferred shall be promptly determined in Deutsche Mark at the then prevailing rate of exchange (sub-paragraph c of paragraph 1 of the agreement) and the actual transfer of either shall be permitted to be made in equal annual instalments spread over as few years as possible but not exceeding one year in the case of sub-paragraph (b) of paragraph 1 of the agreement, three years in the case of sub-paragraph (d) of paragraph 1 and six years in the case of sub-paragraph (c) of paragraph 1.
- (c) If and when any restrictions of the type referred to in sub-paragraphs (a) and (b) of this paragraph are imposed, the two Governments shall, upon request of either Government, enter into consultations with a view to settling the matter to mutual satisfaction.
6. If circumstances so warrant, it shall be open to the two Governments to consult each other with a view to extending the time limits set out in sub-paragraphs (a) and (b) of paragraph 5 of the agreement.
7. With reference to sub-paragraph (b) of paragraph 3, arbitration shall cover the whole disputed amount irrespective of the quantum of liability of the Federal Republic of Germany to pay compensation under its guarantee.

★★

The Union Minister for Petroleum and Chemicals, Mr. Humayun Kabir, told the Informal Consultative Committee of Parliament last week that the question of expansion of private sector refineries would be considered only in the latter half of the fourth Plan period. The country would have by 1968-69 about 22.5 million tonnes refining capacity against an estimated demand of about 25 million tonnes of petroleum products in 1970-71. The private sector's share in the 22.5 million tonnes capacity likely to be established by 1968-69 would be about 8 million tonnes. The remaining 14.5 million tonnes capacity would be in the public sector. In the private sector, the four refineries of Burmah-Shell, Esso, Caltex and Assam Oil were currently working to a throughput of 3.75 million tonnes, 2.5 million tonnes, 1.05 million tonnes and 0.5 million tonnes, respectively. In the public sector, the Nunmati refinery was working to a capacity of 0.75 million tonnes and the first one million tonnes unit of the Barauni refinery had gone on stream in July last. The second one million tonnes unit of the Barauni refinery is expected to be commissioned by March next. The Koyali refinery would start production towards the end of 1965. These three refineries were envisaged to be expanded to one million tonnes, 3 million tonnes and 3 million tonnes, respectively. The Cochin refinery, having a capacity of 2.5 million tonnes, would also go on stream towards the end of 1965. Its capacity would be raised to 3/3.5 million tonnes by 1968. Two more refineries, one at Madras and the other at Haldia, each with a capacity of 2.5 million tonnes were expected to be commissioned in 1967 and 1968. Another refinery of 2.5 million tonnes capacity was proposed to be set up in North-West India towards 1969, but a definite decision in this regard had been deferred for the present.

The Minister felt that with the raising of the total oil refining capacity in the country to 25 million tonnes, only very marginal imports of finished oil products would be required.

Mr. Kabir indicated that decision on foreign collaboration for setting up the Koyali petro-chemicals complex was expected to be taken by March-end next year. The Union Government had received a proposal jointly from the Imperial Chemical Industries of the United Kingdom and Phillips of the United States. Two or three more proposals were expected to be received by February. (The ICI-Phillips proposal, it is under-

stood, envisages 49 per cent minority participation by the Union Government and 51 per cent majority participation by the two foreign collaborators).

The final picture of the petro-chemical industries to be set up in the country during the fourth Plan period, Mr. Kabir stated, was expected to emerge in the Middle of the next year. The Planning Group's estimates of Rs. 360 crores and Rs. 200 crores investment on the schemes to produce petro-chemical intermediates and fabrication of these intermediates into end-products, respectively, the Minister added, might undergo some changes during the revision of the Plan.

Referring to synthetic rubber manufacture, Mr. Kabir assured the Consultative Committee that production of synthetic rubber would be undertaken only to fill the gap between the demand for and supply of rubber after ensuring full off-take of the indigenous natural rubber.

The Trombay fertilizer factory, the Minister indicated, was expected to go into production any time now. The Neyveli unit would be commissioned in 1965.

★★

The US Government has extended three more loans for an aggregate amount of \$60.3 million (Rs. 28.7 crores) to India for the development of industries, transport and power generation. Agreements on these credits were signed here this Monday.

The first loan is for \$50 million (Rs. 23.8 crores). It can be utilised for financing imports by India of a broad variety of commodities such as fertilisers, steel, lubricants, machinery and machinery parts, sulphur, rubber, tyre cord, carbon black, caustic soda, insecticides, chemicals and a wide range of components required for the maintenance of the existing facilities as well as their expansion in a bid to step up both agricultural and industrial production. The Government of India will be free to set the amounts of imports within these broad categories according to the needs of the economy. With this loan the total non-project assistance extended by the United States for India's third Plan comes to \$835 million (Rs. 398 crores).

The second loan is for a sum of \$7.2 million (Rs. 3.4 crores). This is to be utilised for acquiring from the United States 25 broad gauge diesel locomotives of 2,600 H.P. each. This is the sixth loan extended by the United States for dieselisation of Indian Railways. The previous five loans provided for the purchase of 299 diesel locomotives. Under the third Plan, Indian Railways have to commission into operation 407 broad gauge diesel locomotives. This programme will be fulfilled by the production of the remainder 83 locomotives at the Varanasi factory which has also been established with assistance from the United States. The 25 diesel locomotives to be imported under this week's loan agreement will be used on the Manmad-Dhond and Dhond — Sholapur — Wadi sections of the Central Railway.

The third loan, amounting to \$3.1 million (Rs. 1.5 crores) will finance procurement and installation of the eighth generator of 89,100 kW. capacity at the Sharavathi Hydro-electric Project. The United States has already extended foreign exchange loans aggregating \$26.8 million and credits in Indian currency totalling Rs. 34.5 crores for meeting the major portion of the cost of this project.

All the three loans made available by the United States this week are to be routed through the US Agency for International Development. They will be repayable in dollars over a period of 40 years, including a 10-year grace period. The loans carry interest at the rate of three-quarters of one per cent per annum during the grace period and 2 per cent per annum for the remaining thirty years.

★★

The Industrial Credit and Investment Corporation of India

December 4, 1964

and the National Small Industries Corporation have been granted fresh credits of DM 10 million and DM 5 million, respectively, by the German Bank for Development, Kreditanstalt für Wiederaufbau. The guarantee agreements in respect of these loans were signed between the Government of India and KfW last week.

Including the two credits extended last week, the German Development Bank has so far made available to India DM 95 million — DM 35 million to the ICICI, DM 20 million to the NSIC and DM 40 million to the Industrial Finance Corporation of India. Negotiations are further going on with KfW for another DM 25 million credit for the three Indian corporations.

Following the extension of DM 5 million credit by KfW last week, the National Small Industries Corporation has decided to make available on hire-purchase to small industrialists imported machines and equipment to the tune of Rs. 60 lakhs.

★★

Besides locating 22 coal seams, some of superior quality with coking property, in the Ramgarh area, the Indian Bureau of Mines has recently discovered 23 high grade coal seams of having a thickness of over four feet in the southern part of the Pundi block in the West Bokaro coalfield in Bihar. The Pundi seams are estimated to contain nearly 800 million tonnes of coal. A substantial portion of these deposits is of grade I and grade II qualities of coking coal. A sizable fraction of this tonnage is quarriable. On proper beneficiation, a considerable quantity of coal from the Pundi block can be used for metallurgical purposes.

★★

A 10-member delegation of the Federation of Indian Chambers of Commerce and Industry met the Prime Minister last week and discussed with him the critical food situation in the country. Following these talks, the FICCI President and leader of the delegation, Mr. K. P. Goenka, called upon the foodgrain dealers all over the country to co-operate with the Government wholeheartedly.

In a statement issued to the Press, Mr. Goenka says that the Prime Minister, on the basis of the reports received by him, carried the impression that the foodgrain traders had not so far fully co-operated with the authorities concerned in facing the critical food situation. At the same time, he was not unmindful of the wide possibilities for fruitful co-operation between the trade and the Government.

New Arithmetic for Liquidity Ratio

From Our Correspondent

BOMBAY :

ALTHOUGH IT still appears to be somewhat grudging, there has been a welcome shift in the Reserve Bank's credit policy this week. On the same day that the British Government put up its bank rate from 5 per cent to 7 per cent i.e. November 23, 1964, the Reserve Bank also announced a slight modification in its formula relating to the computation of net liquidity ratio. It is because of this coincidence, perhaps, that the modification has not received the attention that it warrants. It could not be that the Reserve Bank took this decision with a prior knowledge of the increase in the British bank rate, but it is entitled to credit even if it were so. For the position would have become intolerable, especially for the Exchange Banks, as, with effect from December 1 these banks are not allowed to transfer funds beyond Rs. 20 lakhs each from London. The increase in the bank rate of the UK has made it less worthwhile for them even to raise this small sum, pointing

to the inevitable prospect of acute stringency in the money market during the whole of the current busy season.

Mr. Goenka has expressed the view that stagnancy in food production as against the growing demand has been responsible for a spurt in prices; imbalances have developed out of proportion to actual shortage owing to various Government regulations on the movement of foodgrains as between the States or even within a single State. Full co-operation between the Government and the trade is urgently required to overcome the difficulties. Appreciating the caution exercised by the authorities in the matter of introducing rationing, Mr. Goenka has appealed that the trading community and the authorities should shed distrust of each other and work in unison in the cause of common good. He has welcomed the efforts of the Government to build up buffer stocks of wheat, rice and even maize from domestic supplies and imports.

As suggested by the Prime Minister, the Federation, Mr. Goenka says, will soon appoint committees in different States to function as liaison between the local administration and traders.

★★

The Union Ministry of Works and Housing has allotted Rs. 100 lakhs to four State Governments for advancing loans under different Housing Schemes during the current year. This amount, which has been allotted out of LIC funds, brings the total amount advanced by the Life Insurance Corporation for house-building purposes during the current Plan so far to Rs. 44.50 crores. The State-wise allocation of the latest amount is: Madhya Pradesh — Rs. 35 lakhs; Orissa — Rs. 30 lakhs; Bihar — Rs. 25 lakhs; and Punjab — Rs. 10 lakhs.

It has been decided that the amount allocated will, as usual, be in the nature of a package allocation, the States being free to utilise the allocated funds for individual Housing Schemes according to their requirements. It has also been decided that, as in the case of the earlier allocations, the loans advanced by the Corporation to the State Governments will carry interest at the rate of 5½ per cent per annum. The loans are to be paid back in annual equated instalments of principal and interest in all cases. The first equated instalments will be repayable by the four States after a year of their drawing the allocations.

The State Governments have been asked to draw their allocated funds by December 20, this year. Funds not drawn by any State by this date will be diverted to other States.

Against this background, the modification in the net liquidity ratio will be seen in its right perspective. The effect of the modification is to let the banks have some more manoeuvrability. Whether this has stemmed from a felt desire on the part of the Reserve Bank authorities, or only followed complaints from local authorities, port Trusts and other bodies that, latterly, banks had not only ceased to subscribe as freely as before to their bonds and debentures but also begun to unload them, is bound to be debated. At times, one is at a loss to follow the Reserve Bank's credit policy which, so often, seems to be contradictory. On the one hand, it talks of making available plenty of medium-term credit to industries through the banking system, while, on the other, it goes on applying brakes such as a stiff net liquidity ratio. Even the small mercy proposed now has been somewhat diluted by seeking to ex-

clude borrowings from the Industrial Development Bank which have lately begun to assume proportions, the cumulative total of this figure at present being around Rs. 35 crores.

Hitherto "approved securities" were not to be included under liquid assets for calculating the net liquidity ratio; only investments in Central and State Governments securities, less borrowings from the Reserve Bank and the State Bank of India, were taken into account. As from December 4, 1964, however, while "approved securities" are also to be included, along with Central and State Government securities, borrowings from the Industrial Development Bank have to be deducted, along with borrowings from the Reserve Bank of India, in order to arrive at the net liquidity ratio. Whatever the theoretical justification for this the fact remains that it has taken away the grace of an otherwise good gesture.

★★

The raising of the British bank rate from 5 to 7 per cent came as a complete surprise as much to the stock markets here as to those in the UK. Although opinion in financial circles in the UK seemed to regard the measures taken by the Labour Government to improve the UK's fast deteriorating balance of payments position as barely adequate, they did not — nor could they be expected to — bargain for this stiff increase to a crisis level in the bank rate. As a matter of fact, while an increase in bank rate had almost been ruled out because of the known opposition of labour to higher interest rates, there was some talk in the UK, during the previous week-end, of persistent suggestions from European countries for a slight devaluation of the pound. Indeed, some of them are even now wanting the UK to devalue the pound. But public opinion in the UK, irrespective of political affiliations, as also in the USA, is strongly opposed to this, and perhaps rightly so. The benefits of devaluation of a given currency to the country concerned are available only so long as the other currencies remain as they are, but after what followed the last devaluation of the pound, even this weapon, it is now recognised, has its limitations. Besides, it is known that world monetary authorities also do not view with favour devaluation of such important reserve currencies as the dollar and the pound, except perhaps in extreme emergencies. In the circumstances, the Labour Government, regardless of the fact that it would amount to eating its own words, chose to raise the bank rate. And, when it did so, it could not but raise the rate stiffly, both to ensure effective results and to demonstrate the new Government's earnestness to outsiders in an unmistakable manner. The drastic action is not so much a reflection of the degree of deterioration in Britain's economic conditions as of the relentless pressure from the European countries, EEC as well as EFTA in the wake of the 15 per cent surcharge on imports. How far all the measures taken by the Labour Government in the UK since it assumed office will prove effective remains to be seen. Meanwhile, the British decision to hoist the bank rate has been followed by increases in bank rates by the USA and Canada.

Financial circles here are currently debating as to what effects the British decision will have on India and whether this country also will be obliged to follow suit. While there is full appreciation of Britain's difficulties, there is no attempt at minimising the adverse effects of the higher bank rate in the UK on this country. In the first place, it will increase the cost of our borrowings from Britain. Future loans and terms of new UK collaborations will be on stiffer terms. Secondly, it will force the Exchange Banks to rely more on the Indian money market and thus add to the pressure of demand for money, particularly during this busy season. Even otherwise, there was this fear, thanks to the new restriction — with effect from December 1 — on Exchange Banks not to transfer funds in excess of Rs. 20 lakhs per bank. Thirdly, the higher UK bank rate will depress the demand for our exports, especially

of manufactured goods. But there would appear to be a surprising degree of optimism, among both bankers and businessmen, that the crisis rate of 7 per cent will not be allowed to last very long in the UK and that the bank rate in India need not necessarily be stepped up now.

★★

A public debate has been going on in Bombay currently whether there is an acute shortage of caustic soda in the country or not. Consumer interests, in particular those who have been hard put to it to get their supplies in required quantities and at prices that they regard as reasonable, seem so exasperated, to judge from the statements and press conferences of Mr. Babubhai M. Chindai (of Baroda Rayon), that they ask for additional capacity to be licensed, more imports to be arranged and a rational system of distribution (or, to put it plainly, control) to be introduced. The burden of Mr. Babubhai's complaint is that, after decontrol, not only have prices been raised by a number of manufacturers but regular supplies are hard to get and that it is a very unsatisfactory position wherein consumer industries, such as paper, rayon, staple fibre, textiles, soap, vanaspati, petroleum-refining and aluminium, are not sure of continuous availability of an essential raw material and have to pay exorbitant prices in order to obtain supplies and keep their plants (some of them with continuous processes too) going. "If the present state of affairs is to continue", he says, "no wonder that many persons would welcome a return to a position of control". In fact, according to him, there were many who felt, even at the time when 16 items were decontrolled in March, 1964, that "the decision for decontrolling the prices of caustic soda — a tariff-protected industry — which was in acute short supply in the context of the increasing demand therefor, was not a wise one."

Varying Estimates

The internal demand for caustic soda in 1961 was estimated by the Tariff Commission at 159,000 tons. By the end of 1964-65, this is expected to go up to roughly 4,00,000 tons, according to Mr. Babubhai. As against this, in the 12-month period ended May, 1964, he estimates, the actual indigenous production was only 1,68,349 tons, which was supplemented by imports to the extent of 65,000 tons valued at about Rs. 29,000,000. So far there would appear to be no serious differences, but when it comes to monthly average production, the public is faced with two estimates. One, claimed to be official, puts the production at an average of 14,600 tonnes for the first six months of 1964, as against 11,600 tonnes for the corresponding half-year of 1963, which establishes that since decontrol production has steadily gone up. The second, advanced by Mr. Babubhai, claims to give the actual production for March, April and May, 1964 and puts them at 15,353 tonnes, 14,724 tonnes and 13,977 tonnes, respectively, as against a monthly installed capacity of 16,849 tons. 'Prima facie', the production figures for the three months mentioned by Mr. Babubhai show a steady decline, but, overall, they work out to an average monthly output figure of 14,685 tonnes, which is, in fact, higher than the official average monthly production figure for the first half of 1964 of 14,600 tonnes.

Whatever conclusion one may want to draw, these figures conclusively establish that the current production is very much below the level of the existing demand and it is common ground, among producers and consumers alike, that there is shortage of caustic soda capacity in the country. Mr. Babubhai is on firm ground, therefore, when he pleads for an expansion of the production capacity in the country. From what he says, there would appear to be differences between the existing manufacturers and the new aspirants who wish to enter the field as to who should do it. Since there is scope for considerable expansion, there seems to be no justification for either wanting to have the monopoly. In the interests of

from the existing manufacturers their plans for expansion, if any, as also their ability to finance and implement them. Thereafter, the authorities could very well determine the additional available capacity and entrust it to such new entrants as are found to be in a position to deliver the goods. It is evident that the Alkali Manufacturers' Association, the members of which account for 93 per cent (leaving aside producers who consume their own products and account for a further 5 per

cent) of the production of caustic soda in the country, will not oppose any such rational approach. The Association has also called upon all industrial consumers to contact it in case of difficulty and offered its good offices in overcoming them. Since, on his own admission, Mr. Babubhai's complaints do not concern members of the Association, he should welcome the move of the Association to bring units that are not members to enter its fold.

Tea Industry Awaits Concessions

From Our Correspondent

CALCUTTA:

THE UNION Minister for Commerce, Mr. Manubhai Shah's statement in Parliament that the tea industry would shortly get some concessions and that further substantial relief would be available as a result of the high-powered committee's findings (the committee is currently investigating the financial problems of the tea industry) has been welcomed by tea interests here, although it remains to be seen what concessions the industry will shortly get. A sore point with the gardens at the moment is the second interim wage award which has been recently granted for the workers. The industry is also worried that the recommendations of the Bonus Commission if applied in the form in which they have been made would further aggravate its financial difficulties. It certainly will increase their difficulties if a minimum bonus of Rs. 40 per worker is granted for gardens which have been losing year after year. Under the former bonus formula voluntarily introduced by the gardens with the consent of tea labour, the bonus given to workers was a fixed percentage of the net profit. That was satisfactory enough, judging at least from relative industrial peace in the industry after the voluntary bonus agreement was implemented. It would help the industry enormously if another such agreement were negotiated, but that obviously would not be possible. A temporary compromise has been reached with the labour unions to pay bonus at the rate of Rs. 20 per worker in the case of gardens which are not making any profit, Rs. 25 in the case of those making small or inadequate profits and Rs. 40 for those making good profits. It is understood that the units in the first two categories constitute about 75 per cent of the total gardens in the industry. But this is only temporary, and sooner or later, labour unions are likely to put pressure on the estates to pay the full minimum of Rs. 40 once they discover that the case has sympathetic backers in New Delhi or elsewhere.

Unsatisfactory Condition

That seventy-five per cent of the tea gardens are either making small profits or suffering losses year after year, shows the unsatisfactory nature of the industry's economic condition. In the circumstances, the second interim wage increase — which combined with the first and is reported to have exceeded the actual rise in the cost of living between the time the first interim award was given and now — is bound to cause a sense of grievance in the managements. If the final award adds to the burden more heavily, which in all likelihood it will, India's tea industry will indeed find it hard to maintain its hold in overseas markets. After all, the industry is essentially agricultural in character and is necessarily labour-intensive. As an export industry, it is highly competitive. Therefore, labour wages must bear a reasonable relation to its capacity to pay. For the same reasons, taxation of the industry must be based on rational lines. At the moment, it suffers from what is ordered on rational lines. At the moment, it suffers from what is a leading planter in Assam has described as "a multiplicity of taxes". There is an excise duty on production, State agricultural income tax and Central income tax on profits, and octroi and carriage taxes (wherever they are levied) at points of

distribution. The States concerned seem to be vying with one another in taxing tea. Assam, following Kerala, has raised its rates of agricultural income tax, well in excess of the rates at which the Central income tax is levied. The land tax too has been doubled by the State Government. Mysore and West Bengal propose to follow Assam's example. And if the latter has its way it would like to levy a permanent octroi on tea, which West Bengal (in spite of the Supreme Court's judgment) seems to have succeeded in doing. The octroi or the carriage tax are definitely bad taxes, and the States should not be allowed to levy them on a commodity like tea which provides so much to foreign exchange every year. In 1962-63 it earned Rs. 128 crores; in 1963-64 it earned Rs. 121 crores as the crop during the year was a short one. During the current year, India is likely to have a bumper tea crop, and every effort should be made to promote its exports to the maximum extent possible. The States of course must have their agricultural income tax, but it must be uniform for all and should not be predatory as Assam and Kerala are bent on making.

The industry is pleased with the special treatment given to it under the Central Budget for 1964-65, but it would like the excise levy to be reduced, even if the saving that may result from any reduction is earmarked specifically for further development and expansion. It would also like New Delhi to come to an early decision on the industry's long-standing case for treating all expenditure on new planting and replanting as a revenue item rather than as a capital charge which is the current fiscal practice. This is illogical as no depreciation is allowed on tea bushes.

★★

Another Central Minister, Mr. S. K. Patil, has made a statement in Parliament on a circular railway for Calcutta, which has pleased the people in this city as well as the Government of West Bengal. The latter has been repeatedly pressing the Centre for an early decision on the project, which has been hanging fire for a long time. Meanwhile, traffic conditions in Calcutta continue to grow steadily worse. The State Government recently submitted a detailed memorandum to the Railway Minister asking for an urgent consideration of the circular railway scheme so that lakhs of people living in several suburbs would have direct rail access to their places of work in the heart of the city or in the dock area. This would, incidentally, provide some relief from the acute congestion and housing problem in Calcutta. The Government's case was considerably reinforced by the numerous questions (leading questions mostly) put in the Lok Sabha by several members from West Bengal, and the Railway Minister could have hardly avoided stating that a decision on the circular railway scheme cannot be long delayed. The only snag, according to him, is not the relatively large investment of Rs. 50 crores required, but the annual loss of about Rs. 5 crores which would be incurred by operating the proposed circular railway on the existing tariff for passenger traffic which operates for the railways as a whole. But Mr. Patil did not go into the traffic potential. He broadly agreed with Mrs. Renuka Ray that the losses would be reduced as the traffic increased. Perhaps this question of a loss has been made an excuse for sitting over a project re-

presenting an urgent need. In the opinion of local experts, the loss, if any, would be small initially, but as time went on, the railways would be able to earn a reasonable margin of profit.

Another great need of this populous city is an adequate water supply system. This is a question in which, fortunately, the World Bank has taken a close interest. But the culprit in the present instance is the State Government, not New Delhi. The former has not been able to complete the "necessary political, legal, financial and administrative measures" for the establishment of a Metropolitan Authority which would look after the city's sewerage, drainage and water supply problems, control the future land use in Calcutta metropolitan district covering an area of 450 square miles and take up schemes for the improvement and clearance of the slums in the area. Under the terms of an agreement it has entered into with the United Nations Special Fund (which has made a grant of about Rs. 14 lakhs for the preparation by the WHO of a master plan for water supply, sewerage and drainage services in Greater Calcutta), the State Government was to take the measures by 1963. Later the time limit was extended until the end of 1964, but this year is nearing its end, and the State Government is nowhere near fulfilling its commitment. However, the Chief Minister, Mr. P. C. Sen, is said to be determined to do his part as soon as possible. During the next session of the Legislature, which is likely to meet some time early next year, the Government will introduce three Bills prepared for it by the Calcutta Metropolitan Planning Organisation. The Bills in question seek to establish a Metropolitan Water Supply, Sewerage and Drainage Authority, control the future use of land in the metropolitan district and improve and clear the slums. It may be recalled that some World Bank experts were associated with the preparation of these Bills, and the World Bank's regional representative, Mr. Peter Wright, who is due to come to Calcutta early next month, will almost certainly raise questions about the State Government's failure to do anything about what it had clearly undertaken to do.

★ ★
The West Bengal Planning Board which last week considered the Government's fourth Plan proposals for industrial and agricultural development and the development of social overheads and capital, broadly agreed that the outlay in the next five-year period should be nearly double (Rs. 600 crores) that of the third Plan of the State, but it had differences with the

Has Sugar Turned the Corner?

From Our Correspondent

MADRAS:

THE UNEXPECTED developments in the food situation in the past few months took away attention from sugar which was seriously in short supply in the closing months of the last season. Actually, it was feared for a time that the requirements of the festive season could not be met and in the absence of a short increase in output in October and November the situation could not be easily gone through. Somehow, with the virtual rationing of available stocks the most difficult period of the 1963-64 season has been got over and it is now expected that the output during the current season will increase significantly. The incentive announced by the Food Ministry a few weeks back will no doubt be helpful to the units in Uttar Pradesh and Bihar for raising production as the rebate in excise duty to the extent of 50 per cent would offset the loss sustained by the factories in the shape of a lower recovery of sugar. In the South, the various units will not start crushing until after the rains have ceased. The main season usually begins early in December. All the important producers are

Government over the order of priorities. It wants top priorities for agriculture and power, with industrial development coming closely after, but it would like the proposed expenditure on education and social services somewhat scaled down. Most members pointed out that one of the basic reasons for West Bengal falling behind Maharashtra and Madras was its difficult power problem. Power scarcity has been responsible for many a promising industrial project being postponed or even shelved. This cannot be allowed to hold up the State's industrial progress in face of growing urban unemployment with all its explosive consequences. Consequently, the Board has appointed a sub-committee to re-examine the question of priorities. It is understood that the sub-committee has already made some recommendations, and the Government is likely to avail itself of the opportunity of Mr. Asoka Mehta's presence in Calcutta in the first week of December, to discuss the fourth Plan proposals in detail to know his (and the Planning Commission's) reaction to the pattern of the outlay envisaged.

Power Problem

It is fairly certain that the State Government will stick to fourth Plan power target of a little over 2,000 MW at all costs. There is no other way of stimulating quicker industrial progress. What is particularly significant is that the business community in the State is anxious to expand its enterprise if adequate supply of power can be ensured. If the State Government encourages private enterprise as Maharashtra and Madras have done, there is no doubt that West Bengal will see many more industrial ventures during the fourth Plan than what the State Government with its limited resources can promote or accomplish. But this is only a matter of policy or emphasis. The State would require more power in any case. The State Electricity Board, which is the main instrument of power expansion in West Bengal, as similar bodies are in other States, is pursuing all projects for power expansion during the current Plan. It is also anxious to go ahead with the Santaldih project for a 1,000 MW super thermal power station, but certain matters including the phasing of the project are still to be cleared with the Central authorities with the result that not much preliminary work has been done. The Board however is taking up a number of smaller schemes to augment its generating capacity and to extend its grid and sub-stations. It has just successfully floated a loan of Rs. 1.25 crores — the loan was in fact over-subscribed — to spend on its expansion schemes.

confident of being able to maintain output at a high level as ample cane supplies will be available.

It is, however, felt that the units in the South will not benefit to a great extent by any scheme relating to a rebate in excise duty as new records have been established in some cases in 1963-64. All the same, it is pointed out that there should be a sort of bonus for boosting production consistently besides offering a straight rebate in respect of production in the summer months when there is a loss in recovery on account of drage and late crushing. Since the performance of the industry in this part of the country has been consistently satisfactory of working should be made more attractive and that licences for expansion of capacity should be freely issued wherever it was clear that adequate cane supplies were available or would be assured. The policy pursued so far in relation to the fixation of minimum prices of sugarcane has benefited only the cane growers leading to the anomalous position of sugar produced in this part of the country costing more than the product in Uttar Pradesh and Bihar even though the yield of cane

per acre is very much less in these States. This is due to the compulsion to fix prices on a basis which would be profitable for the cane growers in Uttar Pradesh and Bihar.

The anxiety to take advantage of the growing demand for sugar and utilise the existing facilities to better purpose have been responsible for the decision of a number of existing sugar factories to undertake expansion plans. Already, the Mysore Sugar Company is engaged in a modernisation and renovation programme of the existing unit. With the scheme to raise capacity the factory will be able to crush 3,000 tonnes of cane daily. The Party group, which is the largest single producer of sugar in Madras State, is also having ambitious plans of expansion.

The Chairman of Deccan Sugar and Abkhari Company Limited, Mr. H. V. R. Iengar, indicated, at the annual meeting of the company held recently, that it is proposed to raise the capacity of the Pugalur factory to 1,500 tonnes daily from 1,250 tonnes in order to participate in the development of the industry in the coming years. He also stated that the current thinking in the industry was in terms of an optimism unit of 2,000 tonnes daily as only then the high costs of construction of new factories can be easily absorbed and satisfactory profit margins earned. As the Pugalur factory is ideally situated in regard to cane availability, the ultimate objective is probably to raise the capacity of the unit to 2,000 tonnes daily. The first phase of expansion is limited to 1,500 tonnes daily because some time will be required for extending the area under cane. Also, it is necessary to find large financial resources immediately which would be difficult at a time when the capital market is depressed. The schemes for increasing the capacity of Pugalur to 1,250 tonnes from 800 tonnes have just been completed. It to 1,000 tonnes from 800 tonnes have just been completed. It is expected that the newly installed plant and machinery will be in operation at Pugalur right from the beginning of the main season this year and at Samalkot from January next. Besides, an expenditure for about Rs. 40 lakhs has already been incurred on renovation and rehabilitation of worn-out machinery at Samalkot. As it will be necessary to undertake a continuous process of modernisation in both the centres, apart from the expansion of the Pugalur unit, it is estimated that a total expenditure of around Rs. 90 lakhs will have to be incurred in the next few years. Other sugar units in this region may be expected to follow suit.

It will have to be examined in this context how the co-operative sugar factories are functioning. Some of them are reported to have a capacity of around 800 tonnes and even reported to have a capacity of around 800 tonnes and even in the existing facilities are not being utilised properly. As in many cases output can be considerably raised with the installation of balancing equipment, a committee should go into the whole question and make the necessary suggestions.

★ ★
The plastics industry is developing in a big way in the South and it is expected that the progress in the coming years will be striking as a large petro-chemical complex is likely to develop around the two refineries at Cochin and in Madras. The first good beginning has been made by East Anglia Plastics, which is constructing its factory for manufacturing cellulose acetate flakes based on industrial alcohol and linters which are available in plenty in that region. The output of this factory will be used for making cellulose acetate flakes in the factory, which is already working in Calcutta. Another company will also be undertaking the manufacture of the same product in its new factory which is proposed to be located at Mandya with the help of the main promoters, Mysore Sugar Company Limited. As the acetic acid required by the newly formed unit, Mysore Acetate and Chemicals Company Limited, is to be produced and supplied by Mysore Sugars Limited out of the alcohol produced in its distillery, the new factory will be

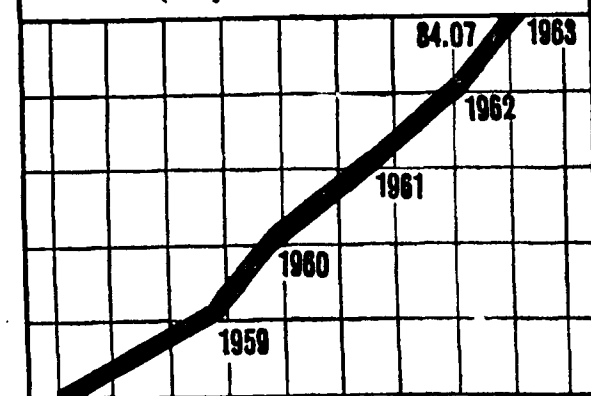


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located alongside the existing distillery. It is also proposed to manufacture cellulose acetate which is required in large quantities by Hindustan Photo Film Manufacturing Company Limited, functioning at Ooty, not far away. In order to increase the output of alcohol, Mysore Sugars is undertaking a programme of expansion. The new unit will have the advantage of collaboration with well-known American and Swedish interests who, besides providing technical know-how, will also be participating in the paid-up capital. The company has approached the market for raising the required funds. Out of the issued capital of Rs. 2.25 crores, the Government of Mysore will take up equity shares for Rs. 50 lakhs, Mysore Sugars for Rs. 30 lakhs and the directors and their friends for Rs. 7 lakhs. The American collaborators will be allotted 58,500 equity shares for consideration other than cash in part payment of the cost of plant and machinery, know-how, designing etc. The Swedish interests will also be allotted 95,500 equity shares for consideration other than cash in payment of the cost of know-how, relevant blue prints, manuals etc. The balance of Rs. 70 lakhs has been offered for public subscription. This portion of the issue is underwritten by the Industrial Finance Corporation, Life Insurance Corporation and a number of banks.

Another company, Chemicals and Plastics India Limited, will also enter the market shortly for raising a part of the capital from the public. This company has been sponsored by the industrialists belonging to the India Cements Group. The factory will be located at Mettur, near Salem in Madras State, and the company has received a licence for manufacturing 6,000 tons of polyvinyl chloride annually and for fabricating 1,500 tons of finished products. The plant for this purpose will be located in Bombay as there is a large market for flexible and rigid polythene pipes and other finished goods. The cost

of the project is estimated at Rs. 3.38 crores and a technical collaboration agreement has been concluded with G.F. Goodrich Company of Akron, who are the world's largest producers of polyvinyl chloride. The factory is expected to be completed by the end of 1966. The site of the factory has been selected having regard to the easy availability of raw materials. Chlorine will be supplied by Mettur Chemicals whose new factory is now being constructed while industrial alcohol will be supplied by a refinery which is proposed to be constructed at Tiruchirappalli. Ample quantities of molasses are available in this region.

The foreign collaborators will be participating in the equity capital of the Indian company apart from agreeing to be allotted equity shares for the equivalent of \$350,000 which will be the initial payment for providing technical know-how and assistance for laying out and constructing the factories.

CHEMPLAST has been fortunate in concluding, with the help of the American collaborators, a loan agreement with the US Export-Import Bank for \$3.15 million which will be of great help in purchasing plant and machinery. A rupee loan out of the Cooley Funds for Rs. 32.61 lakhs will also be secured. These loans are usually given to those companies which are having collaboration agreements with American firms. The issued capital will be Rs. 1.5 crores consisting of Rs. 1.35 crores in equity shares and Rs. 15 lakhs in preference shares carrying interest at 9.5 per cent gross. The allotment of 34,425 equity shares will be made to G.F. Goodrich while the directors and their friends have agreed to take up shares to the value of Rs. 51.07 lakhs including Rs. 2.5 lakhs in preference shares. The balance of 49,500 equity shares and 12,500 preference shares have been offered for public subscription. The Madras Industrial Investment Corporation, Indian Overseas Bank and two leading broker firms of the City have agreed to underwrite this portion of the issue.

Kerala's Dilemma: Food or Cash Crops?

From Our Correspondent

TRIVANDRUM:

KERALA is said to be turning the corner in the food crisis, according to official spokesmen though scarcity conditions prevail throughout the State. The experience of the public is that rice is beyond reach, even at the black market prices, except for the handfuls that are doled out on the basis of informal ration cards, and through Fair Price Grain Shops to card holders. Formerly the toiler as well as the white collar worker could take his full meal of rice by approaching the small-scale blackmarketer in the town or village, but, now, he also cannot render any assistance.

People are thoroughly disgusted with the present system of rice distribution. The Co-operative Ration Stores have become the target of public criticism because of their inefficiency, irregularities and discourteous behaviour to the non-member consumers. Private ration shop owners are much better, it is stated. A widespread feeling exists that even during the all-round scarcity of war years, rationing system worked perfectly well, and there was equitable distribution of foodgrains. The present food scarcity has served as an eye opener to Keralites. The State is deficit in food to the extent of 50 per cent. For the rest, she has to depend on the goodwill and generosity of her surplus producing neighbours, especially Andhra Pradesh. Since the beginning of planning era, there has been a mad rush for introducing cash crops in place of paddy fields. In places where paddy was grown in plenty, the people have started cultivating rubber, coconuts, and other profitable cash crops. Thousands of acres where tapioca was grown have now become rubber estates. As the Land Reform Acts do not impose a strict ceiling on plantations, people have chosen to extend the area under rubber estates

and reduce the land under paddy fields. That brought down the output of rice in the State.

The peasants have, of late, become more disorderly, greedy, and non-co-operative, with the result that the owners of paddy fields are put to considerable losses. Strike threats and forceful removal of paddy by the peasants for their own needs have become common in many parts of Kerala under communist leadership. To teach the greedy peasants a lesson, many land-owners have converted their paddy fields into dry lands for the cultivation of cash crop. In the present circumstances, it is being increasingly felt that if Kerala went on producing more and more of cash crops so as to earn dollars for the Union Government, in the end the people in the State may have to starve. The largest dollar-earning area of India is not getting its rightful due from the Centre. The Centre has taken interest in Kerala's food problem only after maximum pressure was exerted at all levels. Kerala, it is now argued, should try to stand on its own legs by a large scale return to food crops because the foreign exchange earned for the country will not feed it.

Local leaders and newspapers have started thinking in terms of pressing for the Grow-More-Food-Campaign, as it was done in the days of World War II. Kerala cannot hope to attain self-sufficiency in food but she can produce enough to reduce her dependence on the goodwill of the neighbouring States. The cost of letting Kerala starve will have to be paid by losing heavily on India's foreign exchange earnings since the local opinion is now strongly in favour of going back to rice, tapioca, and other cereals, instead of rubber, cardamom, pepper etc. If this trend persists, many of the cash crops may disappear from Kerala.

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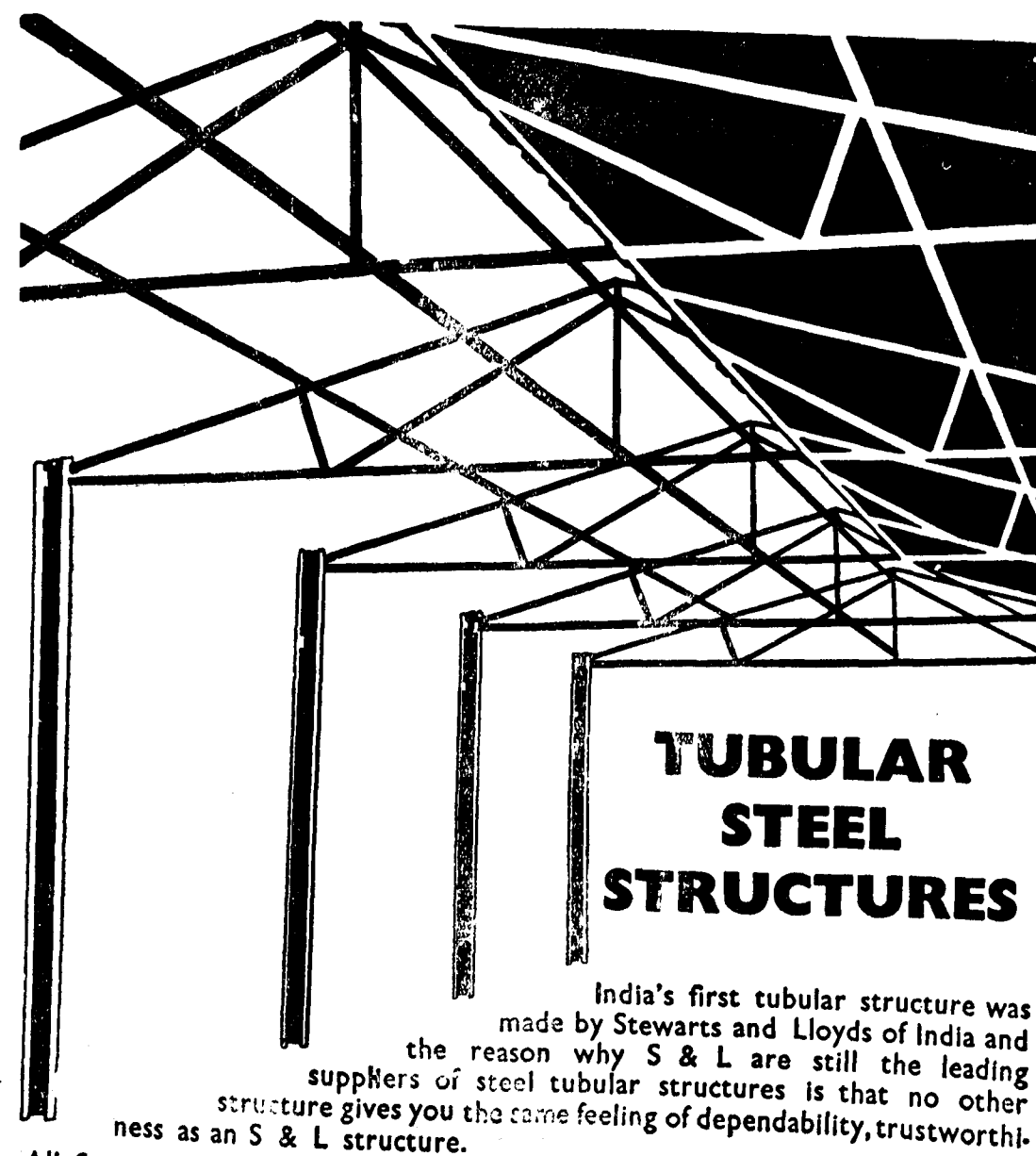


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The moving finger writes

I AM being frequently amused and entertained by my newspapers these days. I particularly enjoyed the unconscious humour in the opening sentence of a report in "The Hindustan Times" of November 26 by its Special Correspondent on the passage of the Food Corporations Bill. The sentence read: "The Food Minister's Bill to set up Food Corporations at the Centre and in the States today received the Lok Sabha's unanimous approval after Members had voiced misgivings about the nature and scope of their functions." In other words, even if the Lok Sabha had not been sold a pup it has at least been compelled to buy a pig in a poke. The Food and Agriculture Minister has certainly given no clear idea of the machinery through which the Central Food Corporation would function. It is, of course, reassuring that he has given the Chairmanship to a leading and spectacularly successful practical banker. But however talented Mr. T. A. Patel may be, he cannot manage to work the Corporation on business lines unless he can avoid being encumbered with a bureaucratic machinery.

I hear that the intention is to recruit personnel for the Corporation from the ranks of officials in certain existing departments of Central or State Governments (such as the Department of Supply at the Centre or Civil Supplies in the States), or from public sector undertakings, such as the STC. I am not at all sure that this would be the best way of managing the Corporation. It would certainly be more sensible to organize the buying or the selling on behalf of the Corporation through a network of private traders who could act as the licensed agents of the Corporation. The Corporation's own salaried staff should be as small as possible. I am happy to note that Mr. C. Subramaniam has disavowed ideological commitments in this matter. It should, therefore, be all the easier for him to honour and obey the commercial principle, at least as far as possible, in the working of the State trading body in question. This would be sensible too since the Food Corporation is bound to prove a costly failure unless its working expenses as well as the funds locked up in its capital are kept low. The Minister for Food and Agriculture asserted in the Lok Sabha that the only reasonable criticism which could be made of the Food Corporation project was that it should have been launched at least five years ago. I hope it will not fall to his lot to hear it said five years hence, (or sooner), in the Lok Sabha and elsewhere, that all that was wrong with the Food Corporation was that it had ever been set up. "The Hindustan Times" was merely being technical when it spoke of the "unanimous approval" of the Food Corporations Bill by the Lok Sabha.

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Then, there was the editorial in "The Statesman" in its issue of November 26, advising the people of Pakistan that since they should obviously be grateful for the bread of stability which the Army take-over of 1958 had given them, they might possibly be erring by clamouring now for the jam of democracy. In fairness to "The Statesman", however, it must be said that the editorial is protesting more on the ground that this demand for democracy is inopportune than on the plea that it is essentially unreasonable. "The Statesman" concedes that "there is little hope of gaining popular acceptance for the monolithic State after which F.M. Ayub hankers" and proceeds to reassure the people of Pakistan that the Field Marshal

"will no doubt try to absorb this change in temper by appropriate constitutional reforms after he is returned to power". It must indeed be a great morale-booster for leader-writers in newspapers to be thus taken into confidence by the high and the mighty, Presidents and Field Marshals. Those who are less endowed with opportunities of access to the minds of the great (which, incidentally, need not always be great minds) are however likely to be more impressed with the fact that, whatever the ultimate intentions of the President of Pakistan may be with regard to the sharing of his powers with the people of that country, his current election strategy betrays no thought but that of holding on to what he has. "The Statesman" seems to regret the fact that the Field Marshal is being compelled to work hard for his victory, thanks to the popular upsurge for Miss Jinnah. Surely the sympathy is misplaced. If it is true that the labourer is worthy of his hire, the converse too must be valid. In any case, "The Statesman" itself has recorded "a conspicuous example" of the Field Marshal's earnest electioneering — the publication by the ruling party of a full-page advertisement in "Dawn" quoting Indian editorial comment to prove that India would hate to see Pakistan strong under a martial Ayub. I enthusiastically endorse "The Statesman" opinion that this is "crude" tactics. It is open, after all, to the rival candidate to seek ammunition in "The Statesman" editorial columns for the counterblast that there is at least a section of the Indian Press which likes to see Ayub Khan President again because it believes that he is the best President of Pakistan that India can have.

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The Treasury Benches showed unusual wisdom last week when Mr. B. R. Bhagat refused to be drawn into a speculative discussion of the extent of unaccounted money, on being invited in Parliament to produce an estimate. Unfortunately, there has already been too much kite-flying in this matter and fantastic figures have been freely played with. Rather ironically, but quite appropriately, it was the Chairman of the Direct Taxes Board, however, who recently happened to expose the absurdity of some of the estimates. Mr. J. B. Singh disclosed that about 55 searches for unaccounted money had only yielded in all about Rs. 92 lakhs, of which a third was recovered from film stars. This would show that about 50 business men, suspected of having unaccounted money, were found to hold among themselves only about Rs. 60 lakhs of what is alleged to be unaccounted money. Surely this gives the lie direct to wild estimates of many thousand crores of rupees of unaccounted money being in the possession of a few flocks of black sheep within the fold of the business community. The truth, perhaps, is that either the unaccounted money is so widely distributed in relatively small amounts among a very large number of business men that to go after it in any serious way would be an impossible adventure or the various high estimates of unaccounted money to which we have been treated from time to time by persons of varying degrees of responsibility are greatly exaggerated. The Government has been trying to unearth hoarded food stocks and it has been attempting to unearth unaccounted money. In neither case has much been found. I wish an attempt would now be made to unearth some talent for governing in the ruling party.

V.B.

Trade Winds

IMPROVED SEEDS FOR HIGHER YIELD

A LARGE 500-acre model seed centre, i.e., a farm for research, production, multiplication, processing and distribution of improved quality seeds, especially of wheat, will soon be established in Punjab by the Birla Institute of Scientific Research, Calcutta, with the co-operation and assistance from the U.S.A.I.D. and the Rockefeller Foundation. The broad aspects of the plan for the centre were discussed last month at Chandigarh at a high level meeting attended by the Punjab Chief Minister, Mr. Ram Kshan, Home and Agriculture Minister, Mr. Darbara Singh, the senior officials of the Department of Agriculture, Mr. V. N. Kohli of Messrs. Birla Brothers and Mr. Freeman of the Rockefeller Foundation. The State Government has agreed to allot the required piece of land on a long-term lease without any delay. The seed centre, which will be run on "no-profit, no-loss" basis, is expected to take shape by the next sowing season. This centre will be a pilot project to be followed by other similar centres in the States of Uttar Pradesh and Rajasthan.

The idea of setting up seed farms originated on the suggestion of the Union Minister for Food and Agriculture, Mr. C. Subramaniam, who had recently asked Mr. B. M. Birla to examine the possibilities of providing assistance in seed production and distribution with a view to helping the farmers in increasing per acre yield of foodgrains, particularly of wheat. Accordingly, Messrs. Birla Brothers agreed to actively pursue the development of improved seed production provided the State Governments afforded necessary co-operation and facilities such as the allotment of land on long lease. Besides the technical collaboration that may be obtained from some American seed companies, the seed production and distribution operation would need (a) strong extension programme by the Government supporting the utilisation of improved varieties of seeds, and (b) freedom to establish an economic, competitive price to enable the production and distribution of high quality seeds. It would also necessitate the planting of seeds supplied by the "model seed centre" by selected growers on contract basis. The certified seeds thus produced would be purchased by the model seed centre for sale to cultivators on a commercial basis.

The establishment of a seed industry by agencies other than the Government is a new venture which needs active support from the Government agencies. In order to be successful, such a system must operate economically and produce high quality seeds in large volumes. The supplying of high quality seeds to the cultivators is an obligation which is a continuing one and which will require substantial capital investment. The success of the model seed centre in Punjab will pave the way for the evolution of a sound system of seed production and distribution, ultimately leading to increased yield of foodgrains.

FORWARD TRADING IN GROUNDNUTS & OIL

Trading in the "January 1965 delivery of groundnut and groundnut oil hedge contract" at the Bombay Oilseeds and Oils Exchange Ltd., has remained suspended owing to a number of factors arising from the rise in prices witnessed recently. The Board of the BOOE held a number of meetings in this regard with a view to ending the deadlock in the market and recommended to the Forward Markets Commission that suitable ceilings may be fixed for the January 1965 delivery. After consultations with the President and representatives of the

Exchange, the Commission has come to the conclusion that the interest of the trade will be best served by (i) imposing a second marginal line at Rs. 103.00 per quintal in respect of groundnut and at Rs. 20.60 per 10 Kg. for groundnut oil above which margins will be payable at the rate of Rs. 40.00 per quintal in respect of groundnut and Rs. 8.60 per 10 Kg. in respect of groundnut oil and (ii) by withdrawing the facility of free limit altogether whenever the prices of the contracts exceed the second marginal lines mentioned above. Necessary orders have accordingly been issued.

TORT LEGISLATION

The legislatures in India and Parliament in particular should consider seriously the passing of legislation to regulate the claims of immunity of the State from damages for tortious acts of the public servants so that the citizens' legitimate rights may be protected adequately. This has been pointed out in a representation to the Ministry of Home Affairs by the Federation of Indian Chambers of Commerce and Industry. The need for the passing of legislation as suggested by FICCI arose as a result of the adverse judgment of the Supreme Court in the case of M/s. Kasturilal Raliaram Jain versus the State of Uttar Pradesh. The appeal to the Supreme Court was filed by a firm of bull on merchants of Amritsar in 1947 when the State of Uttar Pradesh pleaded that it was not liable for the loss of 103 "tolas" of gold of a partner of the firm who was arrested in Meerut and his belongings deposited in the police "Malkhana", because the head constable in charge of the "Malkhana" had misappropriated the gold and fled to Pakistan. The Supreme Court, while holding that the police was negligent in dealing with the property of the appellant, held that the State could not be liable for the loss because the act was committed in the course of an undertaking or employment which was referable to the exercise of sovereign power or to the exercise of delegated sovereign power. Before disposing of the appeal, the Supreme Court, however, recorded in the judgment that it was now the time when the legislatures in India should seriously consider whether legislative enactments should not be passed to regulate and control the State's claim for immunity in cases like this on the same lines as has been done in England by the Crown Processings Act, 1947. In dealing with the present appeal, the judges felt disturbed by the thought that a citizen whose property is seized by a process of law is told, when he seeks a remedy in the court of law on the ground that his property has not been returned to him, that he can make no claim against the State. The judges, therefore, suggested that as the remedy to cure this position lies in the hands of the legislature, it should consider to do the needful.

The Law Commission, which was set up to examine all the Indian statutes and make recommendations for their revision to bring them in line with the spirit and purpose of the Constitution, suggested, in its first report submitted in 1956, the passing of special legislation to provide for the liability of the State in tort. After a review of the legal position in the United Kingdom, the USA, France and other countries, the Commission came to the conclusion that the Indian law regarding liability of the State in tort should be more comprehensive and precise than the present legislations in other countries and that a distinction between sovereign and non-sovereign or governmental and non-governmental functions should no longer be invoked to determine the liability of the State. It is eight years since the Commission submitted its report on the subject but nothing has been done so far to

December 4, 1964

implement its recommendations. The representation, therefore, of the Federation of Indian Chambers of Commerce and Industry to the Ministry of Home Affairs, is a timely reminder to the Government for initiating the necessary legislation.

BUSINESS SCIENCE CONFERENCES

A series of "business science" conferences will be held at Poona during January 1 to 4, 1964. Dr. P. S. Lokanathan, Chairman of the National Productivity Council, will preside over the session of the Indian Committee for Management Development (the Indian affiliate of an international association of developing countries) on January 2, 1965. The discussion will centre round the recent developments in the field of management education in India and the future lines of growth, as also the vital problem of introducing modern management techniques in developing countries. The participants include Professor Warren Haynes of Harvard University, Professor Ted Alfred (M.I.T.), Dr. A. N. Agarwala of Allahabad University, Mr. N. K. Bhojwani, Director, National Productivity Council, Mr. R. L. Gupta, Principal, Administrative Staff College of India and other Indian and foreign experts.

The eighteenth conference of the Indian Commerce Association, which will be presided over by Dr. A. N. Agarwala, will examine such problems as transport development and coordination, marketing research techniques for developing countries and business education and research in India. At the second session of the All India Convention of Heads of Commerce Departments of Indian Universities, which will be presided over by Prof. K. C. Sarkar, foreign and Indian scholars will discuss the patterns of business education in western countries in the light of their relevance to India.

SUGAR CUT RESTORED

In expectation of a sizable increase in sugar output during the 1964-65 crushing season, the Union Government has decided to restore the 5 per cent cut on monthly State quotas imposed in March last. The monthly allotments due to the States on Nov-

ember 23 have been made on the basis of the full quotas fixed for them.

HIGHEST PRICE RISE

The general price level in the country during the twelve months ending September 5, 1964 was higher than that of any comparable period since World War II. This was revealed in the monthly bulletin for October of the Reserve Bank of India, issued on November 16, 1964. The average increase in prices during the period, compared to the immediately preceding twelve-month period, was 14 per cent. There was also a rise in money supply during the same period at the rate of 11 per cent and this had been largely due to the credit expansion by the banking system, not only to the Government but also to the private sector. The prices of food articles rose by 23.6 per cent over the year, industrial raw materials by 21.9 per cent and manufactures by 4.7 per cent. Commodity-wise, the increase was more noticeable in wheat (51.7 per cent), rice (11 per cent), Gram (108 per cent) and groundnut (37.8 per cent).

RICE IMPORTS FROM PAKISTAN

Pakistan has agreed to export another 50,000 tons of rice to India. Disclosing this in Lahore on November 15, Pakistan's Food Minister, Rana Abdul Hameed, stated that his country had so far (in 1964) exported 70,000 tons of rice to India and that this fresh quantity of 50,000 tons would be completed by the end of January, 1965.

INTEREST RATES

The raising of the bank rate last week by the U.K. from 5 per cent to 7 per cent was followed by similar revisions in bank rate by the USA (from 3.5 per cent to 4 per cent) and Canada (from 4 per cent to 4.25 per cent). In this context it will be of interest to make an international comparison of the latest bank rates along with the short-term rates of interest in some of the leading countries. It will be seen that Switzerland is the only leading country which continues to operate a cheap money policy with the bank rate at 2.5 per cent.

INTEREST RATES IN SELECTED COUNTRIES IN 1964

Country	Bank Rate	(Per cent)							
		Short-term Credit		Bank Term Loans		Commercial Paper		Deposit Rates of Commercial Banks	
		Prime rate	Additional charges	3 months	6 months	3 months	6 months	3 months	6 months
U.S.A.	4	4.5	..	4.5-6	4.5-6	4	4-4.375	3.5	4
Canada	4.25	5.75	..	5.75-6	5.75-6	4.5	4.5	3.75-4	4-4.12
U.K.	7	5.5††	..	5.5	6	5.5	5.5-6	5.37	5.37
West Germany	3	6	†	7.5	7.5	6.5	7.5	2.25	2.75
France	4	6	0.5	7.25	7.25	6.25	6.25	2-2.12	2-2.5
Belgium	4.75	7.5	0.5	7.5	7.5	5-6.5	6-7.5	3.5	4
Italy	3.50	7	0.5	7.5	7.5	5.5-6.5	6.5-7	2.25	3
Sweden	5	6.5-7	1	6.7	6.25-7.25	6-7.5	7.5-8	4.25	5
Switzerland	2.50	4.75	..	4.25-5	4.25-5	2.5-3	2.5-3	3.25-3.62	3.25-3.75
Netherlands	4.50	5	..	4.75-5	5	5	5	3.5	3.5-4
Denmark	6.50	7.5	..	7-8.5	7-8.5	7-8.5	7-8.5	5.25	6.25
India	5	6.5	..	6.5-9	6.5-9	7	*	3.5	3.75
Pakistan	4	5	..	6-7	6-7	5.5	5.5	2.5	2.75
Japan	6.57	6.57-8.5**	..	8.5-9.12	8.5-9.12	6.57-8.5	6.57-8.5	4	5

** According to security. * No market. † Overdrafts 9 per cent per annum. †† Overdrafts 5.5 per cent.

Notes: (i) 'Prime rate' is the rate which commercial banks charge for demand loans.
(ii) 'Term loans' are granted usually for a period not exceeding 6 months.
(iii) 'Commercial Paper' are short-term negotiable instruments maturing in 3 or 6 months.

Company Affairs

OBSTACLES TO PROGRESS

MR. BHARAT RAM, Chairman, Delhi Cloth and General Mills Company Limited, expressed deep concern over the increase in prices during the year, while addressing the annual general meeting of the company held recently. The spurt in the price level was occasioned, he added, on the one hand, by shortfalls in the agricultural production, and on the other, by excessive spending on the part of the Government on non-productive uses. There have been failures in the administration policy at village and block levels and incomplete co-ordination between different departments. He sounded a note of warning that the administrative structure and policy should be re-oriented without any delay towards self-sufficiency in food production. No system of distribution will be effective, he added, if production itself remains at a low level. There should be adequate incentives for the farmer to produce more and he should be provided with adequate facilities at the right time. The Chairman desired that the industrialists should take active interest in agriculture and it should be possible to impart to agriculture the techniques that make the successful running of industries.

Mr. Bharat Ram highlighted the contradiction in the present economic situation that the rapid increase in prices was accompanied by a continuous decline in the level of share prices. There has been certainly something wrong in the financial policy which had tended to divert larger parts of investible funds from the people to Government, he added. The major factor which led to freezing of the flow of finance from the public was taxation which depleted the investible funds in the hands of the private sector. "What is worse is that a large part of the resources mopped up by additional taxation was dissipated by Government over uses which did not increase productive capacity of the country". His advice was that the Government should secure finance for investment by borrowing on the capital market. This would not only promote better use of resources but indicate the urgency of the investment in different sectors of the economy.

The Chairman pointed out that to mark the happy occasion of the completion of 75 years by the company the directors recommended a special dividend of two per cent on ordinary shares. The gross profits of the company increased from Rs. 3.39 crores to Rs. 3.94 crores, but the net profit was lower, essentially because the company continued to invest large amounts of money in new industries which involved heavy initial depreciation and development rebate. All the units of the company did well except the sugar unit which, like all other sugar mills in the area, suffered due to shortage and low quantity of cane. The PVC plant has been in full production and the rayon tyre cord plant is expected to start very shortly. Unfortunately, he added, there was a danger of the PVC plant having to reduce its production due to a cut in electricity by the Rajasthan Government. The company, however, was making efforts to evolve an alternative solution.

INTERNATIONAL TRACTOR ISSUE

International Tractor Company of India Limited enters the capital market on December 7, with a public issue of about Rs. 61 lakhs made up of 610,050 equity shares of Rs. 10 each. The subscription list will close on December 17 or earlier at the discretion of the directors, but not before December 9. The entire public issue has been under-written by Life Insurance Corporation of India, the Industrial Credit and Investment

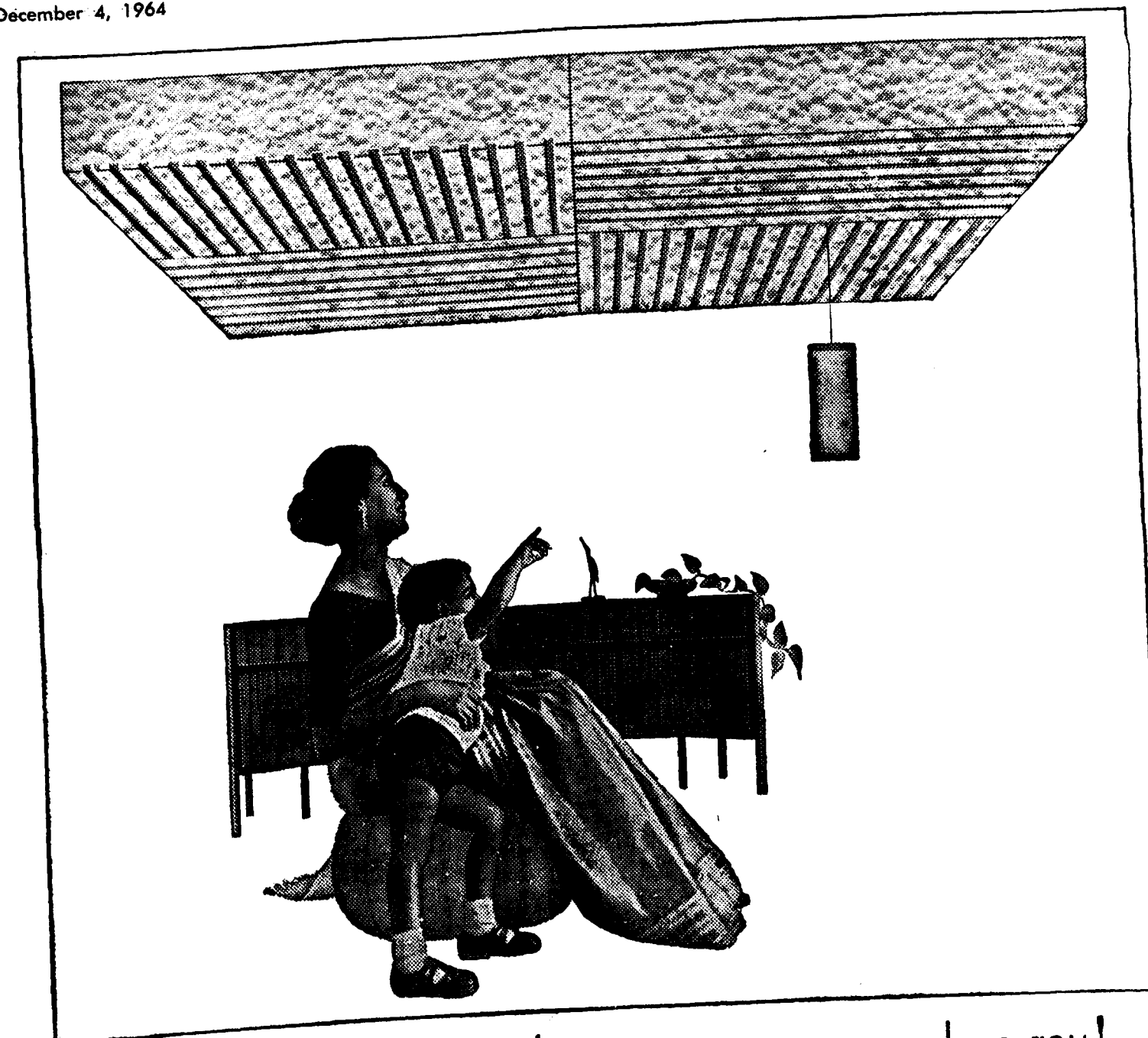
Corporation of India, the Industrial Development Bank, the Union Bank of India, the New India Assurance Company, the South British Insurance Co and the South India Insurance Company. The authorised capital of the company is Rs. four crores made up of 4,000,000 equity shares of Rs. 10 each out of which capital to the extent of Rs. 1.50 crores has been issued. The International Harvester Company, Chicago, USA has subscribed 255,000 shares, Mahindra and Mahindra has subscribed 255,000 shares and Voltas Limited, their directors and friends have also subscribed 255,000 shares. Shares to the extent of 124,940 have been agreed to be subscribed for cash at par by Mahindra and Mahindra Limited, their associates, directors and friends.

The company has been promoted jointly by Mahindra and Mahindra Limited, Voltas Limited and International Harvester Co. Limited, Chicago, with the object of manufacturing and marketing agricultural tractors, implements and allied attachments and spare parts thereof. It holds an industrial licence for the manufacture of 3,500 tractors and matching implements every year on single shift basis. It also holds an import licence for Rs. 92.70 lakhs for the import of machinery. Orders for machinery have already been placed with the suppliers abroad. The company has also received import licence for tractor components of the value of Rs. 30 lakhs. The factory building to be located at Akurli village near Bombay is nearing completion and production is expected to commence early in 1965.

PROGRESS OF INDIAN OIL

Thanks to the unique position that the Indian Oil Corporation, Ltd. (so called since the merger of the Indian Refineries with the Indian Oil Company on September 1, 1964) occupies, there is no gainsaying the claim of its Chairman, Mr. P. A. Gopalkrishnan, that the Corporation bids fair to become the biggest oil organisation in the country in the next 6 or 7 years. He expressed this view at a Press conference following the fifth annual general meeting of the Corporation, held recently, at which the Corporation's balance sheet and profit and loss accounts for the year were approved. Here are some interesting features about the Corporation. The paid-up capital of the Corporation is Rs. 4,97,25,000. It has so far received loans aggregating Rs. 4,75,00,000. Besides these, the IOC has a demand cash credit account of nearly Rs. 11 crores (as on March 31, 1964). This equity debt ratio provoked the question whether there was any proposal to convert the Government loan into equity shares. Mr. Gopalkrishnan ruled out this possibility as, he said, it would further bring down the percentage return on equity capital. Though satisfactory, the results for 1963-64 show a slight decline in the net return percentage from 18.5 per cent in the previous year to 16.8. Before taxation, however, the return on equity capital at 21.1 per cent compared with slightly less than 20 per cent in the previous year. But it should be noted here that the result would have been slightly less favourable had depreciation been charged on the same basis as before.

The notes on the accounts refer to certain losses due to negligence or misappropriation or theft which have added to the cost of sales. But the main items of expenditure that affected the profits for 1963-64 adversely were two, viz., under-recovery of railway freight (Rs. 55.77 lakhs) due to the location of the Gauhati Refinery (Government has fixed ceiling selling prices for all oil products on the basis of imported parity and many consumers refuse to pay the heavy freight charges from



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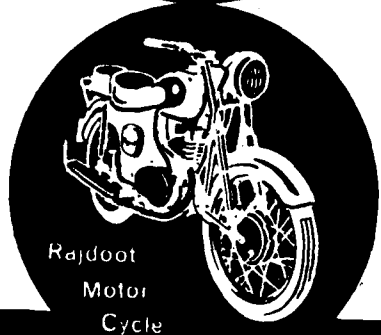
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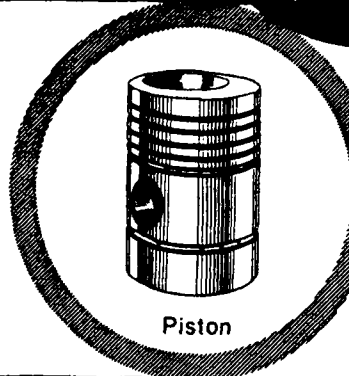
- Serve National Plans
- Save Foreign Exchange
- Accelerate National Economy to goal of Self-Sufficiency



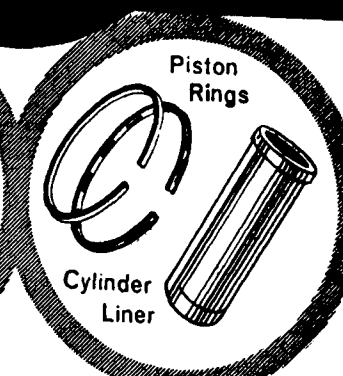
Escort 37 Tractor



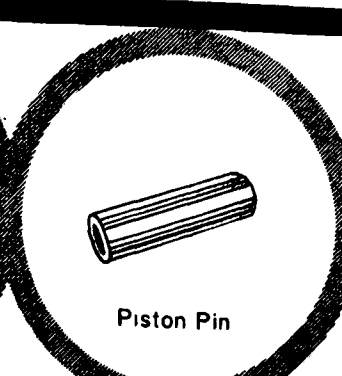
Rajdoot Motor Cycle



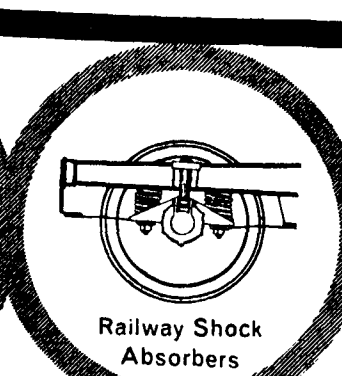
Piston



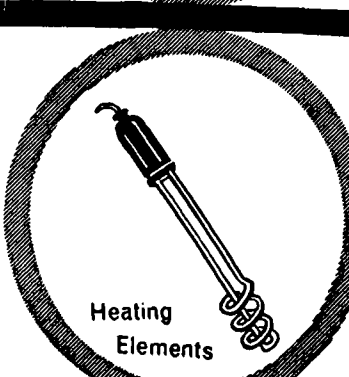
Cylinder Liner



Piston Pin



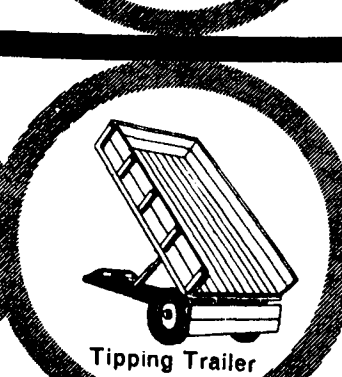
Railway Shock Absorbers



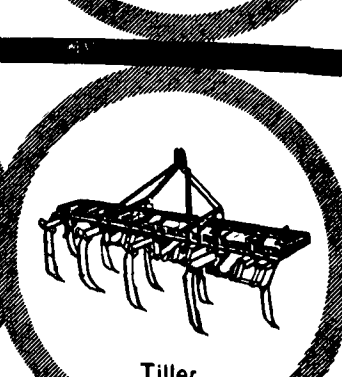
Heating Elements



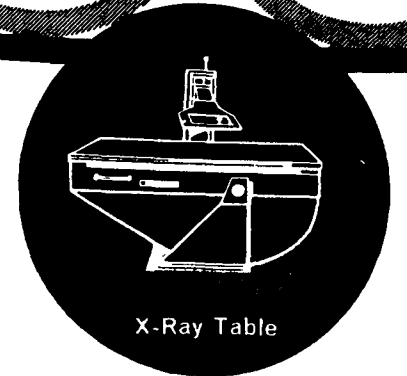
X-Ray Control Board



Tipping Trailer



Tiller



X-Ray Table

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Branches :

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Factories at :

BAHADURGARH (PATIALA) AND FARIDABAD (PUNJAB)

CPH/HOG/345-14

distant Gauhati) and under-recovery of Central Sales Tax (Rs. 26.92 lakhs), thanks to the refusal of the Assam Government to exempt from Sales Tax inter-company transactions on oil products. The IOC's experience regarding the sales tax levy only underlines the difficulty of industrialists and business men, besides pointing to the imperative need for adopting a uniform basis all over India. It remains to be seen what the Government of India, to whom a reference has been made, will do.

The IOC's total sales of oil products in 1963-64 nearly doubled, being 1.17 million kilolitres, as against only 629,639 kilolitres in 1962-63. Its sales of petroleum coke also increased from 11,498 metric tons in 1962-63 to 26,488 metric tons in 1963-64. The increase in sales was made possible by the increase effected by the IOC in tankages at installations and depots, as also by the building of new depots, and because of these, obviously, Mr. Gopalkrishnan feels confident of handling a sale of more than two million kilolitres.

Organisationally, the IOC has two divisions now — the Refineries Division and the Marketing Division, but expects to increase the number to four to include a Pipelines Division and a Petro-chemicals Division. Future plans of the IOC include the setting up of aircraft refilling stations at 19 Indian airfields and the entry into the field of liquefied petroleum gas. The Corporation expects to serve not only the Indian Air Force, international airlines operating in India and aircraft manufacturers, but also all ships using mobil lubricants and calling at Indian ports. As a result of a new contract proposed to be entered with ENI, the IOC will also enter the industrial liquefied petroleum gas trade. The Directors' Report refers to the relevant project report which envisages the setting up of four plants for the purpose, those at Calcutta, Delhi and Baruani being already decided upon. The location of the fourth plant is said to be still under consideration.

PODAR MILLS

The Podar Mills Limited entered the capital market on November 23, with an issue of Rs. 95 lakhs made up of 550,000 equity shares of Rs. 10 each and 40,000 cumulative first preference shares (9.5 per cent) of Rs. 100 each (subject to deduction of tax) at par. The subscription list will close on December 7. The company has an authorised capital of Rs. 4 crores and issued, subscribed and paid up capital of Rs. 65 lakhs made up of 550,000 equity shares of Rs. 10 each and 10,000 cumulative preference shares (7 per cent) of Rs. 100 each. Equity shares of the face value of Rs. 15 lakhs have been subscribed by the managing agents, directors, shareholders and their associates and the remaining issue has been underwritten.

The company has a composite textile mill in Bombay with an installed capacity of 38,800 spindles and 930 looms. Now it holds licences from the Central Government for effecting a substantial expansion in the installation of a cotton spinning mill of 25,056 spindles in Jaipur, Rajasthan. Construction work has already commenced and orders have also been placed for necessary machinery. The new unit is expected to go into production in 1965 and is planned to be equipped with highly rationalised equipment. The company also proposes to instal a modern dyeing, bleaching, finishing and printing plant in the mill at Bombay.

SYNDICATE BANK: 200 BRANCHES

The directors of the Syndicate Bank Ltd. have indicated that two more branches of the bank will be opened at New Delhi and Alwai (Andhra State) on December 7, 1964. The New Delhi branch will be the first branch of the bank in the Capital.

With the opening of the Alwai branch, the Syndicate Bank will have one more branch in Andhra State raising the total number of branches in the State to 23. The bank is also opening one more branch in the Capital at Old Delhi shortly. The South Travancore Bank Ltd., Neyyoor (Kerala) will join the Syndicate Bank on December 9, 1964. This will bring the total number of branches to 200.

ALLIED INTERNATIONAL

Allied International Products Ltd., a new company formed in collaboration with Textron Industries Inc., USA for the manufacture of standard parts for automobiles and aircraft, is expected to enter the market towards the end of December 1964 to raise Rs. 35 lakhs from the public. The authorised capital of the company is Rs. two crores and the issued capital will be Rs. 75 lakhs. The promoters will take up Rs. 15 lakhs of the issued capital and the foreign collaborators Rs. 25 lakhs in consideration for the supply of plant and machinery and the balance will be offered to the public. The entire public issue has been underwritten.

The total capital outlay on the project is estimated at Rs. 110 lakhs, which will be met by the share capital of Rs. 75 lakhs, a loan of Rs. 30 lakhs from the Industrial Finance Corporation of India and a loan of Rs. 5 lakhs from bankers. The factory will be located near Moradabad in Uttar Pradesh. The collaborators will assist the company in designing the factory layout and supply technical know-how. They will also train Indian technical personnel in their factory in the USA.

STEWARTS AND LLOYDS

Stewarts and Lloyds India Limited, a subsidiary of Stewarts and Lloyds Ltd., of London, is entering the capital market early in January next year with a public issue of 220,000 equity shares of Rs. 10 each at a premium of Rs. 15 a share, with a view to financing the expansion of its steel tubes fabrication unit at Calcutta as well as setting up a new factory in Bombay. The authorized capital is Rs. one crore in equity shares of Rs. 10 each. The issued, subscribed and paid-up capital is Rs. 53.83 lakhs. Now the company will be issuing 261,710 equity shares of Rs. 10 each at a premium of Rs. 15 a share. Of this, the directors and their friends will take up 20,000 shares, while the TISCO has agreed to take up 21,710 shares and the balance of 220,000 equity shares is now being offered for public subscription. The company has already purchased the necessary land in Bombay for the new factory and has arranged with the Indian Tube Co. Ltd. for the supply of the steel tubes and other raw materials. The capital outlay on this project is estimated at Rs. 72.50 lakhs. The company has also purchased land at Madras for future expansion.

CENTRAL INDIA SPINNING

The total turnover of the Central India Spg., Wvg. & Mfg. Co. Ltd., for the year 1963-64 was Rs. 663 lakhs, as against Rs. 614 lakhs during the previous year. The net profit for the year, after providing Rs. 20,45,517 for depreciation, amounted to Rs. 24,81,824. At a meeting of the Board of Directors held on November 24, 1964, the Directors decided not to recommend any dividend on Preference shares of the Company in view of the accumulated losses carried forward from the previous years.

A.C.C. MAINTAINS DIVIDEND

The directors of the Associated Cement Companies Ltd., propose to maintain the dividend of Rs. 12 per share for the year ended July 31, 1964. The company has been paying this rate of dividend for the last five years.

CHAIRMAN'S SPEECH

LIFE INSURANCE CORPORATION OF INDIA



Statement by Shri B. K. Kaul I.C.S.,
Chairman, at the Hundred and
Second Meeting of the LIFE
INSURANCE CORPORATION OF INDIA
Held in Bombay on 30th November 1964

The draft of the Annual Report and the Statement of Accounts for the period 1st April, 1963 to 31st March, 1964 have been circulated and are now before us for consideration.

The country suffered an irreparable loss in the sad and sudden demise of Jawaharlal Nehru. At its meeting held on 29th June, 1964, the Corporation passed a resolution placing on record its deep sense of sorrow at the passing away of our beloved Prime Minister. The Corporation was proud to recall the privilege of having him on 26th December, 1963 in Bombay to declare open its new headquarters, 'Yogakshema', and his inspiring words on that occasion which would guide the Corporation in carrying on such activities from 'Yogakshema' as would contribute its humble share in the various tasks of national reconstruction so dear to him.

NEW BUSINESS

During the year under review, our new business amounted to Rs. 703 crores under 16.46 lakhs policies as against Rs. 746 crores under 17.68 lakhs policies in the previous accounting period. As that period comprised of 15 months while the period under review covered 12 months only, a direct comparison of the figures is not possible. However, the new business performance during the year under review may be evaluated by comparison of business completed in the period 1st April, 1962 to 31st March, 1963. During this period the Corporation completed a business of Rs. 708 crores. There has thus been a slight reduction in new business.

The rise in the cost of living during the year under review as also the introduction of the Compulsory Deposit Scheme, which affected the tax-payers, had their inevitable repercussions on our business. In addition to this, natural calamities like famine conditions in some parts of the country and excess rainfall in others also had their adverse effect on our business. The shortfall in business is only marginal and, in the context of the prevailing conditions, the achievements should be considered as fairly satisfactory.

FIRST INSURANCES

As many as 11.54 lakhs policies, forming 70.5 per cent of the total policies issued during the year, were taken by persons who were insuring for the first time. The corresponding figure for the previous accounting period of 15 months was 12.22 lakhs policies, being 69.5 per cent of the total policies issued. This confirms the trend of growing insurance consciousness and

gives satisfaction that the message of insurance is being taken to more people who have hitherto not availed of life insurance protection for their families.

RURAL BUSINESS

5.85 lakhs policies assuring Rs. 209.40 crores were issued to people in rural areas. The corresponding figures for the accounting period of 15 months ending 31st March, 1963 being 6.77 lakhs policies assuring Rs. 233.45 crores. The classification of urban and rural areas is the same as adopted in the 1961 Census.

The scheme for collection of premiums through selected Post Offices in rural areas, where banking facilities do not exist, which was operating in Jaipur District of Rajasthan, has since been extended to the whole State of Rajasthan. The Postal authorities have also agreed to extend the scheme to the States of Andhra Pradesh, Kerala, Madras and Mysore, and the details are being settled.

OFFICES

As on 31st March, 1964, we had offices in 251 out of the 316 districts and in 5 out of 10 Union Territories in India. We also had Development Centres in 32 of the remaining districts and in one of the Union Territories. The programme for 1964-65 is to open 2 Branch Offices, 3 Sub-Offices and 17 Development Centres.

NON-MEDICAL BUSINESS

During the year 7.21 lakhs policies assuring Rs. 164.87 crores were issued under the Non-Medical Schemes; 2.38 lakhs policies assuring Rs. 36.36 crores being under the Non-Medical General Scheme and 4.83 lakhs policies assuring Rs. 128.51 crores under the Non-Medical Special Scheme. It may be mentioned that under the Non-Medical Special Scheme, proposals are entertained for amounts up to Rs. 10,000 from special categories of persons in civil employment and also category A-1 of commissioned officers in the Armed forces.

SALARY SAVINGS SCHEME

Under the Salary Savings Scheme, we issued during the year under review 2.71 lakhs policies assuring Rs. 81.47 crores as against 1.93 lakhs policies assuring Rs. 61.03 crores during the previous accounting period of 15 months. I am glad that the scheme is proving popular with the employees and em-

ployers in general. More and more employees are coming forward to make the premium deduction a first charge on their salaries, thus ensuring insurance protection for their families with least inconvenience to themselves.

I am happy that in addition to the existing scheme for employees of Kerala State Government, satisfactory arrangements were made with the Governments of Rajasthan and Punjab for introducing the Salary Savings Scheme amongst their employees. In July 1964, similar arrangements have been made with the Government of Orissa.

GROUP INSURANCE AND GROUP SUPERANNUATION SCHEMES

New Business amounting to Rs. 12.30 crores was written during the year under the Group Insurance Schemes and under the Group Superannuation Schemes Life Annuities of Rs. 2.86 lakhs per annum were granted. The comparative figures for the previous 15 month period were Rs. 10.49 crores and Rs. 5.05 lakhs respectively.

BUSINESS IN GOA

The policies issued by the erstwhile Portuguese Companies to Indian citizens resident in Goa, Daman and Diu vested in the Corporation as from 8th June, 1962, which has been fixed as the Appointed Day while applying the Life Insurance Corporation Act to these territories vide notification issued on 29th February, 1964 by the Government of Goa, Daman and Diu. How to meet the deficit in respect of this business is being discussed with the Central Government.

FOREIGN BUSINESS

During the year the Corporation issued 8,532 policies assuring Rs. 10.21 crores in the foreign countries where it is operating, as against 9,498 policies assuring Rs. 11.24 crores during the previous accounting period of 15 months. For the sake of comparison, it may be mentioned that during the period April 1, 1962 to March 31, 1963 the Corporation issued 8,885 policies assuring Rs. 10.58 crores. The slight set-back in the business is due to a shortfall in business in Mauritius and East Africa. At other places there was satisfactory progress.

BUSINESS IN FORCE

The total business in force as at 31st March, 1964 was Rs. 3,571 crores under 103.28 lakhs policies as against Rs. 3,165 crores under 95 lakhs policies as at March 31, 1963, thus recording 12.8 per cent increase during the year under review. I may mention that the business in force as at 31st March, 1964 is almost three times the business in force of all the Insurers taken together as at 31st December, 1955.

LAPSE RATIO

The ratio of lapses to mean business in force was 8.2 per cent during the year as against 8.1 per cent during the period 1st January, 1962 to 31st March 1963. The impact of the general economic conditions and of the Compulsory Deposit Scheme on the saving capacity of the insuring public would be expected to have an adverse effect on the lapse ratio. From the very slight increase in the lapse ratio, it appears that the various steps which the Corporation took to control lapses are bearing fruit and the rising trend has been arrested.

VALUATION

During the year the Fourth Valuation of the Corporation's business as at 31st March, 1963 was completed. Usually the Corporation's business is valued biennially but consequent upon the change in the accounting year of the Corporation, it was decided that the Fourth Valuation should cover the 15 month period ending 31st March, 1963. As a result of this Valuation, Rs. 25.03 crores were allocated to the participating policies.

The rates of reversionary bonus allowed to the policies issued by the Corporation were increased from Rs. 16 per thousand sum assured per annum to Rs. 17.50 per thousand sum assured per annum in the case of Whole Life Policies and from Rs. 12.80 per thousand sum assured per annum to Rs. 14 per thousand sum assured per annum in the case of Endowment Policies. In the case of policies issued by the erstwhile insurers corresponding increased bonuses were allowed in accordance with the scheme of differential bonuses.

UNDERWRITING OF FEMALE LIVES

As a result of the review of the conditions for grant of assurances to female lives, a new categorisation for grant of such assurances has been adopted and Joint Life Assurances on the lives of husband and wife have been re-introduced, subject to the condition that both should be earning and the amount of insurance should be commensurate with their separate incomes.

PREMIUM AND OTHER INCOME

The premium income for the year under review amounted to Rs. 146.32 crores against Rs. 150.38 crores in the previous accounting period of 15 months.

The total income for the year under review was Rs. 179 crores as against Rs. 185 crores during the previous accounting period of 15 months.

LIFE FUND, INVESTMENTS AND TOTAL ASSETS

The Corporation's Life Fund as at 31st March, 1964, was Rs. 808.36 crores, registering a handsome rise of Rs. 88.80 crores over the adjusted Life Fund at the beginning of the year.

Of the total investments in India of Rs. 707.60 crores, the Public Sector accounted for 75.5 per cent, Co-operative Sector 4.3 per cent, the Joint Sector 1.0 per cent and the Private Sector 19.2 per cent. During the year, 70 new issues were agreed to be underwritten to the extent of an aggregate sum of Rs. 13 crores.

The total assets of the Corporation as at 31st March, 1964, amounted to Rs. 880.57 crores as against Rs. 785.94 crores as at 31st March, 1963. The net increase in the assets of the Corporation, since its inception, amounted to Rs. 466 crores.

RATE OF INTEREST

The income from interest, dividends and rents before deduction of income-tax was Rs. 38.25 crores as against Rs. 39.38 crores during the 15 months ended 31st March, 1963. The gross rate of interest realised on the mean Life Fund was 5.11 per cent per annum as against 4.76 per cent per annum during the previous accounting period.

The net rate realised was 4.07 per cent per annum against 4.08 per cent per annum during the previous accounting period. The net rate of interest has not increased commensurately with the increase in the gross rate due to the fact that a refund of tax of about Rs. 4.04 crores in respect of the previous accounting period has not been received in the year as the income-tax assessment of the Corporation had not yet been finalised. If this refund of tax of Rs. 4.04 crores had been received in the year, then the net rate of interest would have been 4.61 per cent.

EXPENSE RATIO

The overall expense ratio for the year has come down to 27.5 per cent from 29.3 per cent in the previous accounting period of 15 months. The Renewal Expense Ratio has also come down from 14.13 per cent to 12.46 per cent. This is gratifying because the reduction has been achieved in spite of the increase in salaries and allowances of employees in Classes II, III and IV.

CLAIMS

During the year the claims inclusive of bonus additions amounted to Rs. 33.86 crores under matured policies and Rs. 10.80 crores under policies becoming claims by death. The total claims for the year amounted to Rs. 44.66 crores as compared with Rs. 43.96 crores in the previous accounting period of 15 months. The outstanding claims as at 31st March, 1964, amounted to Rs. 14.91 crores as against Rs. 13.55 crores as at 31st March, 1963.

The percentage of outstanding claims as at the end of the accounting period to claims arising during the period has been gradually coming down. It was 49.9 per cent for the year 1959, 40.8 per cent for the year 1961 and 33.4 per cent for the year under review. We are constantly endeavouring to reduce delays in settlement of claims. During the year a "Service to Claimants Campaign" was initiated and our Branch Managers and Assistant Branch Managers called on a large number of claimants personally to render them assistance for early settlement of claims. This form of service to the claimants will be rendered as a part of the normal settlement procedure hereafter. I hope that our efforts will bear fruit and with the co-operation of the public we shall be able to speed up claim settlement.

BUILDING ACTIVITIES

During the year, apart from the Divisional Office at Varanasi and buildings at other places, our Central Office building "Yogakshema" was completed and was opened at the hands of the late Prime Minister, Jawaharlal Nehru.

MORTGAGES

As I mentioned in the last report, the "Own Your Home" Scheme came into operation from the 1st of January, 1964 at 26 centres. It has since been extended to further 49 centres and it is proposed to extend it to two more centres from the 1st January, 1965. The earlier scheme for grant of loans on immovable properties which was in operation in 26 centres was extended to 10 more centres.

In addition to the schemes mentioned above, we are advancing loans to State Governments for financing the Middle Income Group Housing Schemes, the Rental Housing Schemes, the Village Housing Project Scheme, the Low Income Group Housing Scheme, Plantation Labour Housing Scheme and Land Acquisition & Development Scheme. Loans are also granted to Co-operative Societies formed by employees of the Corporation and a scheme has been introduced for grant of loan to individual employees of the Corporation for purchase or construction of houses. The total assistance given by the Corporation to housing development under these various schemes up to 31st March, 1964 amounted to Rs. 62.78 crores.

PUBLICITY

The Corporation continues to do vigorous publicity work both in the urban and rural areas, using a wide variety of media. Emphasis is being placed on outdoor publicity and use of audio-visual media in the shape of films, slides, and slide-ons exhibited in 2,500 theatres throughout the country and through the Corporation's publicity vans and projection units in the outlying rural areas. I am proud to mention that the total publicity efforts has won for the Corporation the I.S.A.-Khatau Gold Medal awarded by the Indian Society of Advertisers. The presentation is being made today at the hands of Smt. Indira Gandhi, Union Minister for Information and Broadcasting. I am also happy to mention that the Corporation's House Magazine, 'Yogakshema' was awarded the first prize in the category of English periodicals (other than Annuals) at the Ninth State Awards instituted by the Ministry of Information and Broadcasting.

GENERAL INSURANCE

Implementing the decision taken during the year under review, with the approval of the Central Government, the Corporation has started transacting all kinds of General Insurance business from 1st April, 1964. We can now look forward to giving complete and comprehensive insurance service to the public to suit their varying needs. I may mention that although the Corporation is not a member of the Tariff Committee of the Insurance Association of India, we have adopted the tariff rates for the present. It is, however, open to us to revise the rates in due course in the light of our own experience.

ELECTRONIC DATA PROCESSING

The Corporation has decided to install two Computer Systems, one at Bombay and the other at Calcutta. These machines will ultimately replace the existing Adrema and Punch Card machines and are expected to do the job more efficiently yielding more information to the management to bring about an improvement in the servicing to policyholders and agents. I may reiterate that this decision will not lead to any retrenchment in the existing staff.

ORGANISATIONAL SET-UP

A reorganisation scheme was prepared during the year and it was to be implemented in stages. Since representations were received from members of the public, from institutions and other bodies, further steps in the implementation of the scheme have been deferred. In the meantime, a review of the scheme, in the light of the points raised in the representations is being made.

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 the people.

Public Appointment

MAKERERE UNIVERSITY COLLEGE-UGANDA

APPLICATIONS are invited for Lecturership in Agricultural Economics, with special reference to either Agricultural Marketing or Statistical Analysis (including computer programming). Appointment on contract terms for one tour of 21-24 months initially, with possibility of renewal and with terminal gratuity of 25% (or if in F.S.S.U., 15%). Secondment arrangements welcomed. Salary scale £1,550 — £2,350 p.a. including expatriate allowance of £350 p.a. Entry point according to qualifications and experience. Part-furnish quarters at rent not exceeding £114 p.a. Expatriate appointees receive: education allowances; up to five adult economy class air passages on appointment and leave (3 months every 21 months); sea passages on termination; additional children's air passages for children educated overseas. Detailed applications (6 copies) naming three referees by 20 January, 1965 to Secretary, Inter-University Council for Higher Education Overseas, 35, Bedford Place, London, W.C.1., from whom further particulars may be obtained.

December 4, 1964

ANNOUNCEMENT REGARDING THE PROPOSED ISSUE OF CAPITAL

THIS IS ONLY AN ANNOUNCEMENT AND NOT A PROSPECTUS AND PERSONS INTERESTED ARE REQUESTED TO APPLY FOR A COPY OF THE PROSPECTUS FOR FULL DETAILS

INTERNATIONAL TRACTOR COMPANY OF INDIA LIMITED

Registered Office: Gateway Building, Apollo Bunder, Bombay-1.

EXISTING AND PROPOSED ACTIVITIES

The Company has been promoted jointly by Mahindra & Mahindra Limited, Voltas Limited and International Harvester Company, Chicago, U.S.A. with the immediate object of manufacturing and marketing agricultural tractors, implements and allied attachments and spare parts, thereof. The Company holds industrial Licences Nos. (i) L/10-1/N-6/59 dated 2-9-1959 and (ii) L/10(1)/4/60-A.E.I. dated 15-6-1960, for manufacture of 3,500 tractors and matching implements per annum on single shift basis.

The Company holds Import Licence for Rs. 92,70,000 CIF, for import of machinery. Orders for machinery have been placed with suppliers abroad.

The Company has received import licences for Tractor components valued at Rs. 30,00,000. Production will commence early in 1965.

LOCATION

Factory buildings are nearing completion on approximately 38 acre site at Akurli Village, Kandivli, near Bombay.

BOARD OF DIRECTORS

- MR. KESHUB MAHINDRA (CHAIRMAN) (Indian), 45, Nepean Sea Road, Bombay-6. (Industrialist).

Chairman:

Mahindra & Mahindra Ltd., Mahindra Owen Limited, Dr. Beck & Co. (India) Ltd., Turner Hoare & Co. Ltd., and others.

Director:

Kaiser Jeep International Corporation, U.S.A., Union Carbide India Ltd., Ceat Tyres of India Ltd., Reserve Bank of India, Western Area Local Board, Machinery Manufacturers Corp. Ltd., Mysore Cements Limited, Otis Elevator Co. (India) Ltd. and others.

- MR. BROOKS MCCORMICK (American), 1530, North State Street, Chicago, Illinois, U.S.A.

Executive Vice-President:

International Harvester Co., Chicago, U.S.A.

Director:

International Harvester Co. of Canada Ltd., International Harvester Export Company, Chicago, U.S.A., First National Bank of Chicago, U.S.A. and others.

- MR. RUSTOM FURDOONJI SORABJI TALYARKHAN, (Indian), Lyndewode House, Cumballa Hill, Bombay-26.

Managing Director:

Voltas Limited.

Director:

Roche Products Ltd., Scottish Indian Machine Tools Ltd. and others.

- MR. HARISH CHANDRA MAHINDRA (Indian), 65, Nepean Sea Road, Bombay-6. (Industrialist).

Chairman:

Mahindra Ugin Steel Co. Ltd., Press Syndicate Ltd., Indian

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BOOKS BRIEFLY

Worker Participation in Management

Experiments in Industrial Democracy: By Nabagopal Das; Published by Asia Publishing House, Bombay; Pp. 175; Price Rs. 16.

THE AUTHOR has attempted an analysis of the causes which have been responsible for the slow progress of the scheme of worker participation in management in India. The socio-economic circumstances in this country, according to Mr. Das, are not yet conducive to the introduction of this refined technique in management. The credit for the success of the experiments in industrial democracy in Western countries goes to the traditions of political democracy which are more firmly rooted there than they are in India. Moreover, the developed economies have provided higher standards of living and various social security benefits for the workers, thus creating a more congenial climate. The basic essentials of a good life having been assured, the workers there could look forward to something concrete and substantial in a participation scheme. It also needs to be conceded that employers in those countries are progressive and are always keen to adopt new ideas. These prerequisites for worker participation in management are sadly lacking in India.

The book under review has no less than twelve chapters out of which six are devoted to an examination of the joint consultation arrangements in the UK, the USA, France, Germany, Sweden and Yugoslavia. One full chapter is devoted to an evaluation of the practices prevalent in Europe and America while the beginnings of joint consultation are also discussed in a separate chapter.

Joint Consultation

In the United Kingdom, worker participation in management has generally been in the form of joint consultation. According to Mr. B. C. Roberts, consultative committees have generally turned out to be an extension of collective bargaining. It is almost a universal experience to find management complaining that the union members do not understand the purpose of joint consultation.

Instead of a single, specific pattern emerging, in the USA worker participation has burst forth into several forms. The main pillars of the worker participation movement in the United States are voluntarism and economic liberalism, accepted by both labour and industry. Precisely for these reasons, there is no set or rigid pattern.

In France, the degree of participation by workers in management has varied considerably from undertaking to undertaking. Several independent studies have underlined the fact that the agencies of participation, i.e. the works committees, did not work effectively in discharging the functions assigned to them by law. A recent ILO study stated that the functions of works committees were often confined simply to managing the firm's welfare schemes.

German workers do not have any effective say in the decisions of the management. Says Abraham Shuchman: "Despite the enactment of the Co-determination and Plant Organisation Laws, the ultimate decision and responsibility in German enterprise remain in the hands of the management. The laws have established an elaborate mechanism for worker

participation in the making of enterprise policies, but when one looks beyond the mechanism to the essential rights labour has secured, one must conclude that these are almost entirely rights of co-operation, not rights of co-determination, and certainly not a right of co-decision."

Worker participation developed in Sweden essentially through the voluntary efforts of workers and employers. Behind these voluntary efforts lay the traditional liberalism of the people and their deep-rooted love for self-government. Consequently, despite occasional spurts of Syndicalism and revolutionary trade unionism, the radical doctrine of workers' control never took firm root in Sweden.

No simple solution has been suggested in the book; only action that could be initiated along certain lines by the Government and the employers has been indicated. Although three parties are involved, viz., Government, employers and workers, the author however is of the opinion that the suspicion and hesitancy of workers stem largely from the acts of omission and commission by the first two parties. He, therefore, suggests that the Government must view the situation as a whole and not in the limited context of worker participation in management. Instead of pinning its faith on joint management councils as the only, or event the main, panacea for labour troubles, the Government should encourage management to hold such other types of consultation with workers as are considered appropriate to the conditions prevalent in an undertaking. In a recent report to the Government of India, an expert of the Ministry of Labour from the UK, sent out by the ILO to advise on the development of management policy with regard to personnel and industrial relations, observed that consultation arrangements work best where they are tailor-made to the needs of the organisation or are allowed to grow gradually as and when they are recognised. With a view to creating a better atmosphere, Mr. Das recommends that "both Government and employers must take steps to (a) reduce the present abnormal disparity in earnings between those at the top and those at the bottom, (b) help the growth of a strong and responsible trade union movement and (c) encourage collective bargaining on a much larger scale than at present. A special responsibility rests on the more enlightened managements of our country. To prove the bona fides of employers as a class, they must give a lead to the more hesitant and persuade the latter to come out of the shell in which they have imprisoned themselves. Finally, the programme of workers' education and the training of managers in modern management should be extended and developed with vigour, so that, in course of time, conditions become more favourable for the injection of a further dose of industrial democracy."

Mr. Das has, without doubt, handled a delicate subject in a skilful manner; the employers, the employees and the Government will all benefit from a reading of this book.

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RECORDS AND STATISTICS

The Profit Motive—II

This is the second instalment of passages from the pamphlet "The Profit Motive", published by E. I. Du Pont De Nemours & Company, the well-known American firm and a world leader in the chemical and allied industries:

COMPETITION : *The persistence of rivals assures social control of the profit system. Here, Government performs its greatest service by keeping the channels of competition open.*

In the economic arena, as in political life, there is a need for checks and balances. There must be some way to assure that the profit system operates for public as well as private gain. That assurance is provided by the lively force of competition.

As long as profit seekers are free to contend with one another, the interests of society are well protected. The urge for profit may suggest a high scale of prices, but the presence of competition suggests a low one, and each vendor must be guided accordingly. Should one merchant set a scale his customers find unconscionable, his rivals would quickly spirit his business away. The more valuable and desirable the product he offers, the greater the chances to sell it at a handsome profit — and the more attractive that segment of the market will be to other producers or distributors. Thus, competition, both real and prospective, constantly adjusts the market to society's needs.

There is a large body of regulation pertaining to commerce. However, with few exceptions, the principal contributions of

THE PROFIT GOES : *The way the pie is cut has a lot to do with the future prospects of the economy, as well as the immediate return to the investor.*

The distribution of profits involves much more than slicing up the net gain at the end of the year. Profits are an important agent of economic improvement and growth as well as an immediate reward to the investor. They are divided accordingly, with some of the profits paid to the owners and the remainder reinvested in the hopes of gaining a greater return in the future.

By earlier traditions of commerce, the division of profit was simple and prompt. Most ventures were temporary in nature, and were financed on a project-by-project basis. When a voyage ended and the goods had been sold in the town market, any outstanding loans were repaid. Whatever was left constituted the owners' profit, and was usually subdivided on the spot.

Today, the owners' rights are no less manifest. However, the perspective has changed, and so has the scale of capital needs. It is no longer possible or prudent to finance all growth through borrowing or through the sale of new shares of ownership. Vast as the U.S. money market is, it could not indefinitely fill all requirements of a business system now investing more than \$35 billion a year in new plant and equipment.

PATTERNS OF PROFIT : *Profits have slumped while other indices of prosperity have soared.*

In a period of rapid advance on many economic fronts, corporate profits have proved to be listless. Their refusal to climb in parallel with the nation has serious implications. This not only affects the corporate stock-holder, but also could

regulatory agencies are indirect rather than direct. They help keep the channels of competition open, prohibiting business practices and combinations which would restrain trade, and offering a guarantee that all men have the right to enter a field of commerce if they wish to try.

The major exceptions are "regulated" industries such as railroads and bus lines, gas and electric companies, and the telephone system. Here, unbridled competition could bring less rather than more service to the consumer. Imagine, for example, the consequences of having rival electric companies supplying power at different volages. (Such a condition actually existed at one time in England, with chaotic results). Where competition is deliberately curtailed, though, the opportunities to profit also are held in check. Rates and schedules are controlled by public regulatory bodies.

In the much larger segment of the market that is free from such regulation, competition is the relentless and unorgiving master of all businesses. Neither size nor age exempts any company from its dictates.

Moreover, today's business units operate not as transients, but on the assumption of permanence. In incorporated businesses, shares of ownership are transferable, surviving the original holder. Two-thirds of the nation's commerce is conducted by this form of organization. The remaining one-third is carried out in proprietorships and partnerships. These are less enduring in legal structure, but their owners nonetheless regard them in enduring terms. Commonly, they reinvest part of their profits just as corporations do.

Two factors place special emphasis on the need for reinvested profits. In companies such as Du Pont, comparatively inexpensive machinery has given way to installations controlled by panel boards. Per pound of output, they are marvels of efficiency, but their cost is calculated in millions of dollars. The increase in the cost of tools brought about by advancing technology, coupled with inflation, makes it impossible to finance replacements through depreciation allowances alone. Funds on hand will not cover the needs. Businesses are permitted to set aside each year, tax free, a portion of the money they have spent for plant and equipment. However, that depreciation allowance is not adequate to meet the bill. Money has to be taken from profits to make up the difference.

limit the nation's future growth and cut the number of new jobs available.

The economic pattern of the past 15 years shows that the total output of goods and services of USA has advanced steadily

December 4, 1964

EASTERN ECONOMIST

ly with minor interruptions. Corporations have demonstrably increased in value. Pay and fringe benefits of employees have more than doubled. Yet corporate profits have shown no sustained uptrend in absolute measure, and have actually declined when measured in relative terms.

Were the problem of concern only to stockholders, it would be wide enough in consequence. The corporations of the US are owned by an estimated 17 million people. With their families, they represent an important segment of the population, and in a period of such remarkable prosperity one may well ask whether their investment has been adequately rewarded. Yet, the problem extends beyond them to encompass all citizens.

An economic climate which discourages the investor, or leaves his company with too little growth money, inevitably curtails employment and expansion opportunities. It has become increasingly more expensive to equip workers with the tools of production. That expense can be met, and new

PROFIT'S BLURRED IMAGE : *Few deny the need for profit, but we are all made to suffer through misunderstanding and vague misgivings about profit seeking.*

Because the profit system contributes so broadly to man's freedom and range of choices, society might reasonably be expected to approve and encourage it. In point of fact, profit making has as often been condemned as applauded, and the profit maker has frequently been relegated to the lowest position in the moral order. To assess the role of profit in society, it is therefore necessary to consider its ethical as well as its economic rationale, and ask how profit seeking gained such a dubious reputation. On analysis, it seems to stem more from confusion than from questions of principle.

Profit of itself has no moral connotation, of course. It is inanimate, and incapable of good or evil. What has been called to question is the motives of those who pursue it. Almost from the beginning of the Judaeo-Christian epoch, money making has been regarded with some suspicion and distrust. At particular points in history, the strictures of religion and the restraints of law have been focussed against the accumulation of profit, with the attack defended on Biblical grounds.

It is essential to note, though, that what was really subject to attack was not profit seeking, but abuses committed in its name. For example, Christ was not protesting the function of the money changers when he drove them from the temple.

WHAT PROFIT BRINGS : *The profit system is fruitful indeed, stimulating gains in research, expansion of production, and creation of jobs.*

In any reasoned judgment of the profit system, the accomplishments of the United States must weigh heavily. More than any other major nation, the U.S. has built its economy around an open market chiefly governed by the search for profit. The success of that effort is measured in tens of millions of jobs, hundreds of billions of dollars of national income, and the creation of a vast and productive technology.

The role of profit in the promotion of science and engineering is everywhere in evidence but frequently overlooked. The synthesis of new materials, the creation of new drugs to cure and prevent disease, and the astonishing production feats of industry gain quick attention, but few observers pause to

jobs created, only if there is an expectation of reasonable profit. Producers can invest only to the extent that there is reasonable hope of a fair return and recent profit records, if extended into the future, will hardly encourage the creation of new plants and employment opportunities.

Obviously, if there is to be economic growth the necessary money must be on hand, along with the inclination to invest it. That too is a problem. Retained earnings have supplied a declining portion of the total corporate funds. More and more corporate funds have come from external sources and from the depreciation allowance. Borrowed money, of course, has to be repaid, and the depreciation allowance merely represents recovery of money invested in previous years. Strictly speaking, then, neither of these two sources represents a potential for future growth. Only retained profit can be considered as a growth fund, and a persistent rise in costs has prevented this source from serving its full role in stimulating expansion. The downward drift in retained earnings thus is a particularly sobering and ominous trend.

Many currencies were in use at the time, and an exchange system was needed. What offended Christ was the despoilment of the temple by rapacious men who sought quick fortunes by preying on their fellow citizens. So it was when St. Paul protested the lust for "filthy lucre", when the organised church unleashed its wrath against the usurers of the Middle Ages, and when society voiced its many other protests against greed and avarice. At stake were issues of personal morality and civic injustice, and the failings of men who sought private gain to the exclusion of social or spiritual good. Under attack, as well, was an economic system that is now long dead and in no danger of resurrection. Wealth was centred in the hands of a few individuals and organisations, some of whom simply hoarded it. However, the economic systems of earlier centuries bear little resemblance to the present structure, with its focus on useful investment, its wide dispersal of savings, and its checks and balances.

As for the profit motive itself, it deserves no disfavour from those concerned with spiritual issues. It has, in fact, been specifically defended in such memorable writings as The Parable of the Talents and St. Paul's correspondence with his fellow Christians. As Paul said in his first letter to the Corinthians, "The ploughman ought to plough in hope, and the thresher ought to thresh in expectation of partaking of the harvest."

credit the important function of profit in this panorama of technical progress. Yet the fact is that profit is both a direct and indirect contributor to America's technical proficiency and future prospects. The profit system pays the bills for research, and provides the stimulus for expansion.

The U.S. now spends more than \$15 billion a year on research and development, and supports a technical staff of nearly 1.5 million people. About three-fourths of the work is performed by private industrial firms, working to their own account or as contract agents undertaking research for the government. By its nature, research is often too abstract and basic to suggest immediate prospects for profit. In Du Pont, for example, \$59 million was spent in 1961 for pioneer-

ing studies, much of it for projects of no immediate commercial utility. Nonetheless, in the long range if not at the moment, such projects hold promise of producing profitable products. It is this promise of profit that justifies the investment of the stockholders' money in technology.

The other one-fourth of U.S. research and development

FOR FREEDOM'S SAKE

Any political or economic system can establish some link to the profit motive, but none has established as close a kinship as the free society, and none stands to gain as much from the liaison. For the free society, as the most spirited and venturesome economic organisation yet devised by man, can make maximum use of the creative function of profit, and derive proportionate benefit.

Static or tightly controlled economies often have been directed away from the idea of the competitive, open market. The record of many peoples, from ancient Egypt to modern Russia, gives evidence that such alternative approaches are not total failures. It is possible to allocate resources from a central command post. Where society changes little from one generation to another, trial and error combine to produce a workable if not particularly efficient assignment of men and materials to the tasks of survival. It is also possible, where individual profit is not available as an incentive, to gain greater output through coercion and punishment. In the long experience of mankind, the whip and shackle have been more in evidence than freedom and opportunity.

In a nation such as the United States, however, only the profit motive is an acceptable and adequate basis for the production and distribution system. Prosperous, volatile, and expanding, the U.S. economy requires a sensitive instrument to measure needs and allocate resources. Only the profit motive provides the needed sensitivity and it does it bril-

ly, automatically adjusting and retuning the economic mechanism in accordance with consumer demand. Of all man's automated tools and precision instruments, none is more dazzling in versatility and performance than this one.

Because the American society constantly increases its ambitions, its hopes, and its membership, the American economy faces a constantly growing demand for new products and services, facilities and talents. Only the profit motive provides a degree and variety of incentives equal to the task. It has served this function remarkably well, filling a vital role and making possible the transformation of a handful of colonies into one of the most impressive nations in history.

liantly, automatically adjusting and retuning the economic mechanism in accordance with consumer demand. Of all man's automated tools and precision instruments, none is more dazzling in versatility and performance than this one.

Accorded the same respect it has had in the past, kept free from arbitrary restraints, and permitted to offer rewards that are commensurate with the challenges, the profit motive can doubtless meet the larger needs of the future.

Above all, only the profit motive is consistent with the doctrine of individual freedom. Force and fear are not merely poor substitutes for liberty; they are its negation. Just as the franchise and the right of free speech are the manifestations of freedom in the political sphere, the profit motive is its economic manifestation. Kept vital and active by competition, the search for profit is a central element in the future prosperity of both the individual and the nation, and an inseparable part of our freedom.

(To be continued)

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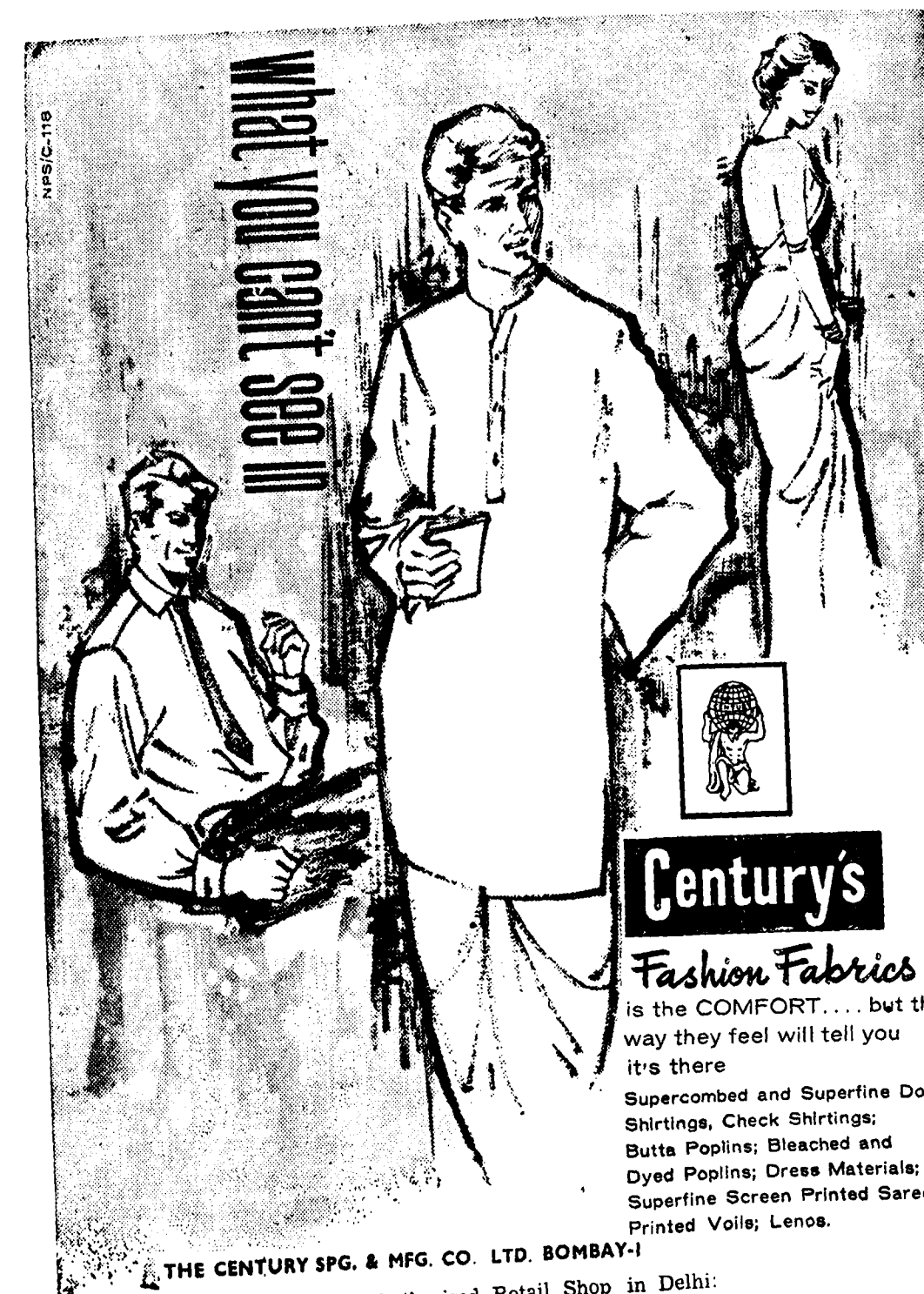
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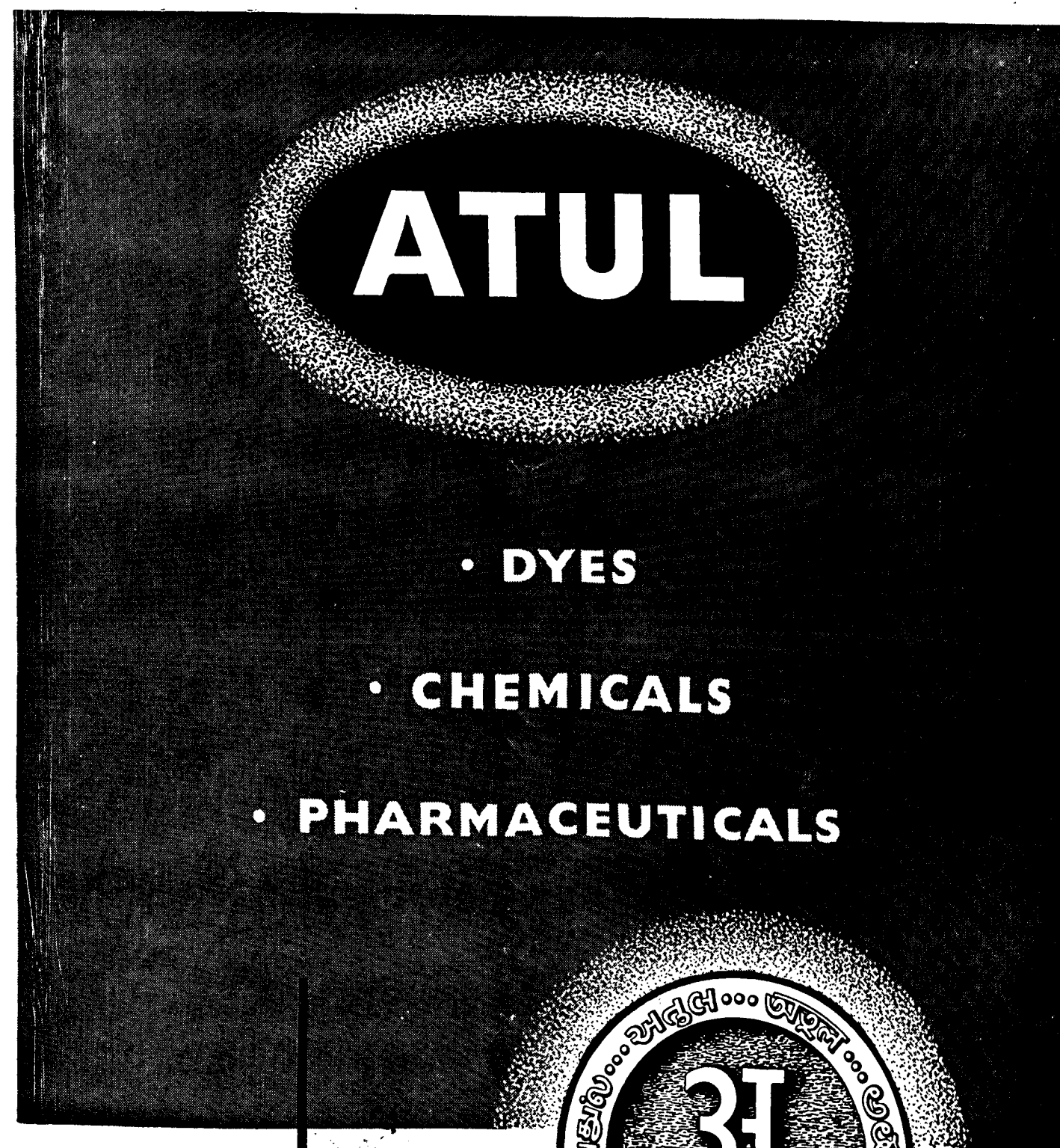
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We Are Not Impressed

MR. MASANI'S sharp attack on the Government's economic policies during the general debate in the Lok Sabha on the Bill to amend the Wealth Tax Act provoked the Finance Minister to a significant confession. Mr. Krishnamachari admitted that the Government's purpose at the present time was not the promotion of affluence but the prevention of acquisitiveness. This clearly is a negative attitude. The constructive purpose of any government which seeks to assume a large responsibility for the economic well-being of the community should surely be much more positive. Politicians, in any case, are not the best qualified to do battle against human weaknesses, such as greed, and it has been pointed out often enough that the worst form of acquisitiveness may well be the pursuit of power rather than the pursuit of wealth. It may be argued, of course, that wealth could be employed to pull the strings of power. That, however, is a thesis which the ruling party itself should rather find unacceptable since it is its publicly stated view that the financing of political parties by private sources of wealth, such as corporate funds, does not pollute the springs of governmental authority or integrity. The truth is that moralizing is an unprofitable game. This country has had enough of prophets, priests or preachers. What it needs now is some good government.

Good government means these days certainly more than the maintenance of law and order, although it must be admitted that many of us would be thankful even if only that first responsibility of the State is properly discharged. Especially in the case of a government which has taken it upon itself to plan and administer the economic life of the country, the people are unlikely to accept the proposition that its economic policies would have done their job by making life difficult for those whom the Finance Minister might consider to be guilty of "acquisitiveness". A community may perhaps afford witch-hunting as a passing pastime, but it surely cannot indulge in that luxury as its prime occupation. We must bluntly state that we, for one, are sick of being told that the Government's economic policies, which would otherwise have created a new heaven and a new earth, are being sabotaged by anti-social elements alleged to be active in this or that area of national life.

The plain fact is that the Government does not have a constructive and positive policy for securing the economic well-being of the people. If it were otherwise, its policies would certainly have secured the live support of the people and their active co-operation — in which case the allegedly acquisitive minority would surely have been rendered powerless for mischief. It is clear that the Government's policies do not have the advantage of a national consensus. It is at least equally clear that what are claimed to be the Government's policies do not even seem to enjoy general, not to speak of complete, support among the members of the Government itself or in the ruling party. The other day, for instance, Mr. S. K. Patil found it necessary to examine in public the alleged virtues of one of those sacred cows of Congress socialism — the Industrial Policy Resolution. Purists and pedants might question, if they like, the propriety of a Cabinet Minister challenging what is claimed to be a fundamental policy of the Government, but a more realistic reaction would surely be to attempt to realize the implications of a situation in which the Government's major policies are proving so demonstrably restrictive or sterile



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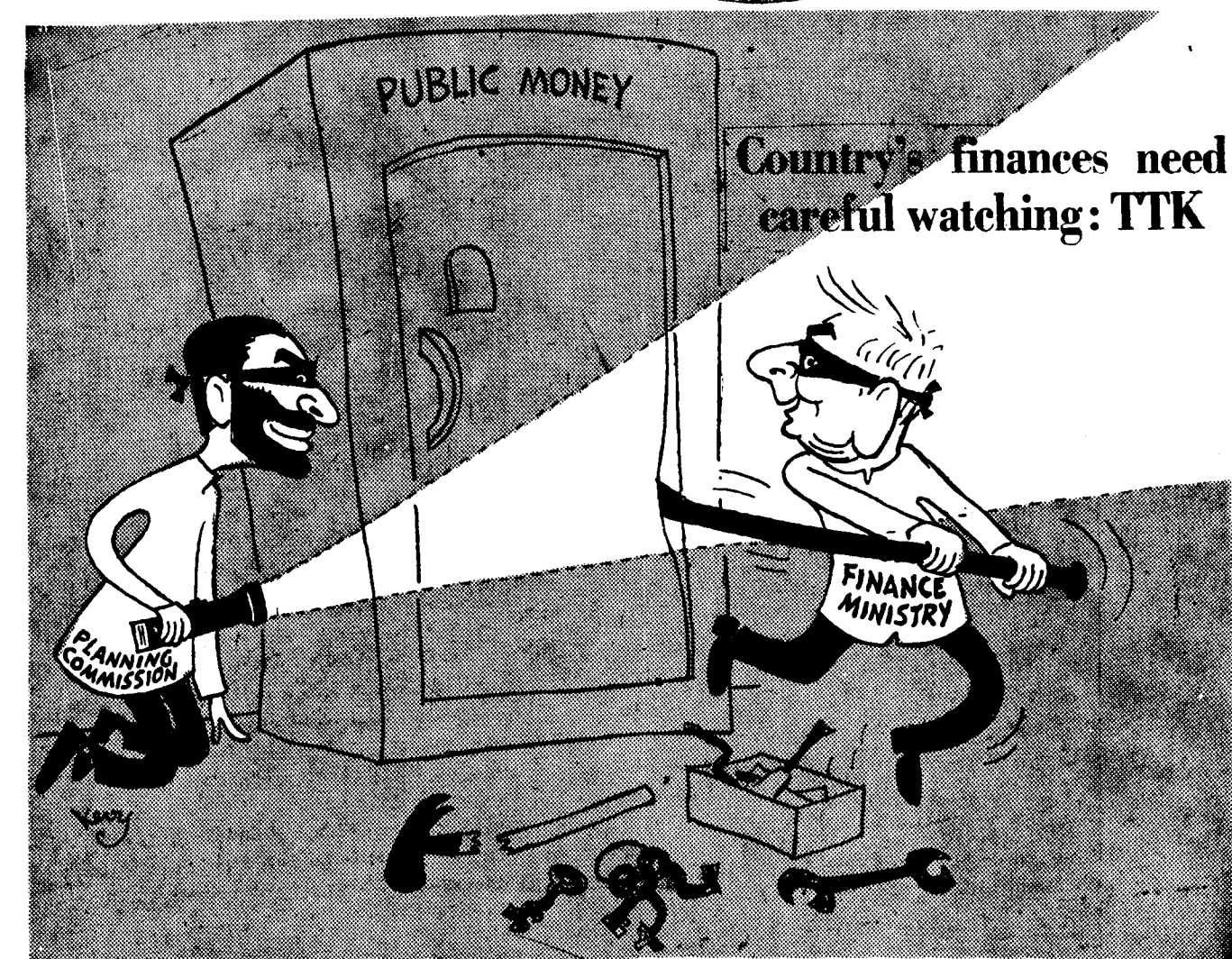
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Country's finances need
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that even a member of the Government is compelled to protest against them in public.

The Finance Minister declared in the Lok Sabha that the economic situation was extremely grim. How are the people expected to take it? Are they to stand up and cheer because a leader of the Government has had the honesty and courage to state the obvious. We must confess that we are not impressed. On the contrary, we must ask whether the Government is prepared to accept any responsibility for the economic situation having become extremely grim, and if so, what they intend doing about it. It was all very well for Britain's present Prime Minister to describe that country's economic situation as grim and expect his people to sympathize with him — because he has the advantage of having, as predecessor, a different set of people, a different government and a different party on whom the legacy could be blamed. But here in this country we have had one political party uninterruptedly in power for all the 17 years since independence. The personnel of government may, indeed, have slightly changed from time to time, but most of the present members of the Cabinet have been there for a great part of the time in high positions of seniority, responsibility and influence. Therefore we feel that we have both the right and the responsibility to ask the Finance Minister whether the economic situation could at all have become extremely grim had the official economic policies been even reasonably right. During all these 17 years the Government has been taking more and more authority to itself and the people have been called upon to bear more and more burdens. If then the economic situation has now become extremely grim, does not the Government owe an explanation to the people why it has so dismally failed in its management of the economic affairs of the nation?

We are not denying, of course, that some, or even considerable, progress has been made in the last 17 years. We do not intend either to enter into a fruitless debate over whether the result has matched the effort. We are content to take our stand on the Finance Minister's own responsible and expert assessment of the country's current economic situation which he has described as "extremely grim". That he has not exaggerated the economic outlook will certainly be readily granted. The Government's farm policies have largely failed to engineer an agricultural expansion with the result that our need of imported grain is increasing while our capacity for exporting even traditional surpluses of commercial crops is dwindling. These twin pressures on the balance of payments are becoming acute precisely at a time when the nation's maturing repayment obligations will also be straining its foreign exchange resources. As a result maintenance imports may have to be cut down below the levels of essentiality and that is not going to make things easier in industry where already the growth of production is slowing down. The pros-

pects for new industries could hardly be called bright in the circumstances. The capital market has been sick and ailing for some time now and two disastrous budgets have almost knocked it out. Steel development has been put back by at least two years by delays over Bokaro, while since 1958 very little additional cement capacity has come into existence. So there is a cement shortage. There is also a sugar shortage. If there is not yet a cloth shortage, it may be because shorter crops last year might have depressed rural purchasing power, while the sharp increase in the cost of living has certainly crippled the consumption standards of urban middle-class families. The slums, of course, are still there; only they are slummier than ever, whether in Calcutta, Bombay, Delhi or Madras. Over-crowding and rack-renting are as rife as ever even in the favoured cities where there is some concessional government housing for government employees. Power — not political power which is being abundantly deployed, but electric power — is short. Transport too would have been short were it not for the fact that the curve of economic growth is looking down. Schooling is becoming costlier, while jobs are becoming scarcer.

All this is part of how grim the "extremely grim" situation, of which the Finance Minister spoke, is. The question is how this situation could be dealt with. May not a part of the answer be that the economic policies which have been pursued so far should at least be examined anew, not indeed with the negative purpose of pursuing the allegedly acquisitive few, but with the positive aim of promoting the reasonable affluence within a reasonable period of the admittedly deserving many whose welfare after all is the excuse pleaded for all the self-aggrandisement of the State in this nation all the 17 years?

This issue (dated December 11, 1964) is the last one for this year. The next issue, which will be dated December 25, 1964 will be "Eastern Economist" Annual Number, 1965; its theme will be "The Nehru India: 1947-64". Jawaharlal Nehru had described our national endeavour in the social, economic and political fields as the mighty adventure of building a new India. "Eastern Economist" proposes to draw extensively, both on Jawaharlal Nehru's own speeches and writings and on Government papers and other documents to analyse critically the processes and progress of this mighty adventure. This account will not be merely eulogistic but will be a thoughtful assessment of the economic ideas, attitudes, policies and programmes of Jawaharlal Nehru. The Annual Number will be richly illustrated with statistics, charts and colour graphs and will adopt the latest techniques in the presentation of economic data.

Indian Rare Earths

THE INDIAN Rare Earths Limited — one of the leading foreign exchange earners of the public sector companies — is located in Kerala; it processes monazite and produces Rare Earths Chloride, Trisodium Phosphate and Thorium Hydroxide. It is of interest to examine the working of this enterprise during the last four years ending March 31, 1964 on the basis of the data published by the company.

The production and sales of the two main products of the company during the last four years are given in Table I below.

TABLE I.
PRODUCTION & SALES

Year	(In metric tonnes)			
	Rare Earths Chloride		Trisodium Phosphate	
	Production	Sale	Production	Sale
1960-61	1834	1858	1773	965
1961-62	2019	1992	2312	1957
1962-63	3274	2944	3049	3681
1963-64	3019	3161	3374	3788

It would be seen that production of the company has recorded a continuous growth. Along with the increase in output, the sales have also increased, showing that the company does not have to finance accumulated finished goods over any length of time. Notwithstanding this advantage, the company has been using its paid-up capital and reserves to finance its current assets. This fact is brought out in the summarised balance sheets of the company as at 31st March of 1961, 1962, 1963 and 1964 in Table II.

TABLE II.
SUMMARISED BALANCE SHEET

	(In lakhs of rupees)			
	1961	1962	1963	1964
Liabilities				
Paid-up capital	100	100	100	100
Reserves	(—)8	(—)3	5	15
Tax Provision	—	—	—	4
Current Liabilities	15	17	35	25
	107	114	140	145
Assets				
Net fixed assets	45	44	43	44
Inventory	12	18	20	18
Sundry Debtors	5	9	12	12
Loans and Advances	7	5	5	5
Short-term Deposits with Banks	35	35	53	61
Other cash and bank balances	3	3	7	6
	107	114	140	145

Not only has the company financed a considerable part of its current assets from paid-up capital during all the four years, but it has also invested a part of its funds in short-term bank deposits which stood at Rs. 35 lakhs in 1961 and progressively increased to Rs. 61 lakhs in 1964. Since during all the four years the company had paid-up capital much in excess of the net fixed assets, there is doubt that a considerable part of these short-term bank deposits came from paid-up capital, which is a long-term fund. Since the net fixed assets of the company have not recorded any growth during the four years under review, but have stabilised around Rs. 44 lakhs as against the paid-up capital of the company at Rs. 100 lakhs, there is reason to believe that while planning the financial needs of the company at the time of its formation, its requirement of fixed assets was overestimated and so was the paid-up capital. Be that as it may, the company could have either reduced its share capital later or at least invested the excess of paid-up capital in long-term fixed deposits with banks rather than in short-term deposits which carry a relatively lower rate of interest. Moreover, such misuse of long-term funds for short-term purposes results in misallocation of the meagre financial resources of the country.

The importance of exports to the company may be seen from the fact that its entire production of Rare Earths Chloride has been exported during the last two years. The total sales of the company in 1962-63 and 1963-64 amounted to Rs. 60 lakhs and Rs. 69 lakhs respectively, of which Rs. 45 lakhs and Rs. 52 lakhs were from exports. Against this the company's foreign exchange bill (imports) is hardly Rs. 1.5 lakhs a year for the purchase of spare parts. Since about three quarters of the sales income of the company is derived from abroad, it would be interesting to see whether the sales are profitable. The rate of net profit (that is profit after depreciation but before tax) on the sales of the company during the last four years is summarised in Table III.

TABLE III.
RATE OF NET PROFIT ON SALES

	1960-61	1961-62	1962-63	1963-64
Net profit (Rs. lakhs)	3.54	1.91	10.73	14.57
Sales (Rs. lakhs)	28.47	35.77	60.17	69.41
Rate of profit (net profit as a percentage of sales)	12.4	5.3	17.8	20.9

In computing net profit, credit has not been given for interest receipts and other miscellaneous receipts, since they have not been earned by the sales of the company. It would be seen from Table III that the

company is making a fairly high rate of profit on its sales. In 1961-62 the rate of profit was lower and this was due to (a) the fixation by the Government of India of an annual ceiling of Rs. 9.79 lakhs for Thorium Hydroxide, produced at Alwaye. This was the amount paid by Government when the plant treated about 1361 metric tonnes of monazite during 1960-61. The company treated 1797 metric tonnes of monazite during 1961-62 and therefore the sum of Rs. 9.79 lakhs was spread over 1797 metric tonnes as against 1361 metric tonnes in 1960-61. While this assisted in reducing the *pro rata* cost of Thorium Hydroxide, it did not reduce the unit cost of production of rare earths to the extent it did during 1960-61 and (b) imposition of excise duty on caustic soda and hydrochloric acid.

The rate of return earned by the company after tax on the total capital employed and the rate of dividend paid by the company on the paid-up capital subscribed by Government are given in Table IV.

It will be seen that although the rate of return on capital employed was low in the first two years, it rose to as high as 15.5 per cent in 1963-64 in spite of the fact

that the company was over-capitalised. It speaks well of the management of the company. The rate of dividend could have been higher but for the high capital base.

TABLE IV.
DIVIDENDS AND RATE OF RETURN

	(Rs. lakhs)			
	1960-61	1961-62	1962-63	1963-64
Dividends	—	—	4.50	7.00
Profit before tax and after depreciation	5.12	4.17	12.48	22.52
Paid-up capital	100.00	100.00	100.00	100.00
Total capital employed ..	115.44	118.24	140.06	145.07
Rate of dividend (dividend as a percentage of capital employed)	—	—	4.5	7.0
Rate of return (net profit as a percentage of capital employed)	4.4	3.5	8.9	15.5

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there are such projects as Hindustan Cables Ltd., which do not compete with the private sector and whose output is altogether consumed by the Government. In such cases the question of profitability does not arise because it will amount to taking out money from one pocket of the Government and putting it in the other. Most of the industrial projects in the public sector, it is stated, have still to overcome "teething troubles" and are not in a position to show high profitability because they still have to attain maturity.

There is, however, a small number of public sector undertakings which have shown encouraging results. To this category belong Hindustan Machine Tools Ltd., Hindustan Cables Ltd., National Instruments Ltd., Nepa Mills Ltd., and Hindustan Salts Ltd. As the table below shows, most of these public sector companies showed substantial improvement in their working in 1962-63, compared to 1961-62. Three out of these five companies declared net profit as a percentage of net worth at more than 10 per cent in 1962-63 which is the private sector's level of profitability as indicated in a recent Reserve Bank study relating to 1,333 large public limited companies. In the case of the remaining two, this percentage has been between 7 and 8, with prospects of improvement in the coming years. The net profit of National Instruments Ltd., in 1962-63 for example, worked out to 8.4 per cent of the net worth. The 1963-64 results of this enterprise are expected to show a significant improvement over 1962-63 because some of the grievances of the employees have been removed which, it was felt, was the basic cause of the relatively poor performance in 1961-62 and 1962-63. Similarly, in the case of Hindustan Salt Limited, conversion of the rock salt mines from a losing proposition to a profit-making one will alter the level of profitability significantly.

It must be conceded that many of the Public sector units have got entangled in bureaucratic administration. Their intrinsic faults remain rigidity, red-tape and lack of interest at all levels. If some of the public sector units are able to show good working results, it is because of the privileges enjoyed by them, with the exception of Hindustan Machine Tools Ltd., and one or two others. The hope of a continuous rise in the profitability of public sector companies is a misplaced one. The memorandum of the fourth five-year Plan has stipulated that at least 12 per cent rate of return would be available from these companies. As things stand today, there is very little possibility of these undertakings coming up to that level.

	Gross profit as a percentage of capital employed		Net profit as a percentage of net worth	
	1961-62	1962-63	1961-62	1962-63
Hindustan Machine Tools Ltd	14.0	21.4	17.7	17.9
Hindustan Cables Ltd.	8.9	12.9	6.9	10.6
National Instruments Ltd.	2.0	11.1	5.0	8.4
Nepa Mills Ltd.	9.1	10.0	10.1	10.6
Hindustan Salt Ltd.	9.9	9.9	7.3	7.3
Private Sector*	10.0	10.0	9.0	10.0

*Reserve Bank study relating to 1333 selected large public limited companies.

EXIT PRIZE BONDS

ONE OF the pet schemes of the Union Ministry of Finance will meet its end next month. Mr. B. R. Bhagat, Minister for Planning and Minister of State for Finance, revealed at the two-day session of the National Savings Central Advisory Board in New Delhi this week that the Government had decided to discontinue the Prize Bonds Scheme after the sales for the current calendar year came to an end at the close of this month. The experience of the scheme, he said, had not been happy. The Five-Year Interest Free Prize Bonds, which were sold between April 1960 and June 1962, would mature for payment in April next year. A sum of Rs. 20 crores would be needed for this purpose. The rules regarding the savings certificates are proposed to be amended to allow for conversion of the maturing prize bonds into savings certificates.

The dismal end of the Prize Bonds Scheme should act as an eye-opener for the Ministry of Finance. New schemes for raising funds are started with great enthusiasm but not enough attention is paid to details so as to keep up the interest of the people in the schemes. Another scheme which may, for the same reason, soon face heavy weather is the UTI which started its operations about five months ago. The fixation of the re-purchase price of the units at Rs. 10 (as against the sale price of Rs. 10.50) has caused resentment among the unit-holders. It is true that the rules and regulations of the Unit Trust of India permit a difference of 5 per cent between the issue price and the re-purchase price of the units. But the trustees of the UTI have not cared a bit about the unit-holders in distress who would receive no return on their investment in case they liquidated them. If the unit-holders had deposited their savings with the banks on short-term basis instead of investing them in the units, they would have been able to get at least some return, say three per cent.

The Minister stated at the National Savings Central Advisory Board's meeting that the small savings schemes had made rapid progress and the net collections under them in 1963-64 had attained an all-time peak at Rs. 127 crores. The trend in the collections during 1964-65 was also upward. The collections till the end of October, for example, at Rs. 62 crores were an improvement by Rs. 10 crores over the corresponding period in the preceding year. He expressed the hope that the target of small savings at Rs. 600 crores for the third Plan period would be achieved. The State Bank of India has agreed to lend its assistance for the sale of savings certificates. It has undertaken the sale of savings certificates at as many branches as possible. The certificates, which will be sold through the State Bank of India, would be identical with those sold through post offices, though they would belong to a different series.

The Minister revealed that according to the findings of a recent study, a large number of persons in the higher income brackets were making investments in small savings schemes as they wanted to take advantage of tax concessions. Even after so many years of publicity, the small savings movement had not taken roots amongst the people of small means. The movement, he said, must be built up from below "where people in thousands contributed to small savings even if these came in dribbles." In fact, this was the precise objective of starting the small savings schemes which, unfortunately, has not been realised. Out of Rs. 120 crores collected by way of small savings in 1963-64, as much as Rs. 51 crores came from provident fund investments and Rs. 16 crores from interest on post office savings bank deposits. It means that the savings schemes made less than half of the total contribution. Unless some fresh thinking is done to popularise the basic ideas of small savings, the movement is likely to lose whatever momentum it has gained in the recent past.

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Tax Laws to Plug Loopholes

By Our Parliamentary Correspondent

NEW DELHI:

ADOPTION OF the Finance Minister's two Bills — the Wealth Tax (Amendment) Bill and the Foreign Exchange Regulation (Amendment) Bill — by the Lok Sabha and the successful passage of the Food Corporation Bill in the Rajya Sabha provided the highlights of last week's proceedings in Parliament.

The Wealth Tax (Amendment) Bill was primarily intended to mould the Wealth Tax Act to fit into the general scheme of direct taxes. The Wealth Tax Act, 1957, followed the pattern of the Income Tax Act, 1922. Since the law relating to income-tax had been modified by the Income Tax Act, 1961, and several changes of form and substance had been made in this Act to check evasion more effectively and to ensure prompt collection, it was considered necessary that the provisions of the Income Tax Act pertaining to collection and recovery, grant of refunds etc., should be adopted for the Wealth Tax Act as well. A few other amendments had also been incorporated in the Wealth Tax (Amendment) Bill in the light of the experience gained in the operation of the Wealth Tax Act.

The Foreign Exchange Regulation (Amendment) Bill proposed: (a) to empower the Reserve Bank of India to control the transfer of shares of a foreign company from a register outside India to a register in India and to regulate the giving of guarantees by persons resident in India in respect of debts or liabilities of persons resident outside India; (b) to control and regulate payments or remittances in favour of a non-resident in pursuance of any settlement of property by will as well as by gifts; (c) to control and regulate the appointment of foreign companies, firms or branches thereof as the agents or advisers of companies and firms in India; (d) to require airlines, shipping companies and travel agents to obtain the general or special permission of the Reserve Bank of India in respect of international travel bookings; (e) to include provisions on the lines of Rule 132A of the Defence of India Rules, 1962, prohibiting unauthorised dealings in foreign exchange brought in by tourists and tightening the control over such dealings; (f) to confer additional powers on officers of the Enforcement Directorate similar to those conferred by the Customs Act, 1962, on officers of the Customs Department, in regard to search and arrest of persons, search of conveyances and premises and summoning of persons to give evidence and produce documents, etc.; (g) to increase the strength of the Appellate Board from two to three members; and (h) to confer a right of appeal to the High Court on questions of law from decisions or orders of the Appellate Board.

Frontal Attack

In a fairly interesting debate, the Wealth Tax (Amendment) Bill came in for a frontal attack from the Swatantra Party spokesmen, Mr. M. R. Masani and Mr. N. Dandekar. They opined that the Bill violated the principles of jurisprudence and would adversely affect capital formation. Mr. Masani characterised the Bill as a "primitive idea of socialism." While the Government had adopted Prof. N. Kaldor's idea of taxing the idle wealth, it had failed to give incentives proposed by him for stimulating economic growth, he added. Mr. Masani particularly objected to the provisions in the Bill which would have the effect of meting out to persons who make mistakes in evaluating their assets, treatment reserved for criminals. The onus of proving concealment of wealth, he stressed, should be on the authorities. Mr. Masani also vehemently opposed the enormous powers sought to be given by the Bill to the authorities to raid the houses of persons suspected of possessing assets disproportionate to

their incomes. Mr. Dandekar expressed the view that under the guise of socialism, a good deal of Communistic legislation was being enacted by the Government. He was opposed to the Bill for practical reasons. Under Clause 7 of the Bill, he said, a good principle of valuation of assets was sought to be destroyed. Mr. Dandekar wanted that in the interest of fostering economic growth, investments in new industries should be exempted from wealth tax. The Bill, however, received strong support from the leader of the official Communist group, Prof. Hiren Mukerjee. The income-tax and wealth tax laws, Prof. Mukerjee said, must be made more stringent because persons with big incomes did not disclose their assets correctly. Prof. Mukerjee also suggested strict enforcement of taxation laws in the interest of reducing economic disparities. The Jan Sangh spokesman, Mr. U. M. Trivedi, wanted that in view of the importance of the Bill, it should be referred to a Select Committee. While he was all for unearthing the hoarded wealth, he did not want innocent persons to be harassed by taxation authorities. The Bill received general welcome from the Congress members.

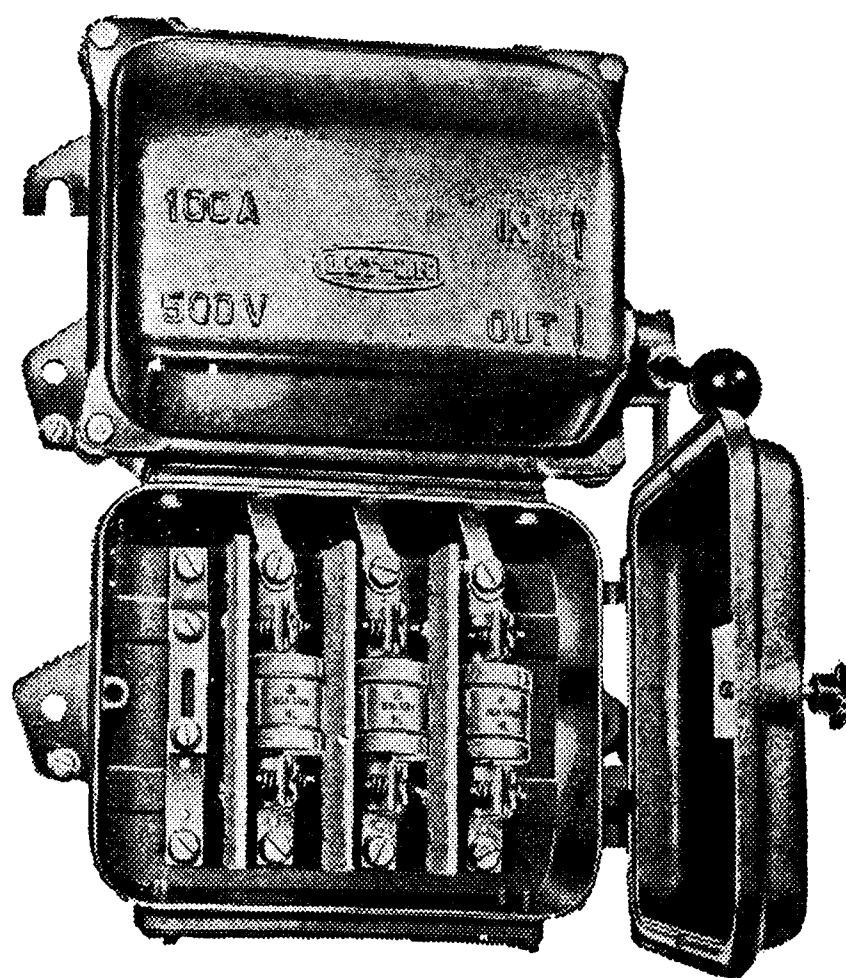
Acquisitive Instinct

Winding up the discussion, the Union Finance Minister, Mr. T. T. Krishnamachari, condemned the acquisitive instinct of certain sections of the people. This, he said, was responsible for the increase in prices, unwarranted by any economic laws or forces of demand and supply. Mr. Krishnamachari stressed that the Bill sought to curb the acquisitive nature of the people who were in a position to disturb the economic life of the country. He indicated that the Government would get very near to mastering the problem of black money in a year or two. The Minister of State for Finance, Mr. B. R. Bhagat, pointed out that the Bill provided sufficient safeguards against arbitrary raids of assessee's houses. Referring to Mr. Dandekar's plea that investments in new industries should be exempted from the wealth tax, Mr. Bhagat pointed out that income-tax rather than wealth tax exemptions were the proper way of encouraging and stimulating investments in new industries. The Bill was passed after the House had accepted a few official amendments, including the one which sought to exclude assets transferred after payment of gift tax from the net wealth of an individual for the purposes of computing wealth tax.

The Foreign Exchange Regulation (Amendment) Bill received good reception; almost all the members participating in the debate expressed concern at the tight foreign exchange situation of the country and the necessity to improve it. Mr. Dandekar, who opened the debate for the Opposition, drew the attention of the House to the abuse of export incentive schemes. He alleged that foreign exchange made available under this scheme was being hawked around. He also criticised State trading in exports; the activities of the STC, he said, sometimes resulted in loss of foreign exchange to the country as the goods sold by it to some countries were passed on by them to other countries. Prof. Hiren Mukerjee attacked the policy of foreign private investments, which, according to him, were growing dangerously. He wanted a close scrutiny of the collaboration terms to prevent payment of fantastic rates of royalty. Mr. R. R. Morarka (Congress) preferred restrictions on remittances to restrictions on appointment of agents. Mr. Sachin Chaudhuri (Congress) suggested that in order to remove any fear of the misuse of powers by officers dealing with foreign exchange regulations, procedure should be laid down to be followed by these officers. Prof. D. C. Sharma (Congress) demanded summary trials of people violating foreign exchange regulations.

Moving the Bill for consideration earlier, Mr. T. T.

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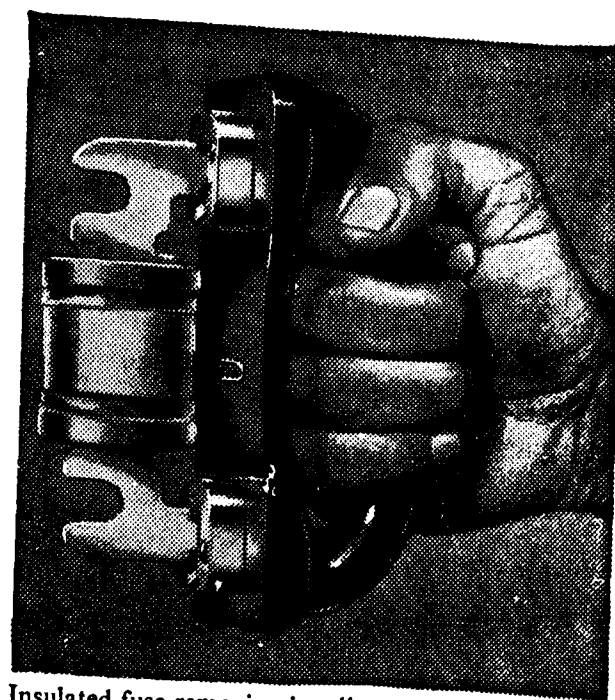


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Highlights of the Week

P.M.'S PILGRIMAGE

AFTER A four-day visit to the United Kingdom, the Prime Minister, Mr. Lal Bahadur, returned to New Delhi on December 6, 1964. In a statement made in Parliament three days later he said that he was "much impressed and touched by the warmth of friendship" for this country amongst the Government and other leaders of public opinion in the United Kingdom. With Mr. Harold Wilson, the UK Prime Minister, and his other Cabinet colleagues, he had an opportunity to discuss fully and frankly a number of problems which included the international situation, problem of peace, disarmament, United Nations, the proposal regarding multilateral force, programmes of assistance to developing countries, balance of payments problem of the United Kingdom and India's problems of development and defence needs. The Prime Minister further stated that the British leaders were of the opinion that in the complex and difficult world situation, personal discussions would assist the larger interest of world peace and disarmament and would also help in the promotion of economic and social progress.

The most important topic on which discussions were held related to the explosion of "a nuclear device" by the Chinese and its possible impact on the nuclear policy of the Government of India. Mr. Lal Bahadur reiterated the decision of this country not to go in for the manufacture of the atomic bomb. "India is determined", he said, "to pursue the path of peace and to work for the elimination of the nuclear menace which faces mankind today." A suggestion that it was the responsibility of the great nuclear powers, particularly the USA and the USSR, to evolve concrete steps for the elimination of the threat that overhangs mankind, is under consideration. Mr. Wilson who flew to Washington immediately after his meeting with Mr. Lal Bahadur is expected to discuss this aspect with President Johnson. Should this move catch the imagination of the USA and the USSR, it will be a great victory for the policy pursued vigorously by the Prime Minister ever since the explosion of the Chinese Bomb.

COMMON MAN AND THE PLAN

THE MEMORANDUM on the fourth five-year Plan, placed on the tables of both the Houses of Parliament on December 2, has in its last chapter some concluding observations which highlight the broad strategy to be adopted for the formulation of the fourth Plan. The emphasis, it is indicated, will be on diminishing the gap between planning and implementation. The priorities fixed in the memorandum show that "a substantial improvement in agricultural production" will receive the maximum attention. To the second order of importance will be along the basic consumer goods the supply of which at stable prices will be ensured. The heavy industries will be in the third order of priority. And in the final analysis, measures and policies subserving the interests of the common man would take precedence over other considerations. For the first time the common man has become the centre of attention of the planners. "The Plan", states the memorandum, "must have a positive content for the common man. He has suffered for long and time has come for him to be assured of his minimum requirements in respect of food, clothing, shelter, medical aid and education. He must get adequate return for his labour and full value for his money. The measure in which these essential objectives are achieved will be an important test of the success of the Plan."

How far will it be possible to attain these laudable objective? While emphasis has repeatedly been put in the memorandum on stabilisation of prices, the size of the fourth

Plan in terms of financial outlay shows that it may not be possible to keep prices under control. If the outlay of the Plan, ranging between Rs. 21,500 crores to Rs. 22,500 crores, is not matched with the anticipated growth in agriculture and other consumer goods, the history of the third Plan may be repeated. The size of the Plan, in fact, should be linked up with the performance in the primary sector of the economy. The rate of investment should be slowed down if it is noticed during the implementation of the Plan that the output of food and other consumer goods is not rising according to expectations.

Discussing the financial resources for the Plan, the memorandum has made no mention of deficit financing. The Union Finance Minister, Mr. T. T. Krishnamachari, has also made pronouncements recently that deficit financing would be eschewed during the fourth Plan period. The elimination of deficit financing altogether implies a greater tax mobilisation on the part of both the Centre and the States which, in turn, will mean evolution of "broad national policies for administration of complex measures like urban land and property taxation, taxation on agricultural incomes, pricing policies of public undertakings and so forth". Both the tax and non-tax revenues are expected to increase at an average rate of 8 per cent per annum. While urban land and property taxation and agricultural income taxation will, no doubt, yield additional revenue, the expectation of realising funds for expansion from the public undertakings may not be fulfilled.

On the trade account, it is estimated that the gap between imports and exports in the five-year period of the fourth Plan will be of the order of Rs. 2,100 crores. Imports are estimated at Rs. 7,200 crores as against Rs. 5,100 crores worth exports. During this period, a sum of Rs. 1,100 crores will have to be reimbursed to the countries extending us development loans — Rs. 500 crores by way of repayment of debt and Rs. 600 crores by way of interest. Thus the overall gap between payments and receipts of foreign exchange may be of the order of Rs. 3200 crores. If exports do not rise, for any reason, to Rs. 5,100 crores, the gap may be widened further. In line with the policy pursued in the preceding Plans, the fourth Plan strategy will be to reduce dependence on imports of commodities which can be produced within the country. An assurance is held out that domestic consumption would be restrained and the quality of Indian products would be improved so as to boost exports. What about providing high quality goods to the common man? The memorandum has maintained a discreet silence in this regard.

RATE OF RETURN IN PUBLIC SECTOR

THE PUBLIC sector projects have come in for severe criticism in recent months because of their disappointing performance. In many cases, the rate of return on capital employed has not been equal to even the Bank rate. Many a time, members of Parliament have raised this issue on the floor of the House demanding from the Government explanation for the inadequate performance of these public sector projects. Some sort of a defence has been put up by citing the cases of a few units which seem to have done better than the rest. While it is acknowledged that public enterprises should make substantial profits so as to provide resources for future expansion, it is explained that in certain cases, the Government had to embark upon some projects which had relatively "long gestation periods". In this category are put such projects as Heavy Electricals Limited, Heavy Engineering Limited, etc. There are certain other undertakings such as the National Industrial Development Corporation Ltd., and the National Small Industries Corporation, which were set up more to satisfy some of the social objectives than to earn profits. Again,

Krishnamachari referred to the decline in invisible earnings, in recent years, particularly from Malaya. These earnings, in the form of remittances from Indians in Malaya to their relations, he said, had declined from Rs. 18.9 crores in 1956-57 to a bare Rs. 3.1 crores in 1962-63. In his reply to the debate, Mr. Krishnamachari made three important observations. He ruled out concessions for attracting remittances from Indians abroad and declared that the Government would strictly adhere to its obligations to the International Monetary Fund. He had been informed, he said, that private remittances to the extent of £100,000 a week could come in if concessions were given. He knew that Pakistan was permitting pound-sterling to be brought at the rate of Rs. 18 to Rs. 20. But if India followed this practice, she would have to face the charge that her rupee was over-valued and should be devalued. The Minister conceded the need for greater flexibility in the matter of spending of foreign exchange allocation to an individual. An individual, he said, should be allowed to spend up to 25 per cent of his allocation on purchases without accounting for it. Mr. Krishnamachari favoured private foreign capital investments in India. Private capital investments, he said, did not carry with them any political pulls. While foreign loans were dated, the only regular remittances that were required to be made in the case of foreign private investments were on account of dividends. Even these remittances were not heavy as the private foreign investors could re-invest their profit within the country. No repatriation of capital was involved till an enterprise in which it was invested was nationalised or liquidated. Quoting the Indo-German Investment Guarantee Agreement, the Finance Minister added that even in the case of nationalisation, foreign investments could be repaid over a period of three years. In the case of liquidation, repatriation of capital could be spread over a period of six years. Absolute restrictions on remittances from India to foreign countries, Mr. Krishnamachari said, could not be enforced under the IMF code; they could only be regulated. Speaking in personal capacity, the Finance Minister warmly responded to a proposal that all administrative decisions should be scrutinised by the Supreme Court.

Among the other Bills passed by the Lok Sabha last week were the Mineral Oils (Additional Duties of Excise and Wages) Amendment Bill, the Payment of Wages (Amendment) Bill, and the Standards of Weights and Measures (Amendment) Bill.

Abrogating Art. 370

The other highlights of the last week's proceedings of the Lok Sabha were the debates on Mr. Prakash Vir Shastri's resolution seeking to abrogate Article 370 of the Constitution, which confers a special status on Jammu & Kashmir State, and the discussion of "manufacture, consumption and price of cars" raised by Mr. Mani Ram Bagri (SSP). Although Mr. Prakash Vir Shastri's resolution was lost despite the fact that during the debate on it, spread over three non-official legislative business sessions, members belonging both to the Treasury and the Opposition benches had spoken in its favour, it served the useful purpose of eliciting from the Union Home Minister, Mr. G. L. Nanda, an announcement that a Presidential order extending Articles 356 and 357 of the Constitution, entries 43 and 75 of the Union List and entries 33 and 34 of the Concurrent List to Jammu & Kashmir would be issued soon. Article 356 provides for the proclamation of President's rule in case of failure of the constitutional machinery in a State. Article 357 empowers Parliament to confer on the President the power of the State Legislature to make laws and also to delegate powers to specified authorities. Entry 43 of the Union List relates to incorporation, regulation and winding up of trading corporations, including banking, insurance and financial corporations but excluding co-operative societies.

Entry 78 refers to the constitution and organisation of High Courts. Entries 33 and 34 of the Concurrent List relate to trade and commerce in, and production, supply and distribution of, various industrial products, foodstuffs and other commodities as well as price control. Application of these Articles and the entries of the Constitution should strengthen the bonds of integration of the Jammu & Kashmir State with the Indian Union.

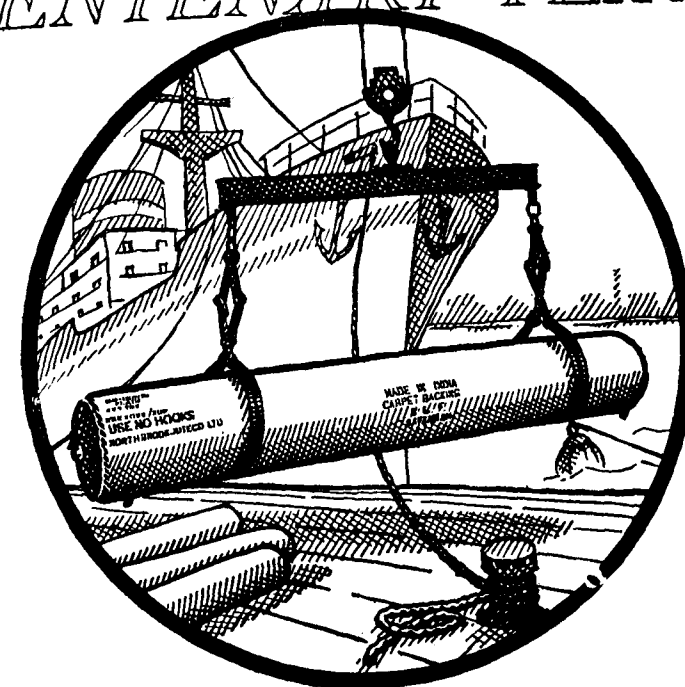
During the discussion on "manufacture, consumption and price of cars" a demand was made by both the Congress and Opposition benches that the Government should enter the automobile manufacturing field to produce a low-priced car. The Government was accused of yielding to the pressure of vested interests in shelving the small car project. Both the poor quality and high prices of the Indian cars were criticised by the members generally. But Mr. P. D. Himatsingka (Congress) pointed out that there was a misconception about the position of car manufacturers. The three manufacturers had a capacity to produce about 50,000 cars per annum, but the Government had not been able to give them necessary foreign exchange for the import of components and raw materials. Mr. Himatsingka expressed the view that it was better to expand an existing unit rather than set up a new one as the foreign exchange needed for the latter would be much higher. The discussion was not concluded and had to be postponed to a later day.

Welcome Measure

The Rajya Sabha debate on the Food Corporation Bill was more or less on the same lines as in the Lok Sabha. The Bill was generally welcomed by all the sections of the House. Most of the members who participated in the debate asked the Government to ensure that the producers got the major share of the price paid by the consumers and the traders were not allowed to corner stocks. The Swatantra spokesman, Mr. Anand Chand, hoped that the Corporation would not be turned into a monopoly with too many officers. He wanted the Corporation to supplement and not supplant the foodgrains trade. Winding up the debate, the Minister for Food and Agriculture, Mr. C. Subramaniam, expressed the hope that the Corporation would help the Government in implementing the policy of greater production, equitable distribution and reasonable prices. He reiterated that the Government might clothe the Corporation with powers under the Essential Commodities Act and the Defence of India Rules to enable it to requisition stocks should the necessity arise, and asserted that the proposal to set up the Food Corporation had no political ideology behind it; the decision was based purely on practical and technical considerations, taking into account the food situation in the country and also future trends. The Corporation, the Minister said, would build up a buffer stock of foodgrains and would make purchases both within the country and abroad. For purchasing foodgrains abroad, the Corporation might have to establish offices there. Mr. Subramaniam added that it was his intention to have as many non-officials as possible on the Board of Directors of the Corporation. Producers would also be represented on the Board. The Corporation would utilise the services of wholesalers and co-operatives in its purchasing operations.

Intervening in the debate later on a non-official resolution asking for the appointment of a 25-member Parliamentary Committee to recommend measures to tackle the food situation, the Food and Agriculture Minister told the Rajya Sabha that he proposed to re-orient the agricultural set-up by reorganising the administrative machinery and effecting better co-operation between the Centre and the States; as soon as the Government's new agricultural policy was evolved, a White Paper would be presented to Parliament during this session or early in the next session. Mr. Subramaniam rejected the

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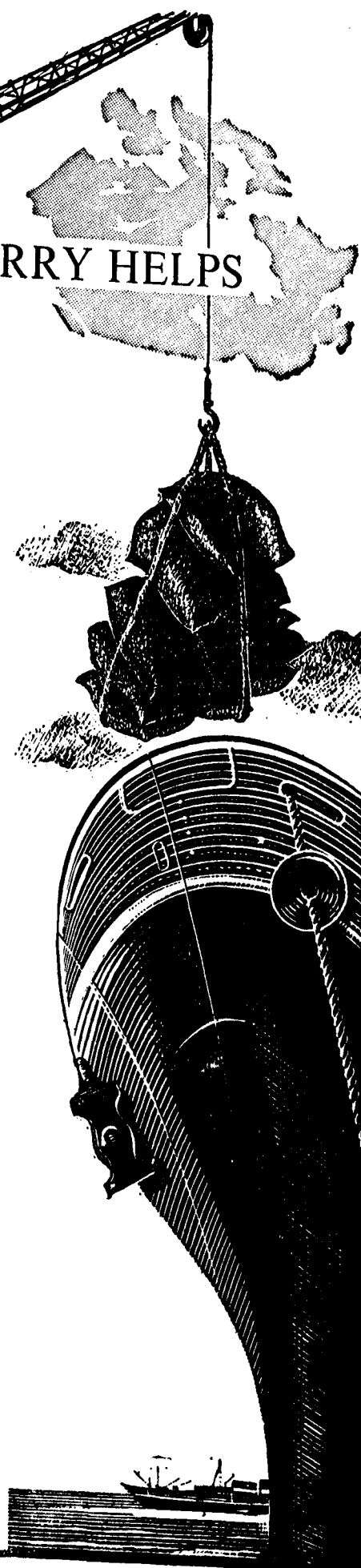
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demand for making agriculture a Central subject. If this was done, it would only create more difficulties between the Centre and the States, he said. The Minister also opposed the resolution for setting up the Parliamentary Committee on the ground that the constitution of this Committee would sidetrack the food problem. He was, however, considering the suggestion of Dr. B. R. Sen, Director-General of FAO, for setting up an agricultural commission, he said.

Question Hour

Rupee's Value : The Minister of State for Finance, Mr. B. R. Bhagat, refuted in the Lok Sabha on December 3 the suggestion that the internal value of the rupee had gone down to 17 paise. He also denied that the value of the rupee in foreign countries had slumped and that the rupee needed rejuvenation. The Union Minister for Finance, Mr. T. T. Krishnamachari, added that the fall in the value of the rupee in unofficial exchange transactions abroad was not a matter on the basis of which the strength of the economy of the country or the stability of the rupee could be judged. The Government and trade channels dealt in foreign exchange only at the official rates. Explaining the reasons for the difference between the official and the non-official rates of rupee in terms of dollars, Mr. Krishnamachari said it might be that a lot of people were going outside India and perhaps they were prepared to give more rupees for the dollar or the pound-sterling. Mr. Bhagat further said that the present rise in prices could not be attributed to the change in the currency value.

Public Sector Returns : Mr. Bhagat told the Rajya Sabha on December 2 that the public sector industrial and commercial enterprises, other than the departmental enterprises and Hindustan Steel, had shown a net return of 7.8 per cent (on the capital invested) during 1962-63 as compared to the net return of 5.2 per cent during 1961-62. The three public sector steel plants, he said, reached their capacity production only towards the end of 1962-63. Provisional figures for 1963-64 indicated that Hindustan Steel was able to show a profit of about Rs. 14 crores in that year, after providing for depreciation but without providing for payment of interest, as against a loss of Rs. 6 crores in 1962-63. Besides, like the private steel companies, Hindustan Steel also paid Government excise duties and surcharge on iron and steel. The railways, Mr. Bhagat added, gave a net return of 7.4 per cent during 1962-63, as against 6.6 per cent during 1961-62. The electricity undertakings in 1962-63 showed a net return of 7.6 per cent, as against 7.2 per cent in the previous year. As for the fourth Plan, it had been suggested that most public sector enterprises should aim at obtaining a net return of 12 per cent.

New Gold Reefs : Mr. Krishnamachari told the Rajya Sabha on December 2 that a new gold reef had been recently discovered in the southern extension of the Kolar goldfields in Mysore. This reef had been developed so far only to a shallow depth of 63 feet, but deeper development had now been taken up. An extension of the Champion Lode, the major reef of the Kolar goldfields had also been traced in the southern part of the mine in an area hitherto considered barren. No definite figure for tonnage or grade of ore could be quoted at this early exploratory stage. Mr. Krishnamachari added that there was also a report from the Hutti goldfields that four new reefs had been discovered there.

Industrial Policy : The Deputy Minister in the Ministry of Industry and Supply, Mr. B. Misra, told the Lok Sabha on December 4 that no shift was contemplated in the Industrial Policy Resolution in respect of the allocation of industries between the public and private sectors.

Scoter Manufacture : Mr. Misra told the Rajya Sabha

on December 3 that in view of the shortage of scooters in the country, the Government was considering grant of new licences for manufacturing scooters.

U.K. Surcharge on Imports : The Minister for Commerce, Mr. Manubhai Shah, told the Lok Sabha on December 4 that India would lose about Rs. 10 crores a year owing to the surcharge levied by Britain on imports. While the Union Government sympathised with Britain in her balance of payments difficulties, the British surcharge would hit India's exports very hard. "We are very much concerned about this and have made suitable representations to the British Government", added Mr. Shah. The Minister, however, expressed the hope that Britain would agree to remove the surcharge at least on handloom products which provided a large amount of employment in India. Following the GATT Conference, a number of countries Mr. Shah said, had relaxed duties on commodities exported by the developing countries. These duty concessions had come into force recently, but the benefit to India was already apparent.

Cloth Availability : Mr. Manubhai Shah also told the Lok Sabha on December 4 that there was no scarcity of cloth anywhere in the country; State Chief Ministers had told him not to bother about the cloth position as there was no shortage. The price index, Mr. Shah added, showed that there was no increase in the prices of cloth during the last three months. The total cotton crop this year, Mr. Shah further stated, was a record one around 60.5 lakh bales. Imports during the current cotton year were expected to be about 9.5 lakh bales, including PL 480 imports from the USA. The large crop of indigenous cotton alongwith imports and the usual carry-forward from the last year would be adequate for increasing cloth production.

Fertilizer Manufacture : The Minister of State for Petroleum and Chemicals, Mr. O. V. Alagesan, told the Lok Sabha on December 4 that the Government had made it clear to the American Consortium which had come forward to assist in the setting up of fertilizer plants in India, that "we would like to have the controlling interest in the plants." The Consortium, Mr. Alagesan added, had undertaken a feasibility study for the establishment of an additional capacity of one million tonnes of nitrogen. The cost of this study would be between Rs. 12 lakhs and Rs. 19 lakhs. Fifty per cent of this would be borne by the Union Government in rupees. No payment had so far been made to the Consortium. Its report was expected in the beginning of the next year. Regular negotiations and the pattern of financing the plants would be discussed then.

Pig Iron Manufacture : The Deputy Minister for Steel and Mines, Mr. P. C. Sethi, informed the Lok Sabha on December 4 that apart from liberal licensing of capacity for the manufacture of pig iron in the private sector, the Union Government was setting up an additional blast furnace each at the steel plants at Bhilai and Durgapur by way of advance action for the expansion of these plants under the fourth Plan. The Government, Mr. Sethi added, was also considering the possibility of setting up of a low shaft furnace at Bhilai with a capacity of 150/200 tonnes of pig iron a day. The Deputy Minister further stated that feasibility studies had been commissioned at eight locations in the country with a view to setting up of a few blast furnace complexes for the production of pig iron. A technical committee had also been appointed to suggest measures for increasing the blast furnace efficiency at the existing steel plants by effecting technological improvements so as to increase pig iron production at these units. The Deputy Minister, however, did not expect self-sufficiency in pig iron to be achieved by 1967. After that year it might be possible to meet the domestic demand from indigenous production.

Financing Limits to International Trade

C. SURIYAKUMARAN *

INTERNATIONAL TRADE has now moved on to a stage when a number of financing problems seem to assail it with increasing force. True, finance has always been at the core of international commerce. The struggle for command over a universal means of exchange has been more at the root of the trading practices of nations than the exchange of goods itself — whether they were the practices of the mercantilist period, or of the heyday of laissez-faire, or even of current twentieth century liberalism. The past contradictions arising out of a mutual struggle for possession of 'gold', which led to what may be termed Keynesian and post-Keynesian thinking, and the attempts of recent years to reconcile national employment and development objectives with stable international commerce, are of course well known and do not call for recounting here.

The starting point for a discussion of solutions to current problems may conveniently be said to lie in two phenomena that exist today in the field of international trade and trade expansion. One of these is the alleged state of inadequate international reserves for the satisfactory finance of international trade. Although often described in a generalised way, it is essentially a feature that is of relevance among advanced countries. The gradual supplementing of gold with strong currency media, primarily dollars and sterling, has led to a situation where the stability of international finance is now dependent on the internal stability of the economies whose currencies are being used as international money. The recent pressures on Sterling and the Dollar have led to intricate swapping arrangements among central banks of advanced countries, aimed at sustaining the strength of the economies concerned and the stability of the international media used. Since the swapping arrangements do not constitute an addition to international reserves, but are really a reserve creation mixed with a reserve transfer, they do not bring a lasting increase in owned reserve. In the process, a new manifestation has emerged as to the meaning and content of reserves. In the meantime, those advanced countries which now are using Euro-dollars in massive proportions, have themselves very large owned reserves of international exchange media. These countries, and particularly those of the Common Market, have still not developed an international currency of their own. Perhaps if this occurs the apparent shortage of international currency reserves now felt would ease. It is still an open question, however, whether this is the proper basis for future financing arrangements as well.

Absence of Reserves

The second current phenomenon referred to earlier belongs to the developing countries. To these countries the problem of finance in the international sphere is not one of an inadequacy of reserves but one of its total absence. Their requirements do not get met by a mere accretion of 'gold', for the reason that any such increase will be fully spent. The inadequacy of the present nature and levels of international assistance, from the point of view of developing countries' need, is therefore not even an open question; it is well nigh self-evident. And so we have the insistent pressure from under-developed countries for primary product prices to be determined by considerations outside pulls of supply and demand, and for preferential zero tariffs on their raw materials and manufactured goods. The same situation has led to the increasing use of foreign grant and soft loan arrangements to

The subject of international liquidity has a long bibliography which has in fact intensified recently (Triffin, Bernstein, Kaldor, the 'Paris Club', to mention some active recent participants). No attempt is made therefore to list such references, even though in the discussion of current patterns in this article, certain points clearly derive from already published contributions, and some others are too widely known to be referred to sources.

The concentration in the agreement is in leading to the idea of 'local currency' settlements (wherein the globally deficit countries' currencies made out to the surplus countries in trade balance settlement, constitute the resources for the 'international fund') and the corollary arrangements relevant to such a scheme. This idea, implying automatic creation and adjustment of the required foreign exchange media for settling the net dues of international trade, is of course different from policies for quota contributions based on gold or for commodities as a currency base or for revaluation of gold etc. (whether with or without a world currency). It has links, however, with the multi-lateral clearing or pool clearing idea advanced in the past — e.g. by Schumacher as long ago as 1943 ('Economica', May issue), as also in some ways with the Bancor scheme. It is an interesting commentary that after all these years, the directions for resolving the problem of international liquidity should still lead substantially that way, though with adjustments in the light of years and new experience.

meet developing countries' import requirements. It is also worth noting, on the side of certain 'surplus' countries, and presumably many more in the future, that these countries have problems of surplus production in certain sectors for which it is in their own employment interests to seek export markets. Normally, in the absence of international reserves among potential importing countries, such export of surplus output should be rendered impossible. And so they still are in respect of some of the surplus output in many sectors, but need not be, if only the methods of international financing did permit it. While developing countries have been driven to ask for better primary product prices, yet one cannot escape the feeling that such approaches are no more than asking for free income transfer from advanced countries to under-developed countries, since the total requested incomes obviously exceed the economic value of their products. The fact that the terms of trade for raw materials vis-a-vis manufactured goods have been against the former is, after all, no more than an economic manifestation. As for the charge that there have been absolute falls in the terms of trade, there is hardly uniform opinion on this². In fact, rising prices on a long term trend for primary produce have been argued out as a historical fact.

We have, therefore, within the limits of these two phenomena in world trade, what is essentially an unnatural limitation on the scope of such trade imposed by the volume of monetary reserves available in the case of strong countries, and by the volume of international income transfer decided upon in the case of weak countries. In either case, the im-

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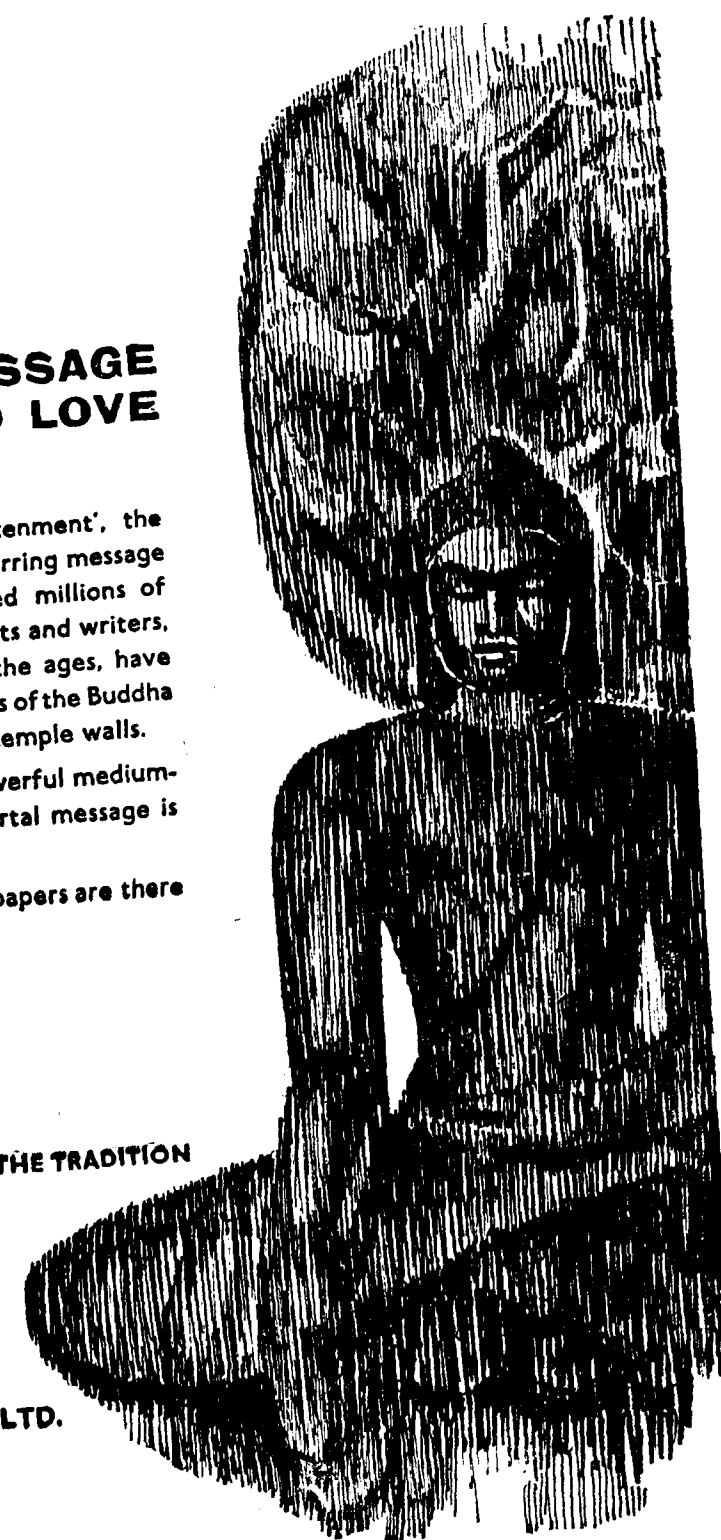
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* The author is a member of the Secretariat of the United Nations Economic Commission for Asia and the Far East at Bangkok. The views expressed herein, however, are his personal views and should not be interpreted as those of the Organization.

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port potential or export possibility is not determined by the internal economic capacity of the countries concerned, as would evidently be the case in the matter of trade between areas with one country. Clearly, the important missing factor at international level is the absence of a single currency. To achieve this or more correctly to re-outline financing methods in a way that would approximate to this, would be the ultimate problem for solution. Vigorous thinking has undoubtedly gone on, on this, for years — particularly since Bretton Woods and even, as some would claim, since the time of fixed exchange rate systems. What follows is an attempt, in the light of the doctrinal bases in current international financing, and in the light of what countries are in effect practising or working towards, to isolate the realities of trade finance.

In the interest of achieving our objective, let us try to go over some of the basic elements in international financing, which in a way are known well enough. As in most other spheres, however, the simpler elements in a process tend to be overshadowed by the complex operational features of a system, and as such tend also to be lost sight of after a time. Under present systems, there are, despite claims made for fixed exchanges as approximating to unified currency, important distinctions between national economic and international transactions. In the one case, the media of exchange are always the currency (or quasi-currency) and not reserves whether they be real or fiduciary. Reserves within a national system may, of course, be adjusted in an intra-bank sense, but the total structure of 'money' remains the same and is influenced by other factors and by conscious government policy. The limit to transactions by income holders' is, therefore, their income itself (or producing capacity) and not the position of gold or 'near gold'. In the other case, i.e. at international level, 'not' against 'note', or more properly book entries, will function as the media of exchange under a situation of equilibrating transactions. This is also the same as saying that the transactions take on the form of goods against goods. As soon as the trade flow ceases to be equilibrating, the foregoing does not hold good and settlements will then need to be made in gold or internationally accepted media, whose availability within national economies is determined not by national income (or money in circulation) but by the goods tradeable for such gold or allied media; not goods that could yet be produced internally but only such lines as could be exchanged for gold, dollars or sterling. In other words, the limit to international trade is set not by national income or producing capacity, but by the proportion of international media directly or indirectly available in total income. Viewed from the surplus country side, the size of the market in international trade is determined by the volume of goods available in exchange and not by total income and spending capacity of the physical market area concerned (i.e. the importing country).

Trading in Goods

Now, essentially international trade is not trade in gold or other similar media but in goods. And so, if one may elaborate in terms of an example, it is financed, say by the U.S. importer from Ceylon lodging his local currency (i.e. dollars) to the Ceylon exporter's credit in New York, and the Ceylon importer lodging his Rupees to the U.S. exporters' credit in Colombo. Since this implies a U.S. exporter and Ceylon exporter in the scene to equivalent value, the two holdings are extinguished by using the funds created in the transactions. If this were followed now by a transaction, where there was only a Ceylon importer (without a U.S. importer), Rupees to the U.S. exporter's credit will emerge in Colombo, which conceptually the U.S. exporter has to hold on to (because, of course, no Rupees will be sent to the U.S.), or more realistically the exporter's bank will hold on to, after paying the former a dollar equi-

valent. Under present international arrangements what obligations now emerge for Ceylon? Either there must be an exporter who could send an item of equivalent value to the U.S., or the country must stop its import obtained in the earlier equilibrating trade mentioned and settle the outstanding debt. If the U.S. bank is, however, prepared to hold on to the Rupees created in the second one-way transaction, (incidentally, the basic process of an international currency) there is no further debt and Ceylon's import limit is determined by the global demand for goods of its internal money income. Whether Rupees are so held or whether they are required by Ceylon exporting goods or gold, the U.S. exporter himself receives dollars from his bank and there the transaction for him is complete. When the U.S. finances an export beyond the equilibrating point, the financing system within the U.S. economy remains the same; it is only that the U.S. does not receive goods or gold or equivalent, but holds Ceylon Rupees. The position, therefore, is that internally exports are dollar financed (as always they are under any system) and externally in this case, are Rupee financed.

Cutting Down Exports

Now, it is worth noting that if the U.S. does not wish to adopt a system such as this in the case of an under-developed country (or even an advanced country placed in a similar position), the only course open to it is to cut down its own export and thereby depress its own employment and income levels; or, in the case of countries helplessly dependent on U.S. commodities, to maintain exports at the high disequilibrating level and create dollar re-payment obligations by deficit countries sometime in the future. From the point of view of financing, this is the same as the U.S. holding Rupees, except that, unlike under a unified currency, interest costs have to be met by the deficit country till such time as the latter exports adequate goods to wipe off the debt. Internally, within the U.S. economy, the position is the same whether the export surplus is paid for and received in Ceylon Rupees or is made out as a dollar loan to Ceylon. Dollar payments are made out to the private American exporter by his government in either case. Under either system, an imbalance is created within the U.S. economy between goods and money, with a consequent price pressure on national product which is larger by the amount of the exports unrequited by corresponding commodity imports. How far the U.S. as a surplus country would keep exporting beyond the equilibrating point would, of course, be determined by the capacity of the economy or more properly the U.S. budget, to husband surpluses or run deficits for exchanging dollars for the Rupee holdings of its banks. The parameters to trade are thus the economy's financing capacity on the surplus country side and the government and private income holders buying capacity on the deficit country side. Even under the present context, therefore, the availabilities of international reserves are not the limiting factor in trade for most deficit countries. The question is whether this should be pursued to its logical conclusion and a system accepted where 'local currency' holdings constitute payment in settlement, with the possessor of the currency using it as part of its international financing reserves. For the under-developed countries, the question is whether they should go on asking for higher prices for their primary product as what is essentially charity, in the face of natural economic determinants, and the alternative possibility of a payments system which gives all countries the chance of being in the same position as those that now have large gold and allied reserves.

In a situation where trade is between the U.S. (assumed for the present to be a surplus country) and another industrial country (assumed to be in deficit with the U.S.), the trade disequilibrium has to be settled ultimately either by an increase in imports by the U.S. or by suffering a cut-back in its

exports. The alleged fact of international reserves coming in to sustain a continuing flow of disequilibrating trade has over and over again proved illusory. As Keynes pointed out long ago, gold or allied media held as reserves are either sterile and, therefore, meaningless in that form, or they have to be used and, therefore, soon reach the limit of their capacity. The next stage, i.e. when there is no gold left, provides a more realistic limit, where the surplus country has to decide how much to import from the deficit country, and how much of its surplus exports it should itself finance. Where the deficit industrial country is in a strong position economically it would in fact seek to recover its lost gold by cutting down U.S. exports. And so this seesaw can go on, with no substantial strengthening of trading power by either country but only a generally restrictive and, as some have observed, inherently anti-growth bias. Where the industrial country is in a weak position, as was Europe during the Marshall Aid days, the U.S. will, if it wants to maintain its level of export trade, soon have to hold 'local currencies', and euphemistically rename the whole or part of it as capital credits. The interest paid by the deficit countries does not seem to be so much a charge for not paying in money for the imports made, as the price for being helplessly dependent on the imports. Among the western countries today, it may be possible to assume with reason that countries are no longer helplessly dependent in this manner. One may assume that they could cut back potential surplus countries' exports. It could thus be advantageous to all advanced countries to talk less in terms of transferring reserves or granting loans, and more in terms of settling disequilibria while extending exports and holding each other's local currencies. This in fact is really what has been happening in the North Atlantic Area in the last few years. The totem attached to the Reserves Idea has carried the fixation that the objective of national policies in trade has been to strengthen reserves positions. In fact, the sole objective of recent trade trends has been to achieve balance on an upward trend of commodity trade, with no one gaining substantial gold resources, but rather moving towards a system of governmental credit more in the nature of overdraft financing.

See-Saw Game

And so the position is that, except where local currency is being held, the international reserves accumulated by one country or another are constantly seesawing in a process of won, lost and won. Since this is more often achieved by contracting trade than by expanding it (that is by surplus countries increasing imports) the only consequences are stepping down of GDP in the export sector of the surplus country and of Gross National Expenditure in the import sector of the deficit country. Total world output goes down³, for the transitory gain (or recoupment) of international reserves. Under the alternative 'local currency' holding system, world income tends to remain high, with exports continuing at their own levels and imports by surplus countries very likely increasing. Among industrial countries the chances of equilibrating at a high level of total trade are much greater; while among developing countries the chances of others absorbing their exports are equally increased. Trade will thus be related not fortuitously to the holdings of world exchange media but to country's capacities in export and import.

In this situation deficit countries can find that imports are welcome so long as surplus countries care to hold outside currencies in exchange. Surplus countries need not face the same demands from deficit countries for importing goods such as primary produce, that they need not use, whether for reasons of cost or quality. The case for reducing unfair tariffs on primary produce would, of course, remain. As for the actual

prices of this produce, they could afford to be determined, as they are, by market conditions which include the essentially rational substitution of natural for synthetic raw materials by advanced countries. Such deficit countries' payment obligations over and above what their primary and other exports earn for them, would be met by payment in local currency. The surplus countries could now readily do away with their duties on primary goods and simple manufactures and enjoy a welfare increase by the import of these in the knowledge that overall economic activity will be more than compensated by increased exports. This expansionist process would also render much easier the rationalization of such internal sectors of an advanced country (of which 'Lancashire' has been typical) as may be affected by the exports of developing countries.

The control function of international reserves was primarily to show that a country was importing more than it was exporting — and vice versa. The corrective action it prescribed worked against maximising world production and even world trade; it worked against efforts at development assistance to developing countries; and against maintaining high and steady GDP levels in advanced countries. The function of indicators will now be performed by the size of 'local holdings'. The corrective action called for will be action prescribed by national development policy and not by the unequal possession of gold, dollars or sterling. In the same way as a developing country would not internally encourage luxury goods production, it would not, for fiscal and developmental reasons, encourage luxury imports. Yet the point is that curbs on import will be imposed not for 'balance of payments' reasons but for national income reasons. The test of this would be in the fact that the country could and would import capital and intermediate goods, as well as essential consumer goods, to the measure required by national development needs —

Eastern Economist 20 Years Ago

DECEMBER 15, 1944

The chief bottleneck in the way of rapid development even after the war is feared to be the paucity of trained technical personnel and capital goods. It will be a mistake, however, not to distinguish (1) between imports of capital goods which are paid for out of our own resources and those which accompany foreign financial assistance; (2) between capital equipment which is available only on condition of our acceptance of foreign loan and that which is not so hedged in with conditions; and (3) between different kinds of offers of assistance which would make for varying degrees of dependence on foreign technical personnel. In the earlier stages of our economic evolution, say, particularly in the nineteenth century, these distinctions perhaps were not material and we perhaps needed foreign financial and technical aid and for a continuously long period, though it by no means follows that the influx of foreign capital did actually result in positive benefit. For, foreign capital exploited without imparting expertise, and Dadabhai denounced the drain. But today India is dependent only on foreign technical help, and not on financial assistance. Barring a heroic rate of development which would compress the progress of generations within the fraction of a life-time, our accumulated external assets and domestic resources must be adequate for any high rate of expansion that might be visualized by a Government even of our own choice.

something it could not have often done under the current system of trade financing. Developing countries may also, for reasons of building their national economies, grant protection to industries which in the long run will be economic. Subject to such saving clauses, however, the request to curb imports would really come from the exporting countries which have to carry the internal financing burden of effecting surplus exports. These surplus countries would also desire certain limits to their 'local currency holdings' and would, therefore, urge the countries concerned to develop exports, and would welcome such exports.

As also mentioned earlier, where countries run export surpluses, there is more money than goods within the economy with some price pressure involved assuming unchanged fiscal policies. This is so, however, whatever the international financing system. The only point for gold or equivalent as a reserve holding is that the internal money - goods balance can be restored by financing imports from a third country. But this balance can be effected under the local holding system itself if the third countries too operate their foreign trade under the local currency reserve system. If, for instance, a deficit country (B) has settled its payment obligations in its own currency to the surplus country (A), but has 'local currency' holdings of a third country (C), this would be set off against A's holdings of its own currency, assuming that country C is in surplus with country A. All this will be much in the manner of international transactions as now known. A residual global deficit, if it exists, will, however, be held not in gold or equivalent, but in a collection of local currency holdings. So long, however, as any country can import goods by paying in its own currency, the need for other media of exchange will not arise.

Best and Realistic

This process is, of course, international income transfer at its best and most realistic. Theoretically an under-developed country can meet huge portions of its consumer needs in this way. In practice, however, working arrangements are bound to emerge wherein local currency holdings by foreign countries will, if not limited by, be at least related to potential export capacities — a point which will now be more closely studied by exporting countries themselves than before, when export by almost anything would be sought so long as the receiving countries had gold or equivalent to pay in exchange. But, as suggested earlier too, these export capacities will not be confronted by co-existing import curbs of one type or other by advanced countries. There is, on the contrary, likely to be a great endeavour among advanced countries to absorb various types of consumer goods, and especially to help in their future development. As for advanced countries, there is bound to be unrestricted flow of goods among themselves at an increasing pace, with trade either balancing at much higher levels or deficit/surpluses accruing again at much higher levels of trade than hitherto.

The discarding of the international reserve idea in its present form will afford unrivalled opportunity to under-developed countries to overcome today's critical obstacles to their development. The situation where masses of food, raw materials and other intermediate goods are available in the rich countries but cannot be sent to the poor for want of international reserves, will cease to exist in these paradoxical forms. The current special arrangement under PL 480 export, as well as the several soft loan arrangements being mooted and tried, are indeed a recognition of the inevitable logic of the foregoing argument. These are indeed only marginal attempts towards this new approach, yet they are sufficient recognition of the rationale of a local currency holding system. Given the surpluses emerging now in Europe and elsewhere, and the

great capacity increases in world GDP that may be expected in the coming years, a solution to international trade finance is obviously being awaited. As seen before, the lip service paid to the solidity of the international reserve idea has not prevented the governments and central banks of advanced countries from innovating a number of 'heretical' measures.

Mention was made of the approximation of the local currency system to a unified currency. It is, of course, clear that the approximation is not complete unless surplus countries' local currency holdings are themselves as freely utilizable within the deficit country as the currency of other income earners of that country. In practice, therefore, institutional arrangements would emerge which partly make this possible and partly render the deficit country liable to limits of sorts in the use of local currency systems. For instance, while payment in local currency would constitute settlement of obligations up to certain determined levels, beyond a point the deficit country may be required to pay a charge on the local currencies held by others (in other words the conventional foreign loan); for a further segment of local currency holdings the surplus country may be permitted to spend within the country on agreed investments and purchases; and so on. The idea here is not so much to relate import capacity to international exchange media, but to relate total investment and consumption to current and potential GDP levels. It means also, therefore, that the relation is meant to avoid a country undertaking a level of Gross National Expenditure by means of uncontrolled inflation.

International Reserve

As also mentioned earlier the local currency holding system would mean that a set of currencies of the world would now constitute the international reserves of world trade and play the same role as gold, dollars and sterling jointly do now. Theoretically, the fact that under local currency holdings, international financing reserves would be composed of weak currencies as well as some strong, could mean that an unacceptable basis exists in place of current exchange media. Theoretically also, however, this should not be so if every country concerned does partake in trade on the basis of local currency holdings. The fact that Germany for example may hold considerable Rupees would not hinder it from importing from the U.S., under a system where payments for the U.S. imports are to be made in marks and where, in fact, the U.S. could take over Ceylon Rupees to the extent that there is a residual balance. This is easy to see if one could only remember that the whole objective of reserves accumulation by modern countries is to be able to import — and this they are able to do under the alternative system with the added advantage that they are not forced when already in surplus to restrict their exports.

There is no doubt, however, that in history, the passage from one mental horizon to another has rarely rested on logical demonstration. In this sense, the role that a World Central Bank can play in transforming the system could be both impressive and convincing. In the same way as governments have given respectability to paper money, the World Central Bank could 'transform' net local currency holdings into World Central Bank notes giving similar quality to international money as Governments do to theirs. Perhaps something like a guarantee by strong surplus countries, in addition to pledges by all others, could be available to the World Central Bank, to provide the desired 'goods equivalent' (not 'gold') to claimant countries in the event of currency collapse in any of the country or countries whose currencies form part of the 'local currency holding' international reserves. These 'holdings', although of a deficit country currency, belong not to that country, but to the outside surplus country. What

the latter is doing is essentially to put out this holding, instead of its gold, to finance international trade. If the currency of the holding in question gets debased, such local currency would revert as a charge on the country concerned. There would be no call for 'gold', but the country will re-accept formal responsibility to repay 'in goods' or in a later stable currency. Meanwhile the claimant countries would receive 'goods-equivalents' on the basis of the guarantees and pledges available to the W.C.B., with the 'local holdings' frozen out of international financing flow. Subsequent immediate trade by that country will be only on a 'barter' basis, relieved to the extent that foreign and international loans are bilaterally available. This is much in the way of what would occur under present financing systems as well. Once restored to financial stability and equilibrium, however, not only would the rehabilitated local currency take its place in international finance, but the earlier local currency holding held by the countries will be put back by the W.C.B. in settlement of used guarantee obligations and pledges⁵. In practice, institutional arrangements, to which reference was made earlier, would, as in present-day trade financing, limit the unrestricted accumulation of local holdings even before a currency comes to a stage of collapse. If each local holding were dominated to a world standard of measure (and thus isolated in value terms from local inflationary collapses); and if the W.C.B. maintained certain 'liquidity ratios' (between weak and strong currencies) the world of international finance would skip the history of 'bank-runs' that national monetary experience went through more than a hundred years ago before it came to its present, fiduciary-based, unassailable stage.

Purposeless Attachment

The trends and emerging practices as between industrial countries, as illustrated chiefly in the North Atlantic Area, make it clear that attachment to gold or equivalent is purposeless and unnecessary. No one country would suffer the other to carry on long with a process which brings gold or allied benefits to the other countries — and vice versa. Similarly, parallel trends and emerging practices for advanced countries vis-a-vis developing countries leave no doubt as to the fiction that is the international reserves idea. If one were to choose a limited adoption of the local currency financing system, it would appear safer to countries to begin in the industrial west; but to begin elsewhere in the backward areas of the world would be the more necessary step. The greatest

need, however, is to overcome the mental subordination to past ideas. It would then be possible to cease interpreting the present world with a past theoretical instrument. As to the inevitability of change, there is no doubt. What is in doubt is whether the realities will be comprehended sooner, or later.

- 1 The preliminaries to the World Trade Conference had apparently some interesting postures taken up by countries. The advanced countries each suggested generous measures of income transfer of various types, in each case calculated to be more at the expense of its industrial neighbours than of the proposer. On the side of the developing countries a string of requests emerged adding up to an impressive demand for larger markets for raw materials and manufactures at prices specially advantageous to these countries, along with demands for more credits at lower interest and for longer periods. The fact is that under present systems of trade finance, such scales of income transfer become impossible. For example, the Common Market made timid concessions to trade liberalism last year and found its global commercial deficit double to the figure of \$2,800 million. So long as international reserves are the determinant of trading ability such policies will continue to be impracticable.
- 2 Note for example Haberler 'Integration and Growth of the World Economy in Historic Perspective'. "American Economic Review," March 1964.
- 3 The volume of world output, as Nurkse reminded once, is a truer criterion of world prosperity than the volume of world trade.
- 4 All useful trade promotion measures familiar today would, of course, fit into the new scheme. For instance, the system of foreign investment on the basis of purchase of the outputs of those investments; or the 'division of labour' argument brought out in one of the resolutions of the World Trade Conference, where the simpler stages of an industrial process are desired to be undertaken by advanced countries in the backward countries — these are types of useful action which can certainly be developed, and will probably find a more welcome atmosphere under 'local currency holdings'.
- 5 An alternative procedure would be for a special set of W.C.B. notes to replace this set of holdings, to be withdrawn from circulation later, when the currency in question has been rehabilitated.

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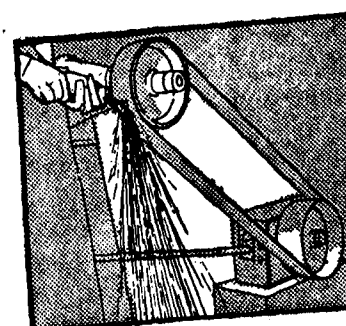
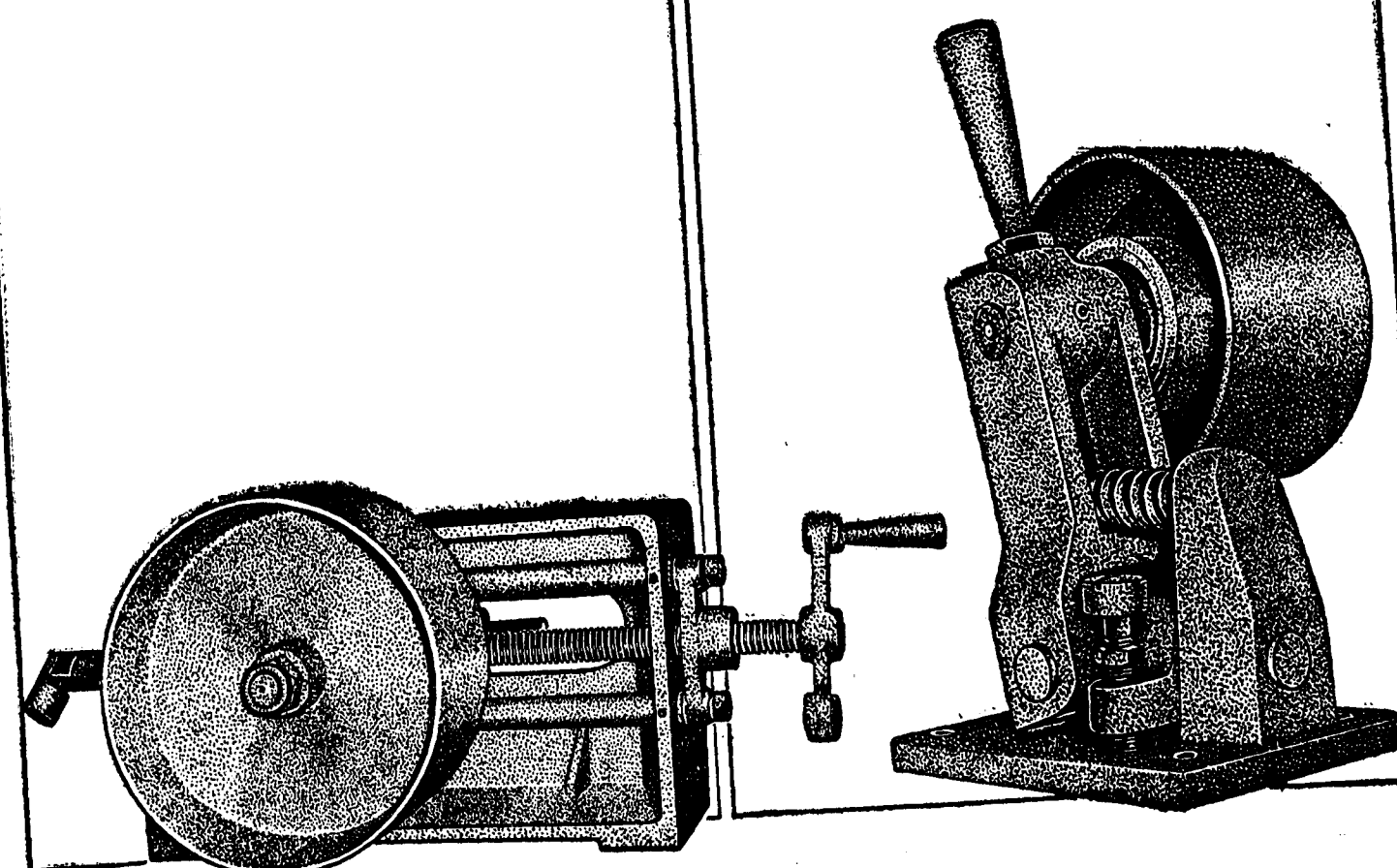
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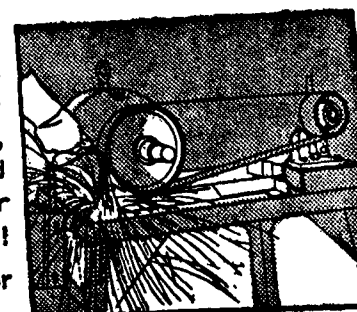
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Only in circumstances congenial to its growth can the motor vehicle industry effectively contribute to India's economic development.

WINDOW ON THE WORLD

In That Other Germany

BY THE EDITOR

LAST WEEK I attempted to present some aspects of the West Germany I saw in October this year. After staying in that country for about 15 days, I went to East Germany where I spent about a week. The Federal Republic of Germany, as I had said, was more or less familiar ground to me. The German Democratic Republic was a new experience. Not that I had never been in the eastern part of Germany before. As a matter of fact, on my previous visits to West Germany, when I happened to be in West Berlin, I had managed to spend a tourist's afternoon in East Berlin. Like most others who had to make this comparison, I was also struck on those occasions by the drabness of the eastern city which the glitter and the gaiety of that other opulent metropolis across the way served to emphasize all the more. I was also aware during my earlier visits to West Germany of the moan and murmur of the economic dislocations and difficulties which were then being experienced in the eastern region.

But it was only this year that I had an opportunity of spending some time not only in East Berlin but also in other parts of the German Democratic Republic and getting to know by direct personal observation something of the social and economic processes there. My stay in East Germany and my schedule of travels and discussions in that country were taken care of by the Press Department of the Foreign Ministry of the German Democratic Republic, which looked after me with characteristic German hospitality and competence. All the same, whereas my trip to West Germany as a member of the group of journalists had the advantage of the months of meticulous preparation which the Press Departments of some of West Germany's top business houses and corporations had jointly put in, my programme in East Germany was largely improvised after I had actually arrived in East Berlin.

Finding My Way

This scheme of things certainly had its inadequacies. I could not, for instance, meet Members of the Government or top political leaders; nor was it possible for me to visit some of the industrial centres or industrial plants which I would have greatly liked to study. The hurdle mainly was lack of time and the fact that some of the interviews or appointments I had in mind could not have been arranged at short notice. I was, however, not altogether sorry that my programme was largely unplanned because this had its compensations. For one thing, I could move about in a relaxed manner, see things and talk to people in an informal way, go where I wanted and when I wanted and above all so order my movements that I was left to myself for at least some part of each day. If in the process I did manage to visit some very interesting places, meet well-informed officials and plant managers, talk to articulate party loyalists and local party bosses and meet a few kindred spirits in my own profession, it is surely reasonable that I should consider the time I was in the German Democratic Republic as time well and usefully spent.

A question I have been frequently asked lately is whether I did not find East Germany economically very much behind West Germany. This question may have a point, but I feel that by now it has become an exercise in rhetorically labouring the obvious. The German Democratic Republic is certainly considerably less well off than the Federal Republic of Germany and is unlikely to draw even in a hurry. But it would surely have been a miracle had it been otherwise. Leav-

ing aside differences in political and economic systems, the basic fact remains that the economy of the eastern part is far less richly endowed with resources than the economy of the western part. Added to this have been other disparities notably the great advantage in foreign capital and commerce which the latter enjoys by being linked to the economies of some of the most industrially advanced countries of the world. The differences in basic resources, however, could alone explain why East Germany must be inferior in economic development to West Germany, now as well as over a period. I found that the people in East Germany with whom I came into contact were acutely aware of this deficiency in their heritage. They were, in fact, never tired of underlining the fact that, before the War, only two per cent of the hard coal, six per cent of the iron ore, one per cent of the pig iron, or seven per cent of the raw steel produced in Germany as a whole was produced in the eastern part. This had meant that, after the division of the country, many of the major industries in East Germany, particularly the machine building and chemical industries, found themselves abruptly cut off from a national metallurgical base.

Serious Handicap

The inadequacy of natural resources, moreover, is only the most serious of the handicaps. There are certainly others and the existence of some of them is conceded, although guardedly, in East Germany itself. For instance, there was the reluctant admission that most industries in East Germany lagged behind their counterparts in West Germany by about 25 per cent in the matter of productivity, while in the case of some the gap was even higher at 40 per cent or more. But, at the same time my informants were generally inclined to believe that it was only a matter of time before this deficit was largely made up. According to them the last 15 years had been spent in laying the political and social foundations of a new order with the result that the economic tasks were only now to be attempted with full regard to efficiency in organisation and methods. I myself am inclined to favour a somewhat different interpretation. I believe that economic progress generally and sound industrial development particularly, had suffered partly because of doctrinaire and dogmatic approaches and partly because of the sheer immaturity and inefficiency that are necessarily attendant upon adventurism, whether in politics or in economics. I also believe that those who are in charge of the destinies of the German Democratic Republic are becoming wiser with experience and are learning from their mistakes.

I am supported in this assumption by a significant remark which a senior official in East Berlin made in the course of explaining to me the philosophy and the machinery of planning in East Germany. He said that whereas in the past the approach was to rely on physical means of direction, viz., executive fiat or bureaucratic decrees for achieving targets of production in individual industrial establishments, the tendency now is to switch over to economic means of influencing output and performance in factories and plants. He elucidated this point further by informing me that whereas in the past a specific volume of output was fixed for a piece of machinery or for a plant, present practice is to levy a capital tax on the value of machinery supplied to an industrial establishment. Under the former arrangement there was the temptation for plant managements to fulfil production quotas by sacrificing quality or ignoring production economies. But since the tax

The progress of economic integration under the Comecon,

I heard it argued with great passion that the German Democratic Republic simply could not afford to let the Government and industry on the other side poach at their pleasure on the precious resources of educational or craft skills which the East German people are creating in their younger generation through great expenditure of public treasure and effort. Indeed, I was asked how it became a crime on the part of the East German Government to prevent the out-flow of its most productive asset — the educated and skilled young manpower of the country — when the capitalist countries take measures as a matter of course for preventing, for instance, exports of capital where such out-flows threaten to compromise their currencies or damage their economies. My reply naturally was that human beings could not be treated as if they were bank notes or packets of share-holding. But I must confess that I was uncomfortably aware all the time that even outside the Communist world the freedom of men to move was a freedom severely restricted in practice not only by passports and visas but by the emigration policies or immigration laws. In any case, however much one might lament the Wall that divides the mind and heart of Berlin — and lament we all must this very human tragedy — the fact remains that the

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Rostock is about 180 kilometres to the north of Berlin, while Jena is about 200 kilometres to the south. But in terms of motoring, Jena is appreciably nearer Berlin than is Rostock. This is because the way in the north is through a relatively less developed agricultural country where the traffic on the road is often held up at railway crossings. The communications between Berlin and Jena are however more highly

of such projects which are in progress in many areas and centres of the German Democratic Republic whether in the old cities, such as East Berlin or Dresden, or the new industrial centres, such as Rostock.

I spent the best part of a day going around the new housing development in Hoyerswerda, and this gave me a fine opportunity of studying an impressive example of "pre-fab" housing in action. I saw that a gang of six construction workers, including a crane operator and the team's foreman, were all that were needed by way of labour force to assemble a block of flats on site. I was told that a group of this size, working two shifts a day, took some six weeks to build a block of some 40 or 50 three- or four-roomed dwelling units. But another 12 weeks or so are taken up in finishing up, inclusive of the installation of electrical fittings. Experiments are now being made in exploring economical means of cutting short the time taken up in the finishing process. One technique which I saw being tried out at Hoyerswerda is the pre-fabrication of entire rooms complete with electrical fittings at the pre-fabrication plant itself. These units are then transported to the building site and assembled with the help of a crane in the usual manner. It is believed that once the economics of this development is successfully established it would be possible to cut down the building time from the present rate of about four and a half months for a four-storeyed block of 40 or 50 flats to about three months.

'P' Is for Pre-Fab

The various construction periods mentioned here are timed from the completion of the driving down of the foundation piles. The great advantage of pre-fabrication, of course, is the saving in time and it is only the large-scale adoption of this technique which has made it possible for the German Democratic Republic to put through a large-scale housing programme within a reasonably short period. But in addition to saving time, pre-fabrication seems also capable of reducing building costs. In East Germany pre-fabricated housing has been found to be about 25 per cent cheaper than conventional construction. The system followed seems to be to locate central pre-fabrication plants in various areas in such a way that each plant serves a number of housing schemes in its region. It is interesting to note that, even in 1962, roughly half the building construction, including housing, agricultural and industrial construction, was carried out with pre-fab techniques and that the share of pre-fabrication in housing construction was over 70 per cent. Pre-fab construction has made further headway since then and along with its progress as well as independently of it the mechanization of building processes has also been advancing steadily. The unloading and assembly of pre-fabricated parts has been mechanized to over 90 per cent. Other building processes, such as excavation work and rough cast outside or inside, have been mechanized from over 60 to 80 per cent.

The housing scheme I saw at Hoyerswerda consists of five "complexes", with more to be added in due course and each complex comprises about 1,300 dwelling units divided into about 30 or 40 blocks. Housing construction of this order, it is easy to see, can be attempted economically and quickly only where the building processes are modernised and mechanized to a considerable degree. Here, again, I could not but be impressed with the contrast in performance as between East Germany and our country. Here we have been talking of the large place given in our five-year Plans for housing, but actually precious little has been done even in the limited sphere of slum clearance in a dozen or so of our big cities or towns. As the Visakhapatnam shipyard is to the Rostock shipyard, the notorious Hindustan Housing Factory in Delhi is to the grand and earnest effort which is being made in East Germany in the direction of evolving modern

methods of economical house building on a large scale.

Finally, I should like to make a few general observations on the standard of living in East Germany. From my remarks on housing it would have been evident that I was impressed with the progress made in East Germany in the area of housing the people. Housing construction in the year 1962 is stated to have been of the value of 1,300 million East Marks and over 90 per cent of this construction was in the socialist sector. Private housing, in other words, was a marginal element. The public funds expended for housing purposes had increased from 286 million East Marks during 1950 to over 2,000 million East Marks during 1962. In the latter year 87,200 dwelling units were either newly constructed or repaired and out of them over 50 per cent were in the co-operative sector. Incidentally, while the pre-fab method accounted for 5,700 flats in 1958, the number of flats built by that technique was some 49,400 in 1962. It is estimated that about 11 per cent of the total housing in East Germany is new construction dating from 1945.

In assessing this housing effort two facts have to be borne in mind. In the first place, the total population of the German Democratic Republic is about 17 million. Secondly, families in East Germany, as in the industrial countries of Europe generally, tend to be small. One-child families are frequent, while two-children families are common. Considered along with those circumstances, the fact that there are about two million dwelling houses, or over five million flats in dwelling houses, shows that a reasonable standard of housing is being achieved. It must, however, be said that the quality of housing, especially in the matter of amenities, varies widely as between the old buildings and the new constructions. Even in the case of the latter, the very modern flats, for instance in the neighbourhood of Alexander Platz — East Berlin's new social and shopping centre — provide an ideal, rather than an average, for housing amenities. At the same time, it must be said that housing developments in the various cities and industrial townships seem to have attempted to provide reasonably comfortable accommodation which often include amenities, such as, central heating, and even central hot water supply. A fact which needs to be prominently stated is the extreme reasonableness of the rents charged in the new housing developments. The standard rent seems to be one East Mark (which is equal to one rupee) per square metre of housing space, and this works out in the case of a three-room flat to about Rs. 65 per month. Add to this the fact that the rent often covers central heating as well as central hot water supply, the Government and the people of East Germany have every reason to be proud of their performance in an area of basic human welfare. Before leaving this subject of housing I would like to add that parks, playgrounds, schools and shopping centres are regular features of the various housing developments.

Food and Farming

In the matter of food, East Germany seems to be certainly much better off now than it was in the earlier years of its 15-year history. This is at least partly due to the fact that a very flexible gradualism has been adopted in the socialisation of agriculture. A certain degree of peasant cultivation is still being permitted, although steady pressure is being exercised in the direction of co-operative farming. East German agriculture has been mechanized only to a limited extent so far. In fact, manual labour is still being used to an appreciable extent for the harvesting of potato, sugar beet and a few other crops. Motoring through the countryside I often came across cows being used on small peasant lots for ploughing, while tractors rumbled across the surrounding co-operative or State farms. Ideology apart, given the scarcity of labour, relative to the growing demand for manpower from

the industrial sector, the further mechanization of East German agriculture seems to be inevitable and this process, given the political and economic structure of the country, is bound to lead to the dwindling of the element of peasant ownership or cultivation in East German farming.

The German Democratic Republic heavily supplements domestic production of foodstuffs with imports, chiefly from some of the other member-countries of the Comecon. Pig-gery products constitute the chief items of meat, while mutton is also consumed in large quantities. Fair amounts of fish — especially sea fish — and poultry are being eaten and venison is available when in season. Beef, however, is expensive. Butter, tea, coffee and tobacco are luxuries, but there are large imports of wine from Bulgaria and Yugoslavia. Fruit, again, is less plentiful and more expensive than in West Germany which has the advantage of access to the horticultural abundance of its Common Market colleagues, particularly Italy. I found, for instance, that Yugoslavian grapes were selling at a Rostock at a price twice as high as that which I had paid a few days earlier in Munich for Italian grapes far superior in quality. More generally speaking, however, I found food supplies to be available in variety as well as in adequate quantities in the various places I visited in East Germany.

The position with regard to clothing and other consumer goods of industrial origin is, however, less satisfactory. Wool-len and other textile fabrics or clothes wherever they were of more than average quality, struck me as being priced rather high. This was also the case with footwear and household effects, such as furniture. Variety is also lacking in the case of industrial manufactures. I found, for instance, that only one make of toothpaste was for sale in the department stores of the Alexander Platz. Electrical goods, toys, articles of stationery and the like seemed to be in liberal supply, but in many cases the finish was poor in comparison with the far more sophisticated displays seen in the shopping areas of Western Europe. This is a feeling or opinion which I am sure many East Germans would share with me. I am saying this partly because of an amazing incident of my first afternoon in East Berlin.

What the Boy Said

A young boy whom I met, while out on a stroll, decided to walk some distance with me since that, as he said, would give him an opportunity of practising on me his knowledge of English. Hardly had we gone a little distance when he noticed the ball point pen I was having with me and the next moment I found him offering to buy it. It was quite an ordinary pen and I naturally said that I would not sell it to him but would like to present it to him. The transaction thus concluded to our mutual satisfaction, the young man said rather ruefully that the pens available in his country were poor stuff and were nothing as good in quality as the one I gave him. Later on, after I had seen something of East Germany, I found that the boy had been complaining unduly, for I did find that East Germany was not incapable of offering to its people ball point pens or other similar articles of a quality which could not fairly be described as "poor stuff". Perhaps there is a large amount of consumer prejudice in East Germany towards domestic products, which is a state of mind which must be familiar to us in our own country — and the explanation, I believe, is that when a country is severely limited in its access to imports, it does fall into the habit of cultivating an exaggerated preference for the scarce foreign product.

In any case, I do not believe that East German industry is incapable of producing consumer goods of good quality. But it is possible that quality production of consumer goods for the domestic market is being deliberately given a very

low place in the scheme of things. East Germany is in great need of foreign exchange — as I had mentioned at an early place. A very great and concerted effort is therefore being made in that country to concentrate resources on production for export, with the result that the domestic market has to make do largely with the leavings. For instance, nobody could criticize the quality of the products of the Carl Zeiss works but most of the output of this plant is earmarked and sequestered for sale abroad so that the domestic consumer has only a very restricted access to those products.

Cars for Few

Even more striking is the case of automobiles. I certainly believe that East Germany has all the technical resources for manufacturing high quality automobiles for its people. But a deliberate decision seems to have been taken to impose austerity on the domestic car-user. As a result, few people in East Germany are able to buy a Wartburg, a sturdy family car which has lately been greatly improved in appearance and performance, since much of the production of this car is being exported particularly to the Scandinavian countries where this automobile is stated to have been favourably received. I was told that the domestic queue for the Wartburg is over two years long but a small baby car, the Trabant, with a plastic body, is more freely available in the home market. It will readily be seen that the East German automobile situation and automobile policy have lessons for this country. But one moral which I would particularly like to underline is the clear-headedness with which this problem is being dealt with in East Germany.

The domestic market for private automobiles is severely discouraged partly because of the urgency of exports and partly because it is realised that East Germany cannot just now afford the diversion of resources from high priority to low priority purposes which a large domestic use of private automobiles would involve. Consequently, a decision seems to have been deliberately taken to the effect that it is necessary for a large number of people to wait for a long time for private automobiles. At the same time, from what I could find from personal experience, cities and towns in East Germany seem to be very well served indeed in the matter of public transport. In East Berlin itself the public has the choice of four modes of public transport: buses, trams, and underground as well as overground local trains. All these services are frequent, tidy and very reasonably priced. Incidentally, the discouragement of private car ownership has made for a relatively small incidence of traffic on the autobahns in East Germany which has involved some under-utilization of what must be an expensive facility to maintain. As an item of topical interest in this country, I might mention that the East German baby car, the Trabant, despite its plastic body, is priced about 8,000 East Marks (about Rs. 10,000) which, taken together with the relatively high cost of gasoline in East Germany, makes private car-owning on expensive pleasure indeed in the German Democratic Republic.

From what I have said here, it would seem to follow that one of the major explanations for consumption standards in East Germany not being as high as they might otherwise be is the high priority given to exports. Another equally important reason is that the foreign exchange stringency has the effect naturally of imposing on East Germany an austerity programme with regard to imports. The price of coffee, for instance, is very high because the import of coffee is severely restricted. Similar is the case of tobacco. This also explains why many people in East Germany must regret that they cannot treat themselves to imported luxuries, such as cheap Japanese transistors or good quality Swiss watches as liberally as, for instance, the people in West Germany could. I believe that, only over a period, after East Germany has succeeded in developing its industrial production for export con-

siderably further, it will be in a position to build up consumption standards at home both in depth and in breadth with the assistance as much of imported consumer goods as of domestically produced consumer goods.

Meanwhile, appreciation is certainly due to the tremendous foreign trade effort which East Germany is making. It is worth remembering in this context that East Germany is as keen on selling to as it is keen on buying from countries such as ours. Indeed, a complaint I often heard in East Berlin and elsewhere in the German Democratic Republic was that this country does not seem to be sufficiently interested in pushing its wares into the East German Market. It is pointed out that the inter-governmental trade agreements between the two countries could yield greater fruit if we on our part put in as much effort as the East Germans make on their part to promote mutual trade. The absence of any kind of an Indian trade office or other trade representation in East Germany is being adversely commented upon. My own impression is that in the area of trade with East Germany, meaning both buying and selling, the Indian Government and the Indian business community could certainly show more initiative and enterprise than either has displayed so far. Perhaps the spring fair at Leipzig in the new year could be a suitable occasion for initiating a larger exchange of commerce between the two countries.

The Balance-Sheet

To conclude, the German Democratic Republic, which has a population less than a third of that of the Federal Republic of Germany and is vastly inferior in natural, particularly mineral, resources, seems, after a number of false and fumbling starts, to have succeeded reasonably well in building its industrial and general economic base. East Germany, in fact, claims to be the tenth in industrial production among the countries of the world. Whether its social, economic and political system has been an advantage to it or a handicap in its quest for progress and welfare is a point on which there is bound to be disagreement. My view, for what it is worth, is that if East Germany has done moderately well in the economic sphere, it is in spite of rather than because of its economic ideology or political order. What seems to have mattered is the basic German character of realism, resourcefulness, hard work and discipline. Added to this is the fact that science and technology have placed effective means of economic progress in the hands of organised communities with a background of industrialization.

There is, again, a basic undercurrent of social will and popular pressure in most communities today which make it virtually impossible for the fruits of economic progress not to be widely shared sooner or later. In East Germany certainly there is clear evidence that both public and private consumption are improving. Wherever I went I found individuals as well as groups, grown up people as well as children, going to work or spending their leisure hours more or less normally, more or less freely. This is not to deny either the totalitarian character of the East German polity or the authoritarianism of its economic system. All that I am suggesting is that the police States of today do seem to have achieved a very large degree of sophistication. Even at Check Point Charly, where I crossed over from East Berlin into West Berlin on my departure from the German Democratic Republic, and where the State was represented by the passport and the customs officials — who are always and everywhere among the crudest representatives of governmental authority — I must confess that such rigour as there was seemed to be dictated more by the German Democratic Re-

public's dire need to protect its foreign exchange than by its anxiety to protect its political existence. It is sad but true that only those governments can afford to be reasonably relaxed at their frontiers as have comfortable trade and balance of payments surpluses; and it is necessary to add that I experienced no more discomfort at Check Point Charly than at Santa Cruz Airport, which is to say that it was all very much in the day's business and East Germany — Check Point Charly and all — was by and large a rewarding experience.

Standard of Living Comparison

The following tables, taken from a West German source, claim to relate to mid-1963. Table I is based on hourly wages of DM 2.85 in East Germany and DM 3.75 in West Germany.

1) PURCHASING POWER OF WORKING TIME

Working time necessary to buy:	West (hours/minutes)	East (hours/m.minutes)
Milk, 1 litre	-/ 7	-/14
White bread, 1 kg	-/21	-/21
Eggs, 10	-/37	1/18
Pork chop, 1 kg	1/58	2/48
Butter, 1 kg	1/56	3/30
Margarine, 1 kg.	-/36	1/22
Oranges, 1 kg.	-/29	1/45
Chocolate, 100 gr.	-/10	1/21
Coffee, 1 kg.	4/26	28/ 4
Ladies stockings, 1 pair	-/44	4/ 4
Men's shirt	5/29	11/56
Men's shoes (leather)	8/27	18/31
Refrigerator (115-120 litres)	91/44	543/52
Vacuum cleaner	57/ 4	82/27
Television set*	242/24	578-57
Motor car**	1,328/00	5.157/54

*GDR: 53-cm-screen; Federal Republic: 59-cm-screen.

**GDR: Wartburg 99 ccm; Federal Republic: VW Export 1,200 ccm

2) OWNERSHIP OF DURABLE CONSUMER GOODS

Of 100 households own a:	West	East
(end of 1963)		
Refrigerator	54	16
Washing machine	36	18
Television set	49	38
Radio set	98	91
Sewing machine	57	44
Motor car	27	6

3) PRODUCTION OF CONSUMER GOODS

Production per 1,000 inhabitants (1963):	West	East
Motor cars	39.5	4.9
Mopeds	1.7	7.9
Electric stoves	14.9	3.3
Vacuum cleaners	21.1	20.7
Washing machines	18.7	14.9
Television sets	34.7	33.8
Leather shoes (pairs)	1,742	1,612

Sterling Crisis

PAUL BAREAU

LONDON:

THE FIRST hundred days of the Labour Government are going badly. In part this may be because the Labour Ministers themselves have been caught up in the meshes of a hundred days of dynamic action. It was one of the gimmicks copied by Mr. Harold Wilson from the Kennedy aura. He should have recalled that the expression was born with the final fling of Napoleon I and in this Napoleonic contest the hundred days ended with the defeat at Waterloo.

The Government admittedly inherited an unenviable situation. The preceding Government had allowed the economic position to drift into deficit and in the last three months of Conservative Administration nothing was done to check the drift. Electoral considerations were allowed to take precedence over good economic policy. Having said this one must immediately add that never has a poor inheritance been so bungled and aggravated as by the new Labour Government.

The direct attempt to tackle the deficit by the 15 per cent surcharge on import duties may have been inevitable and it should at least have been done with a modicum of forewarning and consideration for international treaty obligations. In justifying this abrupt initiative to our friends in the European Free Trade Association, British Ministers had to paint the economic position in Britain in dark, perhaps over-dark, colours, and this loosed a boomerang which very quickly came back to hit sterling. The autumn budget was in large measure irrelevant to the balance of payments situation. It was more than irrelevant. It created uncertainties in the domestic capital market by foreshadowing but not defining new taxes that would take effect next April. This had the effect of unsettling the stock market, a phenomenon which may not have brought many tears to Labour politicians' eyes, though it helped to set loose a considerable selling of sterling securities by foreign investors and both directly and indirectly must have contributed to the pressure on sterling. What was more important was the effect it had on issues of new capital and therefore on investment decisions by industrial firms. These could rapidly affect industrial production.

Steel Nationalisation

Steel Nationalisation

Add to these psychological and other mistakes the decision of the Labour Government to go ahead with steel renationalisation despite its lack of relevance to the immediate problems with which the country is faced, and one can understand the growing lack of confidence in sterling which had already been in evidence before the election but which steadily gathered strength after Labour took office.

In the face of this run on sterling the advice of the Bank of England was to increase interest rates and use other traditional methods to deal with the disequilibrium in Britain's international payments. For at least two consecutive weeks this advice was disregarded. The move towards dearer money was only made when the pressure on sterling had assumed the proportions of a crisis. The jump that then had to be made was from 5 to 7 per cent and, furthermore, it was made on a Monday. Both the amount of the increase and its timing indicated crisis conditions and were interpreted as such by foreign opinion. In past crises a 7 per cent bank rate had been sufficient, taken with other measures, to deal with the situation. On this occasion it had a negative effect. The run on sterling barely halted on the day of the higher bank rate. On the following two days it broke into a seemingly uncontrollable gallop and the spectre of devaluation began to appear on the horizon.

It was at this point that the Bank of England took charge of the rescue operation. Using its close and friendly contacts with other central banks it succeeded by a series of telephone conversations, in mobilising an international credit of \$3,000 million. The participants were eleven central banks together with the Export-Import Bank in Washington and the Bank for International Settlements in Basle. The precise size of this credit is irrelevant. What mattered was that it should be so large as not to be needed. The credit was given for three months but is renewable at maturity. It was given without strings of any kind. In the circumstances there was no time for discussing strings or anything other than the bare provision of these standby facilities. The strings will, however, become apparent if when the credit comes to be renewed, inadequate evidence is available or progress made towards the elimination of the balance of payments deficit.

The credit is a tourniquet which should stop the haemorrhage in Britain's reserves. It cures nothing. All it does is to provide a little more time during which the longer term measures of the Labour Government can begin to take effect. Foreign opinion has interpreted the move in this way. There does not appear to have been any substantial reflow of foreign funds to London. Some speculative positions against sterling have no doubt been covered; but before full confidence is restored opinion both at home and abroad will wait for deeds to follow the words that have been uttered from the new Government in declaring their determination to defend sterling.

It would be unfair to say that no deeds have been forthcoming. The autumn budget had in the short run at least, some decidedly deflationary effects, since revenue will be provided by the new indirect taxes well before the additional expenditure is incurred. In addition a 7 per cent bank rate holds no expansionist joy. The cost of overdrafts and of industrial credits have now risen to a point at which a number of marginal projects are being eliminated.

Whether this is enough is a question about which serious doubts still prevail. It may well be that a real credit squeeze

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will have to be put into effect, reinforcing dear money with further restriction of the basis of bank credit. The purists will also argue that the best export incentive that can be provided for industry is to take some of the buoyancy out of the domestic market. This could be done by using the so-called "regulator" which allows the Chancellor of the Exchequer to increase a wide range of indirect taxes by up to 10 per cent without waiting for a budget.

The Labour Government, like its predecessor, has pledged

its belief in an Incomes Policy, that is in securing from employers and workers a voluntary restraint in the search for higher profits, dividends and wages. If they can secure this while at the same time maintaining the economy at fairly full stretch they will indeed have achieved the "British economic miracle". Since they have moved some way on the road to disinflation, there is greater hope that an incomes policy will succeed and the export incentive will begin to operate. If they do not, these "hundred days" could all too easily end in another Waterloo.

Private Investment Helps Meet Economic Needs

GUY SIMS FITCH

WASHINGTON:

IT IS affirming the obvious to say that private business men see private capital as an especially effective instrument for speeding economic diversification and progress around the world. That this subject should have received more than passing attention at last week's National Foreign Trade Convention in New York was to have been expected. The Convention, after all, is sponsored each year by the National Foreign Trade Council, the leading association in the United States of private traders, investors, bankers and others interested in international business and financial affairs.

Yet there were enough new ideas and approaches behind the speeches and other expressions of opinion, and enough intriguing questions raised, to warrant a closer look at this theme as it emerged during the convention proceedings. What many of the delegates were intaining, in effect, was that the whole world today can properly be viewed as one gigantic market, with trade and investment to all intents and purposes two sides of the same process.

Increasingly, these business men are finding it difficult to make sharp distinctions between their foreign and their domestic markets and operations, and are coming to regard both foreign and domestic demand as integral elements in their over-all sales efforts. This raises the interesting question, posed by a number of delegates, as to whether we may not be seeing the emergence of a new type of enterprise — what some of the participants termed the International Corporation. Such an enterprise is seen as having a total commitment to economic expansion everywhere, with its capital and its operations oriented to world resources and needs, and

with its personnel, including its managerial and professional staffs, increasingly drawn from the lands in which it functions.

There obviously are differences among business men and companies as to how far to go with this concept. But it is clear that almost without exception they see American exports and capital doing much more than merely creating local markets for American products — although candour requires that this element be taken into account. From the international point of view, they see trade and investment bringing many benefits to other lands — for instance, in creating larger markets for local products; stimulating local production, jobs, know-how and economic activity generally; broadening the local tax base and increasing local tax revenues; creating opportunities for useful employment of local capital; helping to conserve or increase local foreign exchange reserves. These benefits are augmented when American investors are joined by local citizens who wish to participate in the risks and rewards of a productive enterprise that contributes to the economic growth and development process.

Underlying it all is the growing awareness among American business men, as was amply evident at the Trade Convention, that they too should be good citizens of the lands in which they operate, ready and willing to take into account the special problems and aspirations of those lands and to co-operate in finding meaningful solutions. American business men are firmly convinced that foreign governments and businesses have nothing to fear from American investment, but should welcome it as Americans have always welcomed investment from abroad. The Convention delegates saw all this as particularly relevant to the less-developed countries, which have many unmet needs and huge capital requirements that can be supplied only in part by government assistance.

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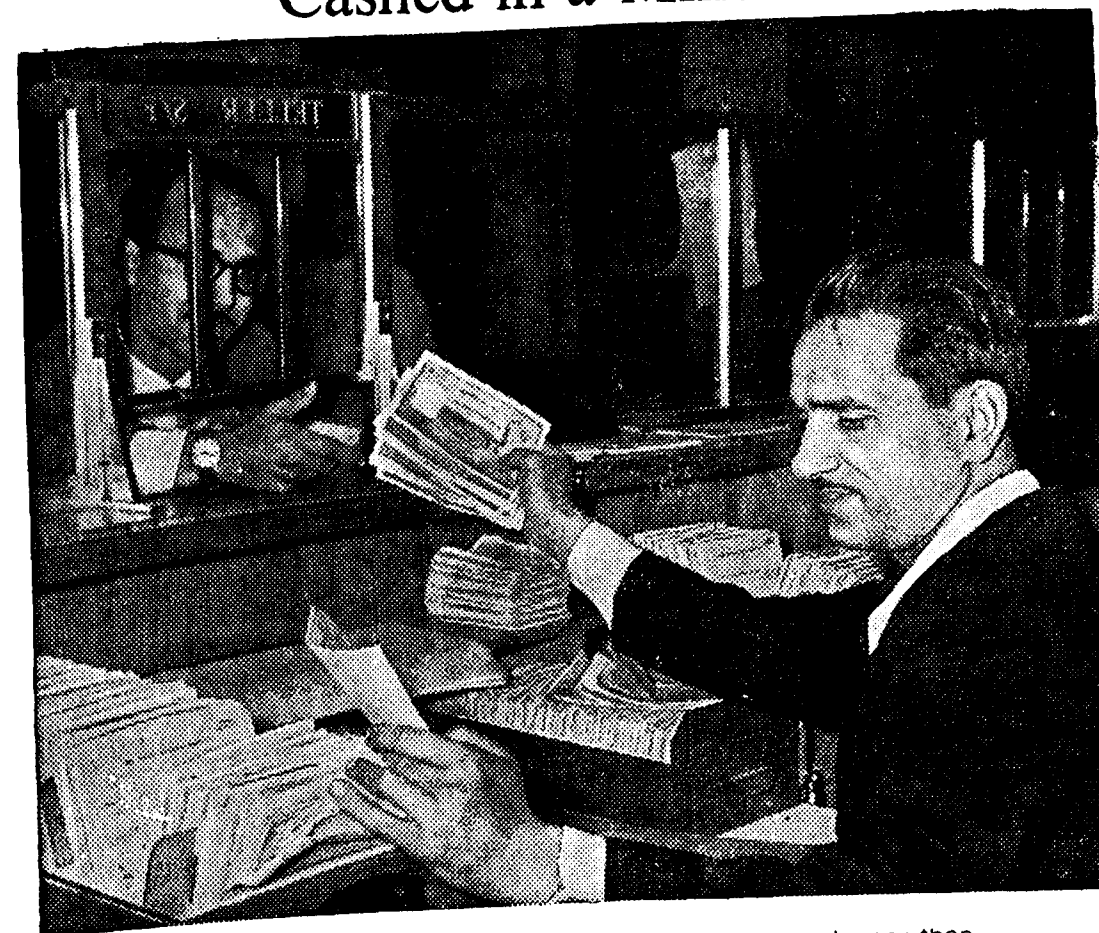
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Notice is hereby given that the Equity Share Transfer Books of the Company shall remain closed from 25th December to 31st December, 1964 (both days inclusive) for the purpose of issue of Right Shares.

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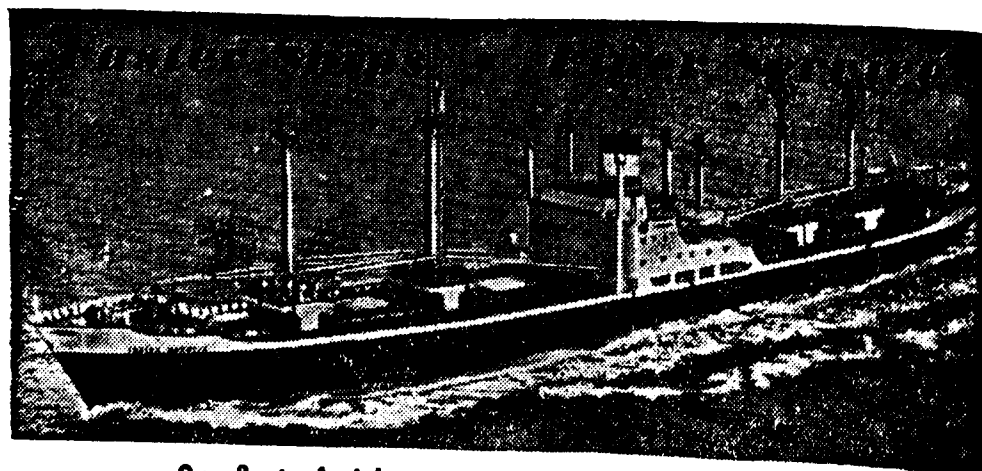
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LISTENING POSTS

India's Plea for Untied Aid Justified

By Our Special Correspondent

NEW DELHI:

IN AN illuminating study of public international development financing in India, the Colombia University School of Law has endorsed Government of India's plea that a major portion of the economic assistance being provided by the friendly countries should not only be not tied to purchases in the donor countries but should also not be earmarked for specific projects. From the point of view of the recipient countries, the School says, there are obvious disadvantages in such tying-up of aid.

The tying of aid to purchases in the donor countries, the School says, restricts the area of purchases and thus limits the composition which results in undesirable influences on the prices as well as the quality of goods to be obtained. Further, if the donor country has not been a traditional supplier of goods to the donee nation, delays may occur in utilisation of assistance because of the difficulties of locating proper suppliers and also because of the unfamiliarity of the users with capital equipment of new specifications. The School cites the example of USAID loans to India for the purchase of capital equipment; considerable amounts of assistance offered by USAID, it notes, have remained unused for substantial periods because of these difficulties.

The School, however, justifies tying up of aid to purchases in the donor countries on the ground that if the untieing of aid were to result in a lower volume of assistance because of the balance of payments difficulties of the donor country, the result might be still more undesirable. Tied aid, the School opines, is obviously better than no aid at all. As a general rule, the School suggests that in the absence of basic compelling reasons, such as persistent balance of payments problem, capital aid should be extended by the donor countries on an untied basis. Exceptions should be made by general agreement for countries having deficit balance of payments position. This general rule should not, however, be applied so as to interfere with the maximising of the volume of aid.

Serious Difficulties

This type of assistance programme, the School, however, notes will encounter some serious difficulties as the reversal of the present policy of most of the aid giving countries will not be easy to achieve, considering the various national legislative processes involved. Nor could it be effected for India alone. The most obvious way for achieving international agreement in this regard is the setting up of the Development Assistance Committee of the Organisation of Economic Co-operation and Development.

In regard to the project vs. non-project aid controversy, the School has expressed the opinion that there are obvious advantages for extension of non-project aid to developing countries like India where foreign assistance is being judiciously utilised for economic development and not squandered away on imports of commodities having low priority in the development programmes.

The tying of assistance to specific projects and programmes, aside from extraneous considerations such as commercial or prestige motivations, the School observes, is essentially a matter of confidence in the economic programme and policies of the recipient country. While it is recognised that the granting of aid for specific projects releases resources in the recipient country for other, perhaps less desirable, uses and

that the tying of aid to projects cannot assure development unless there is control over all investment and economic policies, there is a feeling that at least the desirable specific projects are being carried out when aid is tied to projects. This is perhaps less compelling a consideration in the case of India than in the case of other countries, in view of its respected public administration, developing planning techniques and general economic policies. There is no feeling, for example, in the case of India that foreign exchange will be squandered on unnecessary imports or that it will be used to shore up a negative balance of payments position caused by internal inflationary policies. Although there may be differences in view between the donor countries and India on specific elements of her five-year Plans, there is satisfaction with the general nature of its development effort and confidence that general foreign exchange provided will be used to promote development. The very definition of aid requirements in relation to comprehensive national economic plans contributes to that confidence.

With a view to accelerating the utilization of external aid in India, the School has stressed the need for organising a public service trained in the manifold problems of management, accounting and other aspects of business. It suggests extension of foreign aid for this purpose.

Numerous Problems

"Despite the sophisticated level of economic planning and public administration in India," the School observes, "there are numerous problems remaining to be solved in the more effective and more rapid utilization of the amounts of aid committed to the country. The sheer size and complexity of the programme make it a difficult one to administer. The difficulties are most pronounced in the portion of aid which is tied to specific investment projects. It is obviously much easier to administer commodity aid programmes which are simply a matter of organizing distribution mechanisms. Lags in the utilization of specific project commitments aggravate the scarcity of foreign exchange and delay the favourable effects hoped for on the balance of international payments. There are inadequacies in pre-investment studies, in the budgeting of foreign exchange requirements, in maintaining targets during the execution of projects, and in the co-ordination of the activities of all the official agencies and dependencies that may be involved.

"There are, of course, no easy answers to such problems which are not unique to the administration and utilization of foreign aid, but are a reflection of shortcomings in public administration in general, from which foreign aid administration cannot be divorced. What is needed perhaps is more concentration on the practical aspects of carrying plans out more efficiently relative to the attention that is paid to the formulation of the plans themselves. With all due credit to the impressive accomplishments of Indian planning, it may now be appropriate to focus massive attention on the correction of deficiencies in administration and execution. India, like other developing countries, needs a public service trained in, or at least aware of, the manifold problems of management, accounting and other aspects of business. This is important not only for the conduct of public enterprises such as India's publicly-owned steel mills, but also for the many complex and vital planning decisions. They often involve co-operation with foreign and international public institutions, as well as private investors. Precisely because so many vital economic decisions

must, in a country like India, be a matter of public rather than private decision, foreign assistance in the training of a public service that has a practical as well as a theoretical understanding of the conduct of business is likely to pay dividends out of all proportion to the financial investment involved."

★★
The Union Ministry of Industry and Supply is understood to be currently negotiating with Czechoslovakia the setting up with Czech financial and technical collaboration, of two more large-scale machine tools manufacturing units in the public sector. Czechoslovakia is already assisting India in the establishment of a Heavy Machine Tools Plant at Ranchi as part of the heavy engineering complex being established there.

The fourth Plan requirements of machine tools are estimated around Rs. 450 crores. It is envisaged to manufacture indigenously by 1970-71 machine tools worth Rs. 131 crores per annum. Currently, annual production of machine tools in the country is around Rs. 20 crores — approximately Rs. 8 crores in the private sector and the rest in the public sector. The combined output of the two sectors is expected to go up to Rs. 25 crores by the end of the current Plan, as against a target of Rs. 30 crores.

Slightly more than 50 per cent of the Rs. 131 crores worth production of machine tools to be achieved in 1970-71 will be in the public sector where apart from setting up the Heavy Machines Tools Plant at Ranchi and establishment of two more Czech-aided machine tools projects, expansion of Hindustan Machine Tools, Bangalore, to Rs. 50 crores worth output is proposed. The remaining production is expected from the expansion of the private sector. Including the present installed capacity, the private sector has already been licensed for the manufacture of Rs. 50 crores worth of machine tools. Not all this capacity may materialise by 1970-71. So stress is being laid on expansion of the existing units. Some new units may also be licensed.

With a view to expediting the implementation of the machine tools manufacture schemes already licensed in the private sector, the Industry and Supply Ministry is urging the recently-set up Industrial Development Bank to devise a suitable programme for providing long-term rupee finances to the units needing such funds. Apart from foreign exchange shortage and the difficulties of securing technical know-how, paucity of rupee resources, it is felt, is hindering the growth of the private sector machine tools industry in the country. To enable private entrepreneurs to import technical know-how, the Union Government is also not averse to giving special concessions in the case of the complicated and sophisticated machine tools production schemes. In such cases, it is also prepared to relax the general rule that the indigenous content, to begin with, should be at least 80 per cent, to be raised to 100 per cent in about three years' time after start of production. The Government is already according in allocation of foreign exchange a very high priority to the requirements of machine tools manufacturers. Steps are also being taken to augment supplies of essential raw materials for this industry, such as pig iron and alloy steel, from indigenous sources.

★★
The public sector, it is understood, may shortly enter the field of paper and paper board production. It is already manufacturing newsprint at the Nepa Mills.

As against the third Plan target of 0.82 million tonnes, the paper and paper board manufacturing capacity likely to be installed in the country by 1965-66 will be approximately 0.74 million tonnes. This capacity is proposed to be raised to 1.5 million tonnes by 1970-71. On the basis of the licences

issued so far, capacity to the tune of 0.99 million tonnes may materialise by the middle of the fourth Plan, leaving a gap of about 0.51 million tonnes to be filled by additional licences. In order to bridge this gap, the Union Ministry of Industry and Supply has proposed to have one or two pulp projects in the public sector. The National Industrial Development Corporation has been entrusted with the task of collecting the requisite data from Assam, Madhya Pradesh, Mysore, Uttar Pradesh and Bihar and preparation of project reports. This assignment is expected to be fulfilled by NIDC by the end of this month. These pulp manufacturing units will have some capacity to manufacture paper.

The national Industrial Development Corporation has also been asked to prepare a project report for setting up a second newsprint manufacturing unit in the public sector. This plant may have a capacity to produce about 60,000 tonnes of newsprint annually — the likely gap between the fourth Plan newsprint requirements and the capacity expected to be installed by 1970-71 through expansion in the Nepa Mills' production from 30,000 tonnes per annum at present to 75,000 tonnes and the setting up of four newsprint manufacturing plants in the private sector for which letters of intent or licences have already been issued. Requirements of newsprint in 1970-71 are estimated around 300,000 tonnes.

★★
In a statement made in the Lok Sabha last week, the Union Minister for Industry and Supply, Mr. T. N. Singh, disclosed that the Government of India had licensed expansion of the existing cement manufacturing units and setting up of new cement factories to an additional capacity of 4.47 million tonnes. Advance approval, he added, had also been given for augmenting the cement producing capacity in the country by another 8.9 million tonnes. On the basis of the progress made so far by the schemes already licensed, he expected that by the end of the current financial year, the cement manufacturing capacity in the country will go up to 11.25 million tonnes. During the next financial year, another 1.75 million tonnes capacity would be added, making a total of 13 million tonnes. The Minister further revealed that the incentive scheme, under which a premium on the controlled price is paid for production this year in excess of the best annual output for the three years ending 1962, had helped in raising cement production by 0.5 million tonnes.

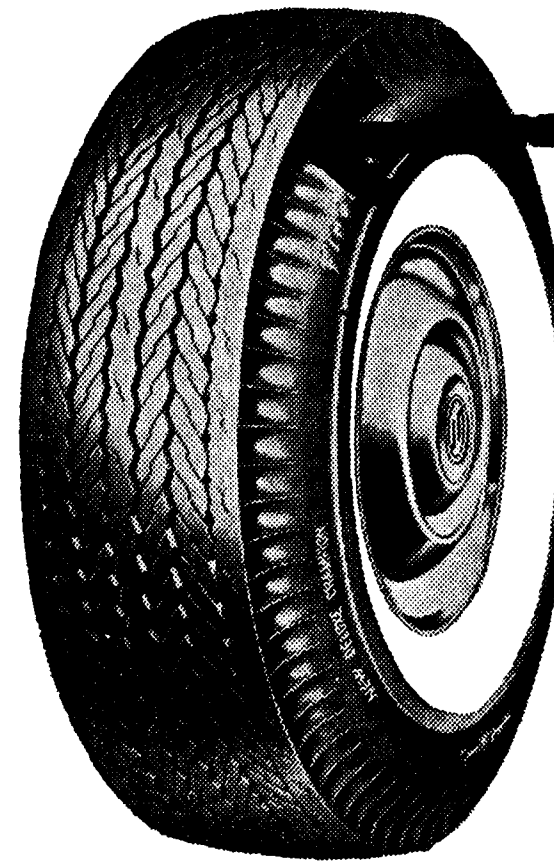
The Minister further disclosed that proposals for the import of balancing equipment by the existing factories for maximising the utilization of the already installed capacity were being examined. The output of cement in the country was also being attempted to be raised by utilization of blast furnace slag and pozzalanic materials. A slag cement factory with an annual capacity of 290,000 tonnes had already gone into production.

In order to promote the steady growth of the cement industry, the Minister stated that the Government hoped to set up shortly the Cement Corporation of India, a private limited company fully owned by the Government. The Corporation will have three functions — (1) surveying, prospecting and proving of limestone deposits in the country; (2) establishment of capacity to manufacture cement; (3) development of ancillary and supporting activities for the building up of the cement industry, including the development of expertise.

The production of cement in the country currently, the Minister said, was of the order of 9.5 million tonnes per annum. The annual demand was estimated at about 12.5 million tonnes.

★★
The West German Investment Delegation visiting India on January 16, 1965, on an invitation from the Indian Investment Centre, New Delhi, will not only include leading German

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ANNOUNCEMENT REGARDING THE PROPOSED ISSUE OF SHARES

This is NOT a Prospectus. Persons interested in full details may obtain copies of the Prospectus from the Registered Office of the Company or from the Bankers and Brokers named hereinafter



HINDUSTAN FERODO LTD.

A member of the TURNER & NEWALL Group

EXISTING AND PROPOSED ACTIVITIES OF THE COMPANY

The Company was formed to take over the manufacturing and associated selling activities of Asbestos, Magnesia and Friction Materials, Ltd., Ghatkopar, Bombay 77 AS. Its main activities consist of the manufacture of "Ferrodo" woven metallic and moulded brake and clutch linings, "Firefly" brand asbestos yarns, dry and lubricated asbestos plaited packings, asbestos cloth, proofed asbestos sheetings, asbestos tape, asbestos rope lagging and compressed asbestos fibre jointings, and "Limpet" asbestos sheets. The Company has now been licensed by Government to manufacture asbestos millboard and "Ferrobestos" flooring sheets in addition to the above listed items.

LOCATION OF FACTORY

The Company's factory is located at Ghatkopar, Bombay 77 AS.

BOARD OF DIRECTORS

Norton Arthur Morling (Chairman)	Director of: Turner & Newall Ltd., Manchester, England.
Son of N. E. Morling	Director of Asbestos, Magnesia & Friction Materials Ltd., Manchester England and other Companies within the T. & N. Group
Henry David Stewart Hardie (Managing Director)	Merchant. Managing Director of Asbestos Cement Ltd., Mulund, Bombay 80-NB.
Son of J. S. Hardie	Director of Asbestos, Magnesia & Friction Materials Ltd., Manchester England
Cecil William Hannan Son of W. Hannan	Committee Member of 1) General Committee, Bombay Chamber of Commerce & Industry, Bombay.
Phillip Anthony King Son of C. King	2) Executive Committee, Association of Indian Automobile Manufacturers. Engineer.
Percy Charles Barr Son of H. Barr	Merchant. Director of Asbestos, Magnesia & Friction Materials Ltd., Manchester England

(INCORPORATED ON 1ST. JULY 1964 UNDER THE COMPANIES ACT 1956)
REGISTERED OFFICE: AGRA ROAD, GHATKOPAR, BOMBAY 77 AS.

SHARE CAPITAL

Authorised:	
40,00,000 Equity Shares of Rs. 10/- each	Rs. 4,00,00,000
Issued:	
26,80,133 Equity Shares of Rs. 10/- each	Rs. 2,68,01,330
Subscribed and Fully Paid up:	
19,83,333 Equity Shares of Rs. 10/- each	Rs. 1,98,33,330
Present Issue:	
6,96,800 Equity Shares of Rs. 10/- each	Rs. 69,68,000
	Rs. 2,68,01,330
Out of the Present Issue:	
1,50,000 Equity Shares of Rs. 10/- each have been agreed to be subscribed by Directors, their associates and friends at a premium of Rs. 17 per share, i. e. at Rs. 27 for cash	Rs. 15,00,000
Now offered for Public Subscription:	
5,46,800 Equity Shares of Rs. 10/- each at a premium of Rs. 17 per share, i. e. at Rs. 27 per share for cash	Rs. 54,68,000
	Rs. 69,68,000

TERMS OF PAYMENT

On application	Rs. 9.00 per share, made up of Rs. 5.00 on capital account and Rs. 4.00 on premium account
The balance will be paid by calls as may be determined by the Board of Directors as under:	
Not before 1st April 1965	Rs. 9.00 per share, made up of Rs. 4.00 on capital account and Rs. 5.00 on premium account
Not before 1st April 1966	Rs. 9.00 per share, made up of Rs. 1.00 on capital account and Rs. 8.00 on premium account
The above terms of payment are also applicable to shares to be subscribed for cash by and to be allotted to the Directors, their associates and friends.	

BANKERS

STATE BANK OF INDIA,
Apollo Street, Fort, Bombay-1
BANK OF BARODA LTD.,
Cama Lane, Ghatkopar, Bombay-77
J. HENRY SCHRODER WAGG & CO. LTD.,
145, Leadenhall Street, London E. C. 3

AUDITORS

A. F. FERGUSON & CO.
Allahabad Bank Building,
Apollo Street, Bombay 1.
ISSUE HOUSE & REGISTRARS
APOLLO SECURITIES,
5 Graham Road, Ballard Estate,
Bombay 1.

BANKERS TO THE ISSUE

State Bank of India
Apollo Street, Fort, Bombay-1
and its branches at
Ahmedabad, Allahabad, Amritsar, Bangalore, Baroda, Bombay, Calcutta, Cochin, Coimbatore, Delhi, Gauhati, Hyderabad (A.P.), Indore, Jaipur, Kanpur, Madras, Nagpur, Panjim (Goa), Rajkot, Surat.
Bank of Baroda Ltd.,
Apollo Street, Fort, Bombay-1
and its branches at
Ahmedabad, Amritsar, Bangalore, Baroda, Bombay, Calcutta, Cochin, Coimbatore, Hyderabad (A.P.), Indore, Kanpur, Madras, Nagpur, Navsari, New Delhi, Rajkot, Surat, Vasco Da Gama (Goa).

SOLICITORS TO THE ISSUE

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State Bank Buildings,
Bank Street, Fort, Bombay 1.
MANAGING BROKERS
MERWANJEE BOMANJEE DALAL,
Allahabad Bank Building, Apollo Street, Bombay 1.
BATLIWALA & KARANI,
Union Bank Building, Dalal Street, Bombay 1.

BROKERS TO THE ISSUE

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Allahabad Bank Building, Apollo Street, Bombay 1.
Batliwala & Karani,
Union Bank Building, Dalal Street, Bombay 1.
Lewis & Jones,
Bank of Baroda Building, Apollo Street, Bombay 1
A. B. Pandit & Co.,
32 Apollo Street, Bombay 1.
R. R. Nabar & Co.,
31 Dalal Street, Bombay 1.
Champaklal Devidas,
Aga Khan Building, Dalal Street, Bombay 1.
CALCUTTA
Place, Siddons & Gough (P.) Ltd.,
6 Lyons Range, Calcutta 1.
G. M. Pyne,
Allahabad Bank Building,
14 India Exchange Place, Calcutta 1.
MADRAS
Dalal & Co.,
Post Box No. 149,
National Insurance Building, Madras 1
Paterson & Co.,
P.O. Box 48, 11/12 Second Line Beach, Madras 1.
Chitra & Co.,
322/335 Linghi Chetty Street, Madras 1.
BANGALORE
M. Nanjappaiah Jahgirdar,
Post Box 71, 181 Cavalry Road, Bangalore 1.
HYDERABAD
P. B. Afzulpurkar,
Sultan Bazar, Hyderabad.
DELHI
Raj Paul Chadha & Co.,
Delite Cinema Building, Asaf Ali Road, New Delhi.
P. Roy & Co.,
3/8 M. M. Road, Jn. Panchkuin Road, New Delhi 1.
AHMEDABAD
Kantilal Chandulal & Co.,
Manek Chowk, Ahmedabad.
Chinubhai Chimanlal Dalal,
Manek Chowk, Ahmedabad.
Chimanlal Lalbhai,
Manek Chowk, Ahmedabad.

APPLICATIONS: Copies of Application Forms and Prospectus can be obtained from the Company's Brokers or Bankers to the issue or from the Company at their respective Registered Offices. Applications for shares must be for 10 shares or multiples of 10 shares.

THE SUBSCRIPTION LIST WILL OPEN AT THE COMMENCEMENT OF BANKING HOURS ON 17TH DECEMBER 1964 AND WILL CLOSE AT THE CLOSE OF BANKING HOURS ON 30TH DECEMBER 1964 OR EARLIER AT THE DISCRETION OF THE DIRECTORS, BUT NOT BEFORE THE CLOSE OF BANKING HOURS ON 21ST DECEMBER 1964.

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industrialists but also bankers. It will be led by Dr. Hans Kuntze of Klein Schanzlin & Racker AG, and will consist of 35 members representing the leading German banks and a wide range of industries such as electrical engineering goods, insulation pipes and tubes, ball and roller bearings, plants and equipment for chemical, pharmaceutical and food industries, machine tools, radio and tele-communication engineering, automobiles, ship-building, mining and metallurgy, oil refineries coal products, photographic equipment, textile machinery, steam boilers, submersible pumps, industrial furnaces agricultural machinery including tractors and harvestors, handicrafts and several domestic goods industries.

The Delegation will stay in India for three weeks and explore the possibilities of German private investments in this country. It will begin its engagements with discussions with the Government of India and then visit Bombay, Ahmedabad, Baroda, Poona, Bangalore, Madras, Coimbatore, Calcutta and Jamshedpur. At all these places, the members of the Delegation will see a cross-section of India's development projects as well as the projects and industries which have come up with German collaboration. They will return to New Delhi on February 2 to resume their discussions with the Union Government. Part of the Delegation will leave for Germany on February 6. Some members of the Delegation will stay on for attending the 20th Congress of the International Chambers of Commerce.

German private investments in India currently amount to approximately Rs. 10 crores. It is hoped that as a result of the German Investment Delegation's visit, the flow of private

capital from Germany to India will gather momentum.

★★
The sixth 50 MW unit of the Neyveli lignite power station is expected to be commissioned into operation by March 31, 1965. The seventh unit of 100 MW is likely to go on stream by June 30, 1966. The installation of these two units, under the first phase of the expansion programme of the power station, will raise the power generation capacity from Neyveli lignite to 400 MW. The capacity is proposed to be augmented further to 600 MW under the second phase of the expansion programme to be undertaken during the fourth Plan period. Up to October 31, 1964, the Neyveli lignite power station had generated 2,090 units of energy. Of this, about 1,650 units were fed into the Madras State Electricity Grid.

The target of producing 3.56 million tonnes of lignite annually is expected to be reached by February, 1966, when the last of the three lignite consuming plants of the Neyveli Project — the fertilizer manufacturing unit — will start production on commercial scale. The second lignite consuming plant — briquetting and carbonisation unit — is expected to go into production early next year. The lignite mining capacity will be raised from 3.56 million tonnes to 6.3 million tonnes during the fourth Plan period to meet the requirements of the 600 MW power station. The clay washing plant of the project, which went into operation in 1961-62, had produced up to October 31, 1964, 7,700 tonnes of washed clay.

The expansion of the Neyveli lignite power station from 400 MW to 600 MW will be undertaken with assistance from the USSR which has helped in setting up the present 250 MW capacity and is also assisting in its expansion to 400 MW.

Textile Industry : A Case for Concessions

R. V. MURTHY

BOMBAY :

AS WAS decided at a meeting on November 21, 1964, of its Committee, the Indian Cotton Mills' Federation (ICMF) has addressed a representation to the Union Ministry of Finance to press its plea for including the cotton mill industry in the list of industries of national importance, so as to become entitled to rebate in income-tax and super-tax and also for a more liberal scale of development rebate as has been granted to coal and shipping. If it is conceded, as it must be, that the Indian cotton mill industry supplies one of the basic needs of the people, is a major foreign exchange earner and has a predominant role to play in the national economy, the country cannot afford to postpone any further a comprehensive programme to modernise and expand the cotton mill industry.

It is not only in India, but practically all over the world, that it has become necessary to make structural adjustments to new requirements. Previously, the industry was mainly labour-intensive and it was, therefore, easy enough for the developing countries to engage themselves in it. But, today, thanks to several changes and improvements, it has become exceedingly capital-intensive. Moreover, prices of machinery have been going up steadily from year to year. Thus, between the year 1960, when the Working Group of the Cotton Textile Industry was appointed by the National Industrial Developmental Corporation (NIDC) and 1963, according to an index to measure the cost of rehabilitating the textile industry compiled by the ICMF taking only the minimum imperative need for imported machinery, the Index Number has gone up by 17 points. This estimate more or less corresponds with the estimate prepared by the Planning Sub-group on Cotton Textiles for expansion of the spinning and weaving capacities of the industry during the rest of the third Plan period.

On the basis of the estimate prepared by the Planning Sub-group on Cotton Textiles, the industry's financial requirements for expansion during the remaining years of the third Plan amount to Rs. 92 crores and those for expansion in the fourth five-year Plan will aggregate Rs. 225 crores, while, for mere rehabilitation alone, the total bill, at Rs. 40 crores per year, works out to Rs. 280 crores. Breaking the overall total of all these of nearly Rs. 600 crores into two divisions, one for new units and another for the existing units, taking into account the expansion already allowed as also that which may be allowed in future, the ICMF estimates the requirement of the existing industry alone at more than Rs. 400 crores.

The question facing the industry now is whether, with its present low profitability, it can raise this amount. In other words, do the internal resources and borrowings of the industry permit of an investment of this magnitude? An answer has been provided by two recent studies made by the Federation of the financial position of nearly 300 textile factories for two different periods, viz., 1955-59 and 1961-62. Some interesting conclusions emerge from these studies. For one thing they reveal the magnitude of the industry's effort towards investment and gross block, mainly consisting of plant and machinery. Thus, between 1955 - 1962 (ignoring the difference of 10 per cent in the installed capacity that formed the subject-matter for the two studies), the gross block has gone up from Rs. 244 crores to Rs. 415 crores. Secondly, the studies bring out the strain on the industry's capital resources for working capital and the staggering increase in borrowings. The internal resources have steadily declined from Rs. 76 crores at the end of 1955 to Rs. 27 crores at the end of 1962. Over the same period, borrowings and trade dues have mounted up from Rs. 82 crores and Rs. 52 crores at the end of 1955

to Rs. 184 crores and Rs. 86 crores respectively, at the end of 1962.

The need for adequate resources for any industry arises not only because of the growing requirements of working capital but also because, unless the internal resources position is satisfactory, it is not possible to raise either fresh loans or fresh capital. Against the background of the finances of the Indian Cotton Mill Industry referred to earlier, the concessions sought by the Federation, which are estimated to increase the resources of the industry by no more than about Rs. 4 crores per year, pales into insignificance. But even small mercies count these days, and the Finance Minister may rest assured that the industry will feel grateful to him if he should accept the Federation's suggestions and gives effect to them in the forthcoming budget.

★★

"A very definite pointer to the good work that has been done during the brief span of 7½ years during which the Corporation has been operating", according to Mr. B. K. Kaul, Chairman of the Life Insurance Corporation, is the almost three-fold increase in its business compared to that in force of all insurers as on December 31, 1955. The business in force as at March 31, 1964 was Rs. 3,571 crores under 103.28 lakh policies, as per the Chairman's statement at the 102nd meeting of the L.I.C. on November 30. There is no gainsaying that the volume of life insurance business since nationalisation has gone up remarkably, but it is still worth speculating whether, under the existing conditions, the private insurers, had they been functioning today, would not have achieved similar if not better, results. This is, of course, on the assumption that private insurers also would have had the same privileges and facilities as the L.I.C.

This academical exercise apart, it must be said that the L.I.C. has registered several satisfactory features in its working during 1963-64. In addition to the continued increase in the business in force, there has been a further reduction in the expense ratio and strengthening of the financial position. The L.I.C.'s investments had a higher yield and notable steps were taken to expedite the settlement of claims. The only fly in the ointment, however, was the further, albeit slight, increase in lapse ratio. Judged absolutely, an increase from 8.1 per cent for the period ended March, 1963, to 8.2 per cent for the 12-month period under review may not appear very much, especially in the context of the general economic conditions leading to impairment in the saving capacity of the insuring public. However, the persistent rise from 5.1 per cent in 1958 to six per cent in 1959, 6.6 per cent in 1960, seven per cent in 1961, 8.1 per cent in 1962-63 and 8.2 per

cent for the latest year is something that requires to be taken serious note of. 8.2 per cent of the main business in 1963-64, if expressed in the actual number of policies, would perhaps provide a more realistic picture to the lay public. The need for thorough appraisal in this case also arises from the fact that, according to Mr. Kaul himself, "the impact of general economic conditions and of the compulsory deposit scheme on the saving capacity of the insuring public would be expected to have an adverse effect on the lapse ratio". While his assurance, at the same time, that the various steps being taken by the Corporation to control lapses are bearing fruit, is comforting enough, his statement that the rising trend in lapse ratio has been arrested suggests a measure of complacency, which may have the unfortunate effect of slackening the efforts at arresting the rising trend in lapse ratio.

Insurance Conscious

A notable feature in 1963-64 was that 70.5 per cent of the total policies were taken by persons insuring for the first time. This is at once an indication of the growing insurance consciousness of the people and an indicator that the message of insurance is being taken to more and more people, as claimed by the L.I.C. Chairman. That more and more people are taking to insurance is also evident from the satisfactory progress of business written in the rural areas (5.85 lakh policies assuring Rs. 209 crores, as against 6.67 lakh assuring Rs. 233.45 crores for the 15-month period ended March, 1963). The increase in the L.I.C.'s network of offices and the headway being made in respect of non-medical business, salary saving schemes, and group insurance are also indicative of the expansion of life insurance business in the country.

A word about the L.I.C.'s foreign business is necessary here. There was a decline in business (from 8,865 policies assuring Rs. 10.58 crores for the 12-month ended March, 1963, to 8,332 policies assuring Rs. 10.21 crores), which was not unexpected in view of the political and economic changes in some of the countries in which the L.I.C. has been operating. In fact, it seems creditable that, save in only two countries, namely Mauritius and East Africa where there were short-falls in business, there was satisfactory progress in the other places. But we should be prepared for disappointing results from the newly independent countries which may naturally want to encourage their own newly set-up national concerns. From our point of view, this is not a very encouraging prospect though, particularly by reason of the imperative need of the country to augment its export earnings, both visible and invisible. The L.I.C. has to gear itself to meet this challenge, and it seems the installation of the new computer systems and the implementation of the re-organisation scheme in hand are but a reflection of its preparation in this behalf.

Coal Price is Key to Expansion

From Our Correspondent

CALCUTTA:

LORD ROBENS, Chairman of the UK National Coal Board, who has come to India to discuss the possibilities of Indo-British collaboration in some new public sector coal ventures, told the Press in Calcutta last week that if the two Governments decided on starting such ventures in India, work could well start some time next year. It may be recalled that the British Coal Board first offered to the Indian Government early in 1960, to collaborate in the development of the coal industry in this country. Since then negotiations have gone on. Subsequently, it was broadly agreed that a project with an annual output of 2.5 million tons could be taken up, but nothing concrete has materialised so far. From Lord Robens's statement

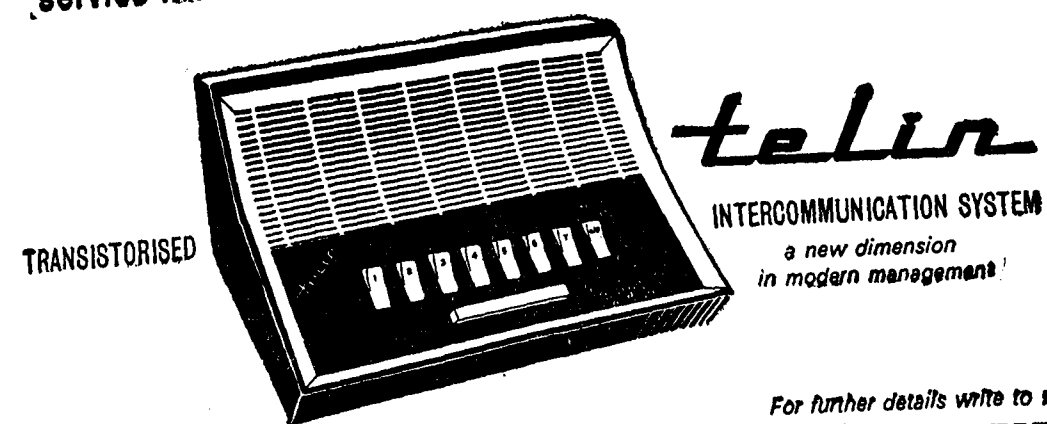
it appears that his Board would be interested in collaborating for the three mines east of Bokaro which would yield the coking coal that the Bokaro steel plant will require. The UK Coal Board has had long technical discussions on these mines with the National Coal Development Corporation of India and the officials of the Union Ministry of Steel, Mines and Fuel. Details of the necessary geological survey and administrative arrangements have also been discussed. Lord Robens gave an idea of how the mines would be worked. These would be fully mechanised, most up-to-date machinery would be provided and the most efficient and cheapest method of extracting coal would be adopted. They would be able to compete with most mines in England and would constitute a project which they "in England would not be ashamed to operate in their

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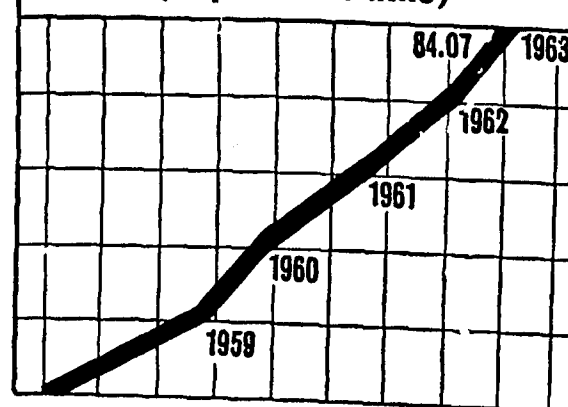
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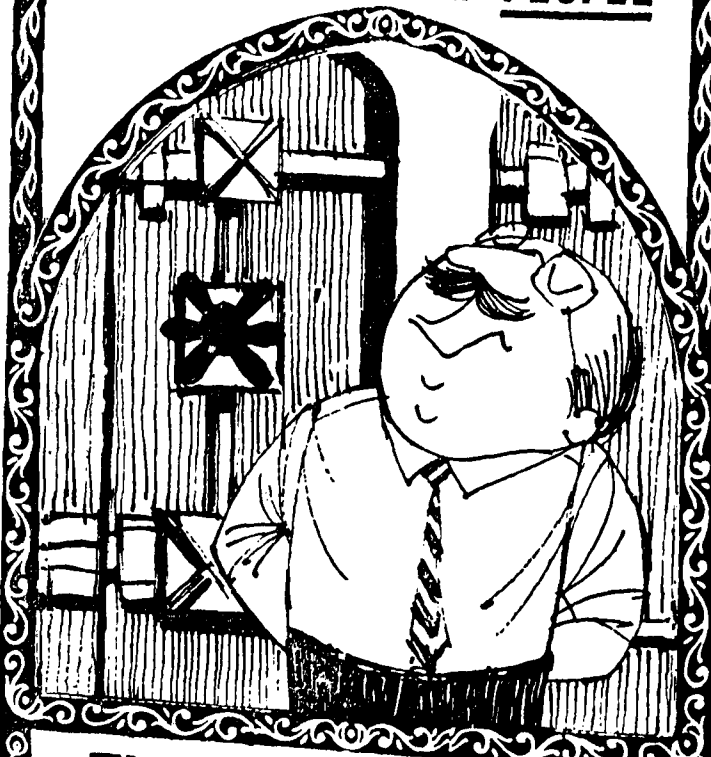
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country." The mines would be deep, and the estimated reserves would justify operations for 30 to 40 or even 50 years. In terms of outlay, the project would require £7 to 8 million as foreign exchange expenditure, besides the rupee capital which would be needed for creating all other facilities. The UK Coal Board Chairman was fairly confident that on the basis of the present plan which has been drawn up taking the present wage and price levels into account, the project would yield a reasonable profit.

The first mine, it has already been decided, will be opened at Asnapani, and the location of the second and the third will be decided soon. If an Indo-British agreement is reached soon, and negotiations are said to have started already, it will give the National Coal Development Corporation a really good start in the fourth five-year Plan. The public sector has fared not particularly well in the third Plan; it will probably not reach a production level higher than 15 million tons by the time the current Plan ends. But in the tentative targets fixed for both the sectors, in the next Plan, the public sector is required to raise its production to 60 million tons in an overall coal output target of 136 million tons. That leaves some 76 million tons for the private sector, which will produce about 54 million tons by the end of the third Plan. The question, however, remains whether the public sector of the coal industry, or the National Coal Development Corporation which is the chosen instrument, will be able to move that fast in its production drive. After all, it takes time to open up new mines and output cannot be increased from existing mines overnight. But the National Coal Development Corporation has already taken considerable preliminary measures for new projects which must bear fruit in the next five-year period. Even so, the target looks a bit too high, especially if the capability of India's public sector enterprises is taken into consideration. There is another reason why the NCDC should not be asked to overstrain its capacity. This is the demand aspects. As is common knowledge, India's coal industry will produce not more than 65 million tonnes, or 70 million tonnes at the most, by the end of the third Plan. How does this compare with the original target of 97 million tonnes, which has had to be revised one time upward and three times downwards? Not that revision of plan targets is a sin, but this just shows how unreliable India's demand estimates have been.

Over-Production

It may be argued that coal production must remain somewhat ahead of demand and not lag behind it. In that case, the major part of the job should be entrusted to those who already have the necessary machinery, skill and administrative apparatus, rather than start brand new ventures in the public sector which may not mature just when they are required the most. However, at the moment the industry as a whole is in a state of over-production. There are 5 or 6 million tonnes of low grade coal which the collieries concerned do not know how to dispose of. This in turn reflects a lower industrial demand among other things. It is possible that production in industry will pick up soon, but this needs to be watched. Unless demand conditions in the country justify a target as high as 136 million tonnes, it would be sheer waste to plan for it and make the necessary investments. The World Bank which has a sort of vested interest in India's coal industry, having already advanced a fairly large sum of money, does not recommend a figure higher than 126 million tonnes. It remains to be seen whether the sub-committee which has been appointed by the National Development Council to look into the various proposals for increasing coal production in the country before deciding on a specific figure, will allow itself to be influenced by over-zealous officials of the Central Ministry for Steel, Mines and Fuel, or whether it will prefer the hard-headed calculations of World Bank experts.

Whatever be the target that is finally fixed, there is one question which has to be tackled objectively and realistically. That is the question of coal prices. It concerns as much the public sector as it does the private. The earnings of the NCDC mines are considered pretty low and if the net profit is to be about 10 per cent of the capital at charge, which the Union Finance Minister wants and which it should be if the Government's coal enterprises are to run on sound commercial lines, the coal prices would clearly need to be raised. There is a greater reason why the private collieries need a higher price than they are allowed to get. The NCDC can fall back on the immense resources of the Government; the private collieries have no such aid available to them. They can at best borrow from banks or go to investors in the capital market. But in either case, they must have sufficient financial strength to service loans or pay reasonable dividends to investors. These the collieries are at present not able to do. They are not making good profits and have, therefore, been unable to pay good dividends. This is the main reason why investors in the stock markets are at present so apathetic to the shares of coal companies.

★ ★
The president of the Indian Chamber of Commerce, Mr. Sookamal Ghosh, did well, in the course of his address at the last week's quarterly general meeting of the Chamber, to sound a note of warning against excessive reliance on controls just when the Government is bent on imposing more and more of them. With prices continuing to take the upward course, controls look attractive as a solution as they provide the Government just an easy way out. The Government takes responsibility for fixing the prices and introducing rationing for various essentials of life including food-grains, but it is apparently assuming no obligation for maintaining the supply pipeline. It has a positive responsibility to see that the basic causes of shortages and bottlenecks to



Yet another herb?

industrial production are removed, but how far has it been successful in acting up to that responsibility? Moreover, most of the fundamental causes of the present inflation and the consequent shortages and evils of hoarding and profiteering can be ascribed to the so-called measures of planning such as deficit financing, lop-sided investment and administrative inadequacies. All these have arisen due to the rigid style of planning chosen for a democratic country. Mr. Ghosh, therefore, criticised not only the various control measures, but also the causes which lie behind them. The Government he pointed out, thought more in terms of regimented and detailed planning on the lines of certain totalitarian countries, but because of the democratic functioning of the Government, "we have very often lost our way in the labyrinth of controls, restrictions and regulations which this form of detailed planning involves." Controls after all are no solution to shortages; they only aggravate and even perpetuate shortages.

★ ★
In his address at the third annual general meeting of India Carbon Ltd., the Chairman, Mr. P. D. Himantsingka, provided some useful information about the present political and economic conditions in Assam. (India Carbon's plant is located near Gauhati and it depends for its raw materials on the two oil refineries at Digboi and Noonmati which it produces calcined petroleum coke.) According to Mr. Himantsingka, a sense of stability has been steadily growing in Assam; so is the sense of security. The State Government is doing its best to create a favourable atmosphere for industrial development. But there is a great shortage of power, which the State Government is trying to remedy through setting up new power plants. However, the environment of expansion and growth which has been created through the active assistance of the Assam Government is helping industries to develop. India Carbon, for instance, has been doing well, largely because of the co-operation it has received from that Government. The company is paying a 6 per cent dividend free of tax, this year. It is also looking into fresh avenues of expansion. It has already requested the Government for permission

to make calcined anthracite coal and more proposals are likely to follow when the Managing Director's new ideas on expansion have been scrutinised and given effect to. However, the management has not been able to work the plant to its full capacity as the size of the market is still not adequate. Yet the Government has been allowing some imports. What is worse, it is even proposing to licence a second calcined petroleum coke plant in Barauni, in the public sector. This is of course in keeping with the Government's policy of balanced industrial development, matching a private sector plant with one in the public sector.

★ ★

The work concerning the Paradip port project, it is claimed, has made considerable progress. The lagoon harbour from which ore will be shipped to Japan is nearing completion, and it will be possible to start shipments from here some time in the second half of 1965. Paradip port, as is well known, will have sufficient facilities for large-scale iron ore shipments. The ore will come from what is known as the Daitari iron ore project, the mechanisation of which will be done in collaboration with Hungary. The mining experts of the firm of Nikex of that country are already in Orissa, discussing with the officials of the Orissa Mining Corporation the project report for the mine and the details of the mechanisation to be introduced. The reserves in Daitari (in northern Orissa) are said to be large, and the ore of excellent quality with a ferrous content of 60 to 62 per cent. The mine will be completely mechanised, the project cost running into nearly Rs. 6 crores. Like the Bailadila project, the Daitari iron ore project is designed to produce sufficient iron ore to enable an annual shipment of 2 million tons to Japan. It is confidently expected by the officials of the Orissa Mining Corporation that the project will start producing ore by the end of 1965, or early in 1966. From Daitari, the ore will be conveyed to Paradip through a mechanised loading system, after being treated by a washery which it is claimed is the biggest of its kind in India, and which has been manufactured in the United States.

Andhra's Ambitious Plan

From Our Correspondent

MADRAS :

AFTER THE recent meeting of the National Development Council, the State Governments have been busy preparing their estimates for the fourth Plan. Since it has been finally decided that the total outlay for the whole country in 1966-71 should be around Rs. 21,500 crores, the State Governments also have taken it for granted that there would be a doubling of their outlays as well and in some cases by a greater proportion in order to overcome serious disparities in the levels of income. The Andhra Pradesh Government has been the first among the Southern States to publish the draft of the fourth Plan. It is encouraging to note that the serious deficiencies of the earlier Plans are being sought to be removed and that there will be great emphasis on the generation of electricity. But it is difficult to anticipate at this stage how an overall outlay of Rs. 1,500-1,600 crores, for the State, Central and Private sectors put together, can be achieved.

It has been explained that this volume of investment is necessary in order to bring about an increase in the income of the region by 40 per cent in a five-year period. Only then it is contended that the gap between the 'per capita' income for the whole country and the 'per capita' for the State can be narrowed. On the basis of these estimates, it is expected that the 'per capita' income in the State will increase from Rs. 319 at the end of the third Plan to Rs. 413 by 1971. In the same period, the All-India figure will increase to Rs. 426 from Rs.

352. Thus, there will be a narrowing in the gap to Rs. 13 from Rs. 33 in 1966.

There cannot be any dispute over this approach to the whole problem. But the outlay of Rs. 1,600 crores in the fourth Plan will be possible only if there is an investment on Central projects in the State to the extent of about Rs. 800 crores. How exactly this huge outlay will be brought about is the major conundrum. The State has, of course, assumed that the expenditure on the Nagarjunasagar Project and Srisailem Project will be borne wholly by the Centre. A number of Central projects will necessarily come into being though capital expenditure of the order proposed would be feasible only if the steel plant at Visakhapatnam, having a capacity of 1.5 million tonnes, can be erected. It is too early to speculate now whether a definite decision in this regard can be reached before the estimates for the fourth Plan are finalised. The State Government, however, has emphasised that the target will have to be reached in any event by its undertaking additional projects.

The size of the State Plan has tentatively been fixed at Rs. 700 crores, roughly double the size of the third Plan. Against the original estimate of Rs. 312.50 crores it is now anticipated that the total outlay will be around Rs. 350 crores because the work of construction on the Nagarjunasagar and Srisailem projects has been expedited. The larger plan is proposed to be implemented with Central assistance to the extent

of about 80 per cent which would mean that even if there was a shortfall in Central investment in the State directly, an increase in the State's expenditure to off-set this shortfall will willy-nilly have to be financed to the extent of 80 per cent by the Centre. When there is a shortage of resources all round, both the Planning Commission and the Centre will of necessity bargain for a reduction in outlay because it will mean so much of reduction in Central assistance.

The proposed outlay under different heads in the fourth Plan, as compared to the revised estimates for the third Plan, will be as indicated below :

FOURTH PLAN OUTLAY			(Rs. crores)
Sector of Development	Revised outlay in the third Plan	Allocation in the fourth Plan	
1. Agricultural programmes, Animal Husbandry, Fisheries, Co-operation including Community Development ..	49.50	78.00	
2. Irrigation :		45.00	
(i) Minor Irrigation	28.26	12.00	
(ii) Ayacut Development	2.08	75.00*	
(iii) Major and Medium Irrigation ..	75.33	200.00**	
3. Power	78.81	60.00	
4. Mining and Industries	16.72	60.00	
5. Transport	13.24	64.50	
6. Education	18.08		
7. Medical, Public Health, Housing, Miscellaneous welfare schemes	30.64	75.50	
Block allotment for the development of chronic drought affected areas ..	—	25.00	
Reserve for additional allotment when necessary	—	5.00	
TOTAL	312.66	700.00	

*Excluding the provision for Nagarjunasagar Project.

**Excluding the provision for Srisailem Project.

Whatever might be the ultimate shape of the Plan, power development will receive the pride of place with agriculture and irrigation also getting greater prominence. Between these two heads nearly 60 per cent of the outlay will be accounted for. The actual expenditure on power schemes will be Rs. 77 crores while Rs. 16 crores are proposed as advance expenditure on fifth Plan schemes. The addition to installed capacity is, however, expected to be as much as 1,390 mW, 490 mW on account of spill-over schemes and 900 mW in respect of new projects. As it will be necessary to retire old sets having a capacity of 51.90 mW, the net installed capacity at the end of the fourth Plan is expected to be 1,749.10 mW against 411 mW in the third Plan. This great achievement will be made possible by the fructifying of the huge expenditure incurred already on many schemes and the new capacity created will be as much as 1,390 mW against only 198 mW in 1961-66. Whether these estimates will be realised with the proposed capital expenditure remains to be seen. The expenditure on transmission schemes, rural electrification and railway electrification has been placed at Rs. 238 crores. If power availability improves on the scale envisaged there might even be a surplus available for consumption in the neighbouring areas for a short period.

Of the spillover schemes, thermal power from Kothagudem and Ramagundam first stages will be for 120 mW while the Ramagundam second stage, which apparently re-

lates to the package deal proposed by Dr. Teja, will yield 200 mW. The Nellore Thermal set and gas turbo sets at Hyderabad will have a capacity of 50 mW in the third Plan with the result that, out of the total capacity of 688 mW on account of the existing schemes, the thermal content will be as much as 430 mW which is a noteworthy feature contributing greatly to the firming up of power supply. Of the new schemes the biggest contribution will again be made by the Kothagudem Thermal scheme — station - B with a capacity of 480 mW and Station - A Stage - 2 scheme with a capacity of 120 mW. The Upper Sileru project will yield 300 mW. There will thus be a predominance of thermal power which augurs well for the future, for the State as well as the region. Only, as stated earlier, the estimates of expenditure would appear to be very low.

There will, of course, be a big increase in agricultural production though the detailed and physical targets consistent in the allocations have yet to be worked out. It is hoped that the targets envisaged by the Working Group will not be substantially reduced. This group had proposed an increase in the output of foodgrains by 30 per cent, sugarcane by 10 per cent and oilseeds by 17 per cent, among the more important crops. The estimates of agricultural production are probably easier of achievement because a large potential exists.

The State proposes to find Rs. 140.26 crores out of its own resources in order to finance the various schemes. The balance will presumably have to be found by the Centre. Fresh taxation for Rs. 45 crores only is envisaged. Even here the collection of arrears of taxes is expected to make a contribution. Net open market borrowings are expected to secure Rs. 68.90 crores and small savings Rs. 10 crores. Whatever might be the criticism levelled against the tentative estimates of the State Government, it cannot be denied that a stepping up of outlay in Andhra Pradesh will yield the maximum results.

★ ★

The problem of augmenting water supply for Madras City has been baffling solution. It had been hoped that the UN team of experts, which visited the City recently, would be able to offer new suggestions. But it has been found on a close examination of the various schemes that the proposal for desalination of sea water will have to be accorded the lowest priority on account of its prohibitive cost. It had been hoped that this scheme would be feasible as all available water sources had been effectively tapped. For a time, the idea of utilising the surplus water at Neyveli was vigorously pursued. But the Neyveli authorities were not willing to commit themselves on a long-term basis as it had not been possible to assess precisely the availability of under-water resources in the region. It is also felt that the Corporation itself would be requiring much larger quantities over a period, and that the agriculturists in the area would be disappointed if large quantities of water were diverted to Madras for drinking purposes. At the present moment, the surplus is made available for use by agriculturists on the definite understanding that the Corporation could absorb the supplies in other directions if the need arose. The scheme for drawing water from Cauvery has not also been taken up as there are no large surpluses available. It has, therefore, been emphasised that, the implementation of the project for bringing water from the Krishna River to Madras with the co-operation of the Andhra Pradesh Government should be expedited. For this year, there may not be any serious problem as the main reservoirs feeding the City are full, on account of the recent heavy rains. However, the problem of augmenting supplies cannot be postponed for long as, after three or four years, a serious situation would arise. It should, therefore, be examined how the Krishna water scheme can be implemented in the shortest period.

The moving finger writes

LAST WEEK this country played host, with fulness of heart, to a leader of a great religion and the Head of a great Church. Pope Paul VI came, as he described it, "as a pilgrim of peace, of joy, of serenity and love" and the Prime Minister bade him welcome in the name of "a country that stands for peace and the essential unity of all religions". A few days earlier, another Man of God, Sri Sankaracharya of Kanchi Kamakoti Peetam, in a voice more authentic than that of President or Prime Minister, had called for the stilling of religious feuds and controversies and firmly laid down that "the co-operation of all religious heads was badly needed today to guide humanity away from dry, materialistic ideals towards moral or spiritual path". The Sankaracharya had also appealed to the intolerant few in our midst that they should show no disrespect to the Pope. Whether the intolerant heard his words or not, they themselves went completely unheard in the surge and swell of the great reception which India gave in Bombay to the exalted visitor from Rome. I have no doubt in my mind at all that the Pope's visit and the Indian response to it have shed lustre on India's image and India's name as one of the civilised communities of the world. Incidentally, I wonder whether there are at least a few honest red faces now among the editorial visages on the Board of the "Time" magazine which, true to its bad habit of being mean-minded and prickly phrased while commenting on this country, had done an uncharitable preview of the preparations in Bombay for the Eucharistic Congress and the Pope's visit.

★★
The post-mortem lament which the Council of Scientific and Industrial Research ritually set up for the late J. B. S. Haldane was the conscience money which the pharisees paid to a prophet. It is but natural that the pedlars, parvenus, and the panjandrums who prey on the scientific world should feel easier with a Haldane dead than with a Haldane living. Haldane hated richly and he hated nothing more fiercely than he hated career "scientists" unblest with the spirit of inquiry. Haldane was also a man of great loves. He loved fun and adventure and he loved science and, unlike the girl in Oscar Wilde who did not love music but loved musicians, he loved genuine scientists more than he loved even science. Above all he loved life, living it generously and heroically, and there was one thing he loved more than life itself and that was his fellow men.

Among the great loves of Haldane I should not omit to mention India. Through the centuries India has been loved and lost over and over again; and in this year of 1964 India herself lost two of her greatest lovers ever. Each of them had chosen his own special way of showing his yearning to be identified with the country he loved. Jawaharlal Nehru directed that the ashes of his body should be scattered over the good earth of the land of his birth. There was perhaps a certain childishness in that gesture and possibly some vanity. In Haldane, resigning his body to medical research in some obscure institute somewhere in India, I see, however, only the most complete self-effacement and the uttermost dedication to the country of his choice.

★★
It is possible that the Press in this country is not over-keen on championing lost causes but it does seem to have a weakness for lost personalities and their problems which more often than not are of their own making. Stray suggestions in Parliament that Sheikh Abdullah or Mr. Jayaprakash Narayan should be prevented from preaching the gospel of disinteg-

ration have been avidly seized upon, for instance, by more than one national daily to sound the alarm that the liberty of the individual is in danger of being destroyed by the intolerance of obscurantists and chauvinists. I find this agitation strangely unconvincing since it ought to have been obvious to the most innocent that there never really was a possibility that Mr. Jayaprakash Narayan, or, for that matter, Sheikh Abdullah, was about to be placed under preventive detention.

But surely the point of the disquiet shown in the country over the utterances and activities of Mr. Jayaprakash Narayan, the Rev. Michael Scott or, in a different context, Sheikh Abdullah, is that these people should not have the advantage of functioning the way they do from favoured positions. I agree these gentlemen need not be gagged simply because they say things which are disagreeable or unacceptable to many of us. But I do not see why Mr. Jayaprakash Narayan or the Rev. Michael Scott should be allowed to continue as members of a Peace Mission in Naga Land sponsored by the Government of India, even after it has become clear that their views are uncompromisingly at variance with the basic assumptions and objectives of the Government of India's policies with regard to Naga Land.

In the same way, is it so unreasonable to suggest that the Government of India would be acting without prudence or dignity if its leaders were to conduct themselves before Sheikh Abdullah as if he were some sovereign authority with whom the status of Kashmir should be negotiated? It is simply because the Government of India has been showing unwarranted indulgence to these individuals that there is a degree of unhealthy reaction among certain sections in Parliament or the country against the latitude allowed.

★★
Another intriguing instance of the partiality of the Indian Press for individuals is provided in the thundering editorials published by two of our national dailies demanding that Messrs. Dastur and Company should not be done out of the Bokaro steel plant. "The Times of India", writing on December 1, presents the case for Messrs. Dastur as the case simply for the nation's technological self-reliance. This surely is an over-simplification of the issues involved. In the first place, I would very much like to know how self-sufficient Dastur and Company is in technical skills and competence — whether it employs or it plans to employ foreign consultants and if so how much the country is or would be spending on those consultants in the form of foreign exchange. Secondly, if Dastur also have to seek foreign personnel or technical assistance would it not be more economical for the Government of India itself to do so directly or to have the service performed by the foreign supplier or builder of the plant as part of a turn-key job? In any case, there is no point in complaining that the Russians are trying to sabotage Dastur since it was by no means certain that Dastur and Company would have fared better under an American dispensation for Bokaro. The fact is that no foreign collaborator, accepting a very considerable responsibility for finance, supply, construction and commissioning of an integrated steel mill, is likely to surrender substantial authority in designing to a firm of consultants which has yet to build its first steel mill and on behalf of which the utmost that its enthusiasts could plead is that its "technical competence has not been questioned".

Then there is "The Statesman" writing on December 5 of the high importance of the Government of India properly dis-

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tinguishing between "associating" Indian engineers with the construction of steel plants and investing them with responsibility. The paper goes on to advise rather irresponsibly that it is for the Cabinet to take a political decision on assuming responsibility within India. This is easier said than done. The Cabinet took a political decision to build the Bokaro Steel Plant in the public sector and the result was that the U.S. Congress concluded that there were better ways in which the U.S. taxpayers' money could be utilized. Is it now being seriously suggested that the Government of India should insist on keeping the issue of consultancy responsibility out of the negotiations with the Soviet Government and thus run the risk of those talks too breaking down? It seems to me most unwise that we should at all seek responsibility in designing, when other large responsibilities in the matter of the supply, erection and commissioning of the plant must necessarily lie with the collaborator.

★★
I am sorry to have to say that Mr. Chagla's reputation for objectivity and even veracity seems to have suffered a great deal as a result of the statement he made in Parliament on the resignation of Prof. Kichlu as Director of the National Physical Laboratory. Quite a few people who seem to be personally acquainted with the background and details of this episode tell me that the most favourable construction that could be placed on the Education Minister's representation is that he had been wrongly briefed if not deliberately misguided by interested parties. Mr. Chagla's declaration that in future he would have all proposals for "merit" promotions considered by a panel has been sarcastically commented upon. It is pointed out that this was precisely the procedure that Prof. P. K. Kichlu had pressed for in the case of Dr. S. C. Jain whom the Director-General of the Council for Scientific and Industrial Research successfully insisted on promoting on the basis of the Director-General's own personal assessment.

Prof. Kichlu's objection, in other words, seems to have been neither to "merit" promotions in general nor even to Dr. Jain being promoted on grounds of "merit". All that he urged was that the claims of other candidates for "merit" promotions should be considered along with Dr. Jain's by a panel. I believe that he was right and, consequently, I suspect that an argument so eminently reasonable could only have been so summarily ignored either, because the Director-General of the C.S.I.R., Dr. Hussain Zaheer, wanted to do a special favour to a particular member on the staff of the National Physical Laboratory or because he deliberately sought to create a situation from the embarrassments of which Prof. Kichlu could save himself only by resigning, as he did, the Directorship of the National Physical Laboratory.

★★
When the Governor of Kerala recently complained that his administration found itself in the soup as a result of the Central Government not fulfilling its food commitments to the State, I wonder whether he anticipated so prompt a salvage operation. Mr. V. V. Giri is now being relieved of the Governorship of Kerala and is being taken out of the soup. Whatever his own reactions may be to being "rescued" in this particular manner, the public is bound to suspect that he is being punished for the indiscretion of his statement to the press on the food muddle in Kerala. I am not maintaining, however, that the suspicion must necessarily be well-grounded. It is possible that New Delhi was merely on the look-out for opportunities for creating a suitable berth for Mr. M. J. Desai who has "retired" or is in the process of "retiring" — I confess I do not know what is the precise situation — from the Indian Civil Service as well as from the post of the Secretary-General of the External Affairs Ministry. Old soldiers, they say, never die. In this country, old civilians, I may suggest, never really retire even though they go through the motions of retirement which their "service" rules specify. Mr. R. K. Nehru, so far as I know,

EASTERN ECONOMIST

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has not retired except in the strictly formal sense; neither has Mr. S. S. Khera, nor Mr. S. Dutt.

The subject is a delicate one; critical comment is apt to be misunderstood or taken "personally". But an issue of public significance is clearly involved and the responsibility of discussion cannot, therefore, be evaded by the press. I am therefore glad that "The Times of India" has written what, in the circumstances, is a courageous editorial of protest. In its issue of December 4, it makes the pertinent point that indefinite retention of superannuated officials in government employment of one kind or the other is bound to affect the quality and efficiency of the public services in the long run as such a practice must necessarily defer unduly just expectations and aspirations at the younger levels of the hierarchy. To this I may perhaps add another argument which I have pressed on earlier occasions in this column. I sincerely believe that distinguished public servants should really retire at the proper time and devote themselves to the larger cultural and public life of the nation. Only then could the quality of our society or social life improve. At the present time there is far too little of intellectual activity through those voluntary associations of individuals which are the essential organs by which alone a free society could, in the long run, progress in freedom.

★★
I have no patience with those among us who seem to have suddenly discovered that Mr. Swaran Singh is unlikely to make a great Foreign Minister and have started complaining about it. Surely Mr. Swaran Singh himself had never done anything to warrant extravagant expectations. I have never concealed my view that, while Mr. Swaran Singh has certainly held a variety of ministerial assignments, he has never handled any of them in any specially distinguished manner. If I were to name two Central Ministers who have held long periods of office for little public purpose, I would mention Mr. Swaran Singh and Mr. K. C. Reddy. The fact that both of them are very agreeable and pleasant-mannered individuals would, no doubt, make this judgment sound harsh, but unfortunately it does not invalidate it.

★★
On second thoughts we should perhaps be glad that Mr. Swaran Singh is being so predictably pedestrian in his latest job, considering what a craze for notoriety could do for some of us, such as, for instance, Mr. Shriman Narayan. Our Ambassador at Kathmandu, it appears, will report to Headquarters only in Hindi. Since it is possible, however, that the reports are unlikely to be read in any case, Mr. Shriman Narayan's language fanaticism may not do much harm. But his threat to serve "tulsi" water at Embassy receptions cannot be dismissed as a mere fad. Our Embassies abroad are not the private establishments of our Ambassadors. They have to organize their social functions in conformity with certain standards of hospitality and in my view treating guests to a dose of Ayurvedic medicine on the sweeping assumption that such of them as are not suffering from asthma must at least be affected with a chronic cold in the head does not seem to me to be a very diplomatic thing to do; on the contrary, this "tulsi" water-business might suggest a mild case of water-on-the-brain.

★★
This column has run to two pages of the Journal. This I may hasten to assure my readers is an aberration, and I have no intention of making it a habit. My excuse on the present occasion is that this is the last issue of the Journal for the old year. Good old 1964, I bear you no grudge, though you have not been a particularly good year for my country. Things, however, could have been worse and because they were not, I thank thee and, while bidding you farewell, I prepare, with true human fickleness, to let thy memories fade as I turn my face towards the bright gleam of your emerging successor.

V. B.

Trade Winds

I.M.F. — RECENT ACTIVITY

DURING THE first half of 1964, the developing countries continued to make greater use of the Fund's resources, in proportion to their quotas, than advanced industrial countries — Deutsche marks and French francs playing a leading role in these drawings and repayments. The volume of the Fund's operations was also greater during this period than in any January-June period since 1957, and the drawings of \$581.4 million as against repayments of \$215.6 million i.e. an excess of drawings of \$365.8 million raised the total to \$1,835 million of drawings outstanding at the middle of the year. At the beginning of November 1964, the developing countries were using as much as 80 per cent of the \$1736 million in currencies outstanding from the International Monetary Fund. The equivalent of \$1.4 billion was outstanding as a result of drawings by developing countries in Africa, Asia, Latin America and the Middle East, and there were net drawings amounting to \$320 million on the part of the United States. The USA has drawn \$400 million in Western European currencies under stand-by arrangements which have been in effect since July, 1963, but the net US drawings have been reduced by Fund transactions in dollars with other countries.

The bulk of the \$1820 million available under the Fund's stand-by arrangements, as on October 31, 1964, represented potential claim of three industrial members — Japan, the United Kingdom and the United States. The undrawn balance of the existing US stand-by arrangement which extends to July 21, 1965, is equivalent to \$350 million, while Japan and the United Kingdom maintain stand-by arrangements for \$305 million and \$1,000 million respectively, neither of which has been drawn upon.

The largest drawings during the first half of this year were made by the United States (equivalent to \$250 million) and Italy (equivalent to \$225 million). Both countries were using the Fund's resources for the first time, and neither drew beyond its gold subscription. Most of Italy's drawing, in fact, had the effect of restoring the Fund's holdings of lire, which had been reduced in the course of drawing by other members. In drawing European currencies, the United States indicated that it would sell these currencies for dollars to countries wishing to make repayments to the Fund.

Total drawings since the 1947 beginning of Fund operations stood, on October 31, 1964, at \$7890 million. During October, 1964, members drew the equivalent of \$38.65 million and repayments were equivalent to \$77.40 million. The latter included a \$57.15 million payment in Deutsche marks by the Government of Canada which fully restored Canada's financial position in the Fund, which was upset following its \$300 million drawing in June 1962. The Fund's holdings of some Western European currencies have been reduced in the course of its operations over the past two years, despite repayments in these units over the period. Deutsche marks, for example, were at 20 per cent of the member's quota in the Fund at the beginning of November, 1964, and French francs at 34 per cent. Members customarily pay 75 per cent of their quotas in their own currency and 25 per cent in gold.

On June 11, 1964, Mr. Schweitzer, the Fund's Managing Director, and His Excellency Alfred Zehnder, Ambassador of Switzerland to the United States, exchanged letters which constitute an association of Switzerland with the Fund's "General Arrangements to Borrow," in which the ten industrial countries viz., Belgium, Canada, the Federal Republic of Germany, France, Italy, Japan, the Netherlands, Sweden, the United Kingdom and the United States, already participate. Switzerland would make financial agreements, which may be

reciprocal, directly with participants in the borrowing arrangement, and will make available resources in amounts up to 865 million Swiss francs. The Fund will thus be able to call upon Switzerland to extend credits, in accordance with its agreements with individual countries, if the general borrowing arrangements are invoked.

NEW GATT CHAPTER

The details of a new chapter on trade and development, which will form Part IV of the General Agreement on Tariffs and Trade, have been finalised for submission to the member countries for their approval. The text, that was adopted at the GATT special session towards the end of November, 1964, represents a compromise whose key elements were negotiated at the eleventh hour between the Indian and the US delegations representing the developing and the developed contracting parties. The new chapter will make GATT the first contractual agreement to embody some of the principles defended by the developing countries at the last UN trade conference. The three main points in the new chapter are: (1) The contracting parties agree on the necessity to ensure for the developing countries a rapid and sustained increase of income from export products. (2) Since the undeveloped countries' exports still depend on limited range of raw materials, it is necessary to assure these products the most favourable and acceptable conditions of access to world markets, and to draw up measures to stabilise and improve the position of these products in the world market. This especially concerns measures to stabilise prices at such equitable and remunerative levels as will permit an expansion of world trade and demand — a "dynamic and constant increase" of these being necessary for their economic development. (3) Developed countries belonging to GATT do not expect reciprocity for their commitments in trade negotiations to reduce or eliminate customs duties and other obstacles to the trade with non-developed contracting countries.

An article of the new chapter also lists the commitments which developed countries should undertake, unless prevented by imperative reasons. Among these commitments is a pledge to abstain from revision of fiscal policy aimed at reducing or eliminating the fiscal measures in force.

Mr. K. B. Lal, leader of the Indian delegation to the GATT conferences, is reported to have said that this chapter was a starting point and provided the legal and institutional framework within which measures to expand the trade of developing contracting parties could be pursued. The European Common Market commission is also reported to have accepted the new chapter with reluctance. The ECM countries feel that the organisation of markets is more important than the removal of tariff and non-tariff barriers to exports of developing countries.

AIR-CONDITIONING & REFRIGERATION

As the Council of Scientific and Industrial Research cannot look after everything, the refrigeration and air conditioning industry should have a scientific organisation of its own for the technical development of the industry. This view was expressed by Mr. T. N. Singh, Union Minister for Industry and Supply while speaking at the opening ceremony of an exhibition of the refrigeration and air-conditioning products, in New Delhi, on December 4, 1964. The Minister emphasised the need for larger exports of the products of this industry so that the import of components required by the industry could be financed without any difficulty. Industrial refrigeration, he emphasised, was essential in an agrarian economy like ours for the preservation of foodstuffs.

Earlier, in his welcome address, the President of the

Northern India Refrigeration and Air Conditioning Trades' Association, referred to the popular misconception of considering air conditioning and refrigeration as luxuries. Besides its utility in the preservation of foodstuffs, these days, in the and air conditioning industry was essential, these days, in the running of such important industries as textiles, synthetic fibres such as rayon and nylon, drugs and pharmaceuticals, chemicals and dyes, fertilisers, aviation engines, tools and dies, and precision instruments. But in spite of this, Mr. Seth pointed out, the industry suffered a serious set-back because of high incidence of excise duties, sales tax and the phenomenally high prices of indigenous raw materials. The imposition of excise duties was wrongly based on Government considering this industry as a luxury industry, he added. Reviewing the development of the industry, Mr. Seth said that during the last ten years the total industrial refrigeration load had exceeded 1,50,000 h.p. The imported component had also fallen from an average of 50 per cent in 1956 to less than 10 per cent at present. The only components that the industry had still to import were thermostatic controls and special valves and fittings.

FOOD HANDLING AT PORTS

The handling of food ships at the various Indian ports has come in for severe criticism in a special report submitted to the Prime Minister, Mr. Lal Bahadur, by the US experts team which has been looking into this problem at the instance of the Government of India. The team, consisting of four investigators from the US Maritime Administration, is understood to have found inadequate port facilities and red-tape hampering the unloading of wheat, coming in from the US under PL 480 at the rate of 600,000 tonnes every month. The experts have observed that some ports are clogged while others hardly have any business. According to them, the "bureaucratic machine" is unable to co-ordinate the unloading of ships simultaneously at ports thousands of miles apart.

The experts have also found the unloading process cumbersome — stevedores going abroad and filling bags with wheat, stitching them, swinging them over the side and carting them to the nearest railway station. This technique, according to them, handles only a couple of hundred thousand tonnes of wheat monthly. In some ports the experts have detected bags of such poor quality that they burst easily and spill the grain over the docks or in warehouses.

"BLEEDING MADRAS" EXPORTS

With a view to clarifying its position regarding certain newspaper reports about the difficulties experienced by the trade in the export of the handloom fabric "Bleeding Madras" to the U.S.A. and other countries, the Union Ministry of Commerce has issued a press note explaining that the Government's policy has been a long-term one and has been in operation for the last few years and that the exports of this fabrics are under compulsory pre-shipment inspection and quality control. In order to avoid speculative fluctuations in prices the Government regulates exports by prescribing floor and ceiling prices for exports. Exporters have also been told that as it is not possible to increase the production of this item in a spurt and it is unwise to over-sell in the interests of production, price-stability and quality, the regulatory measures adopted by the Government are designed to ensure that the quotas allocated to established exporters match with the increasing production capacity and also the market potential in the USA and other importing countries. Exporters have, therefore, been cautioned not to enter into firm commitments without ensuring production and securing adequate supplies of the right quality. Government has also registered the established shippers of known competence so as to avoid

scramble-buying by a large number of casual new-comers with no long-term interests at stake in the export trade. Already the number of established exporters is quite large as compared to the limited production and demand for this fabric. All quotas for shipment in the current financial year have already been allocated and established shippers informed about it. The shippers have also been requested by the Government to register all their legally valid contracts against these quotas with the Joint Chief Controller of Imports and Exports, Madras.

The exports of this fabric have increased rapidly, from Rs. 1.3 crores in 1959 to the expected Rs. 4 crores in the current year. The production has been going up by 25 per cent each year and now about 17,000 handlooms are producing this fabric in Madras and Andhra Pradesh. Due to wide fluctuations in prices and indiscriminate sale by exporters without proper regulations, the USA and other markets were lost to this fabric in the years 1960 and 1961. It was only after the regulatory measures were enforced in 1962, that, in the last three years, exports of this fabric began catching up at a fast rate.

IN-FLIGHT PICTURES

Trans World Airlines have characterized the transatlantic in-flight motion pictures as the greatest contribution to passenger relaxation since the advent of pressurized cabins and have accused certain other international carriers of seeking to deprive passengers of movie benefits for their own narrow, selfish purposes. It was more than three years ago when the TWA took the initiative for the development of this service. According to the TWA Vice-President, Mr. Thomas B. McFadden, anything that attracts more persons to air travel and that eases the tension of "first-time riders" and relieves the long flight boredom of experienced travellers has great psychological and therapeutic value for the customers of airline services. It is noteworthy that TWA has been able to provide motion picture diversion aloft at a time when basic transatlantic fares have been on the decrease. The arguments that in-flight entertainment will eventually result in higher fares or prevent lowering of present fares at some future date, according to Mr. McFadden, are highly exaggerated. The cost of TWA's type of in-flight entertainment is quite reasonable and anyone with a knowledge of airline arithmetic can realise that if movies contribute to higher load factors they do not present a significant cost increase. The higher the load factor, the more are the persons who ride a given airplane and consequently the lower are the unit costs.

EXPORT PROSPECTS FOR CARPETS

As brought out in the report of the Indian Government Trade Representative, a larger quantity of carpets, both cotton and woollen, are imported into the Aden market. The concentration of British armed forces personnel has further increased the market potential for this item. Aden's climate being extremely hot and humid for the best part of the year, cotton carpets are generally preferred. In the last few years the British Royal Air Force has purchased a larger number of such carpets for use by its armed forces in Aden. The three years' import figures given below illustrate the marketing possibilities of different types of carpets in Aden.

	1960 (£)	1961 (£)	1962 (£)
(a) Carpets, floor rugs, etc. other than wool and fine hair	81,583	131,340	50,315
(b) Carpet etc. of vegetable plaiting materials (including coconut matting)	6,852	8,743	17,859
(c) Carpets etc. of wool and fine hair	31,717	15,456	15,654

Company Affairs

L.I.C. : PURPOSEFUL PERFORMANCE

MR. B. K. KAUL, Chairman, Life Insurance Corporation reviewed the progress of the Corporation for the year ended March 31, 1964, while addressing the annual general meeting held recently in Bombay. New business during the year, he stated, amounted to Rs. 703 crores involving 1,646,000 policies as against Rs. 746 crores involving 1,768,000 policies in the previous accounting period of 15 months. Although the two figures are not comparable, it is evident that the year under review has experienced a slight reduction in new business. The Chairman was of the opinion that the rise in the cost of living as well as the introduction of the Compulsory Deposit Scheme, which affected the tax-payer, had their inevitable repercussions on insurance business. Other factors, like famine conditions and shortages of food supply, further affected the business adversely, but the short-falls were only temporary. Mr. Kaul indicated that the ratio of lapses to new business in force was 8.2 per cent during the year, as against 8.1 per cent during the previous accounting period. This, again, is a reflection of the impact on insurance of the adverse economic conditions. He added, however, that the very slight increase in the lapse-ratio was a proof of the steps taken by the Corporation to control the lapses and he hoped that the business during the current year will be much better. The total business in force as on March 31, 1964 was Rs. 3,571 crores, covering 10,328,000 policies, as against Rs. 3,165 crores covering 9,500,000 policies a year before. The Chairman added that the business in force on March 31, 1964 was nearly three times when the insurance was taken over as on December 31, 1955.

The premium income of the Corporation during the year amounted to Rs. 146.32 crores, as against Rs. 150.38 crores during the previous 15 months, which shows a positive improvement. The total income was Rs. 179 crores, as against Rs. 185 crores during the last 15 months. Of the total investment in India, of Rs. 707.60 crores, the public sector claimed nearly 75.5 per cent, co-operative sector 4.3 per cent, the joint sector 1 per cent and the private sector 19.2 per cent during the year under review. As many as 70 new issues were agreed to be underwritten to the extent of an aggregate amount of Rs. 13 crores. The Chairman revealed the encouraging fact that the overall expense ratio for the year came down to 27.5 per cent from 29.30 per cent in the previous accounting period and the renewal expense ratio has also come down from 14.13 per cent to 12.46 per cent. This, indeed, has been a performance of remarkable nature because, as the Chairman indicated, it had been achieved in spite of the increase in salaries and allowances of all employees except those of the Class I.

Mr. Kaul indicated that the 'Own Your House Scheme' which came into operation on January 1, 1964, at 26 centres has been extended to further 49 centres and it is proposed to be extended further to two more centres from January 1, 1965. The Corporation can also boast of a number of other housing schemes and a scheme has been introduced for grant of loan to individual employees of the Corporation for purchase and construction of houses. The total assistance given by the Corporation to housing development under these schemes upto March 31, 1964 amounted to Rs. 62.78 crores. This important function of the Corporation has positively relieved various cities of the housing shortage to some extent and it is

hoped that the Corporation will continue to go ahead with these schemes.

PARRYS CONFECTIONERY'S PROGRESS

Mr. H. V. R. Iengar, Chairman, Parrys Confectionery Ltd., indicated recently that the sales turnover of the Company increased substantially during the 18-month period of April 1, 1963 to September 30, 1964. The increase over the previous 18 months was about 22 per cent in value and in actual figure it came to Rs. 2.77 crores. This upward trend was a proof of the growing popularity of the Parrys products throughout the country. The Company achieved this imposing result in spite of the fact that the supply position of the main raw materials presented considerable difficulty and the shortage continued to persist. Consequent on the imposition of control in April, 1963, release of sugar for confectionery manufacturers has been strictly controlled. Even other essential raw materials, like milk powder and condensed milk, have not been available in the required quantities due to diversion of the bulk of these products for defence requirements. The Chairman added that the recent increase in the price of sugar was another factor that enhanced the cost and the Company had to increase the selling price which meant some additional efforts in maintaining the sales.

Mr. Iengar pointed out that during the period under review, the Company successfully negotiated the purchase of machinery for replacement of some of its old units, which had reached the end of useful life, from Manjula Confectionery Ltd. This machinery had been very little used and had been well maintained and was available because the Manjula Confectionery Ltd. had discontinued the manufacture of sweets. This act will positively help in the modernisation of its plant but the Chairman was of the opinion that it will have to modernise its plant if the Company wanted to improve the quality of its products to be able to sell in foreign markets. The Company, he added, exported during the period under review sweets valued at Rs. 1.31 lakhs and hoped to export more in the Far East, Middle East and East African markets. He urged the Government to view the problems of the industry more sympathetically so that it could compete in the foreign markets.

CHEMICALS AND PLASTICS ISSUE

Chemicals and Plastics India Limited, will enter the capital market with a public issue of Rs. 62 lakhs. It has an authorised capital of Rs. two crores and an issued capital of Rs. 1.50 crores made up of Rs. 1.35 crores in equity capital and Rs. 15 lakhs in cumulative redeemable preference shares (9.5 per cent) of Rs. 100 each. The public issue consists of 49,500 equity shares of Rs. 100 each and 12,500 preference shares of Rs. 100 each for cash at par.

The subscription list will open on December 16 to close on December 24 or earlier at the discretion of the directors, but not before December 18. Out of the present issue of Rs. 1.50 crores, B. F. Goodrich Company of Akron, Ohio, USA and their nominees have agreed to subscribe 17,212 equity shares of Rs. 100 each for consideration other than cash, and 17,213 equity shares of Rs. 100 each at par for cash. The founders, directors, managing agents and their relatives and friends and their associated companies have subscribed 51,068

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equity shares of Rs. 100 each at par. (Indplast Private Ltd. — 17,000 shares, The India Cements Ltd. — 13,500 shares, Kumari Investment Corporation Private Ltd. — 3,750 shares, Narayan Investment Trust Private Ltd. — 3,750 shares, The Mettur Chemical and Industrial Corporation Ltd. — 5,000 shares and directors, friends and associates — 8,068 shares). As many as 2,500 cumulative redeemable preference shares of Rs. 100 each are to be subscribed by Kumari Investment Corporation Private Limited (1,250 shares) and Narayan Investment Trust Private Ltd. (1,250 shares). The remaining shares worth Rs. 62 lakhs are being issued for public subscription. The entire public issue has been underwritten by the Madras Industrial Investment Corporation Ltd. (25,000 equity shares and 10,000 preference shares), The Indian Overseas Bank Limited (15,000 equity shares), Chitra & Co. (4,750 equity shares and 1,250 preference shares) and Paterson & Co. (4,750 equity shares and 1,250 preference shares).

The company has been licensed for an initial capacity of 6,000 tons per year of PVC resins and compounds and also process 1,500 tons of resins to fabricate PVC products. The factory to produce PVC resins will be located in Mettur Dam, Salem District and the fabrication plant will be located near Bombay. The project is sponsored by The India Cements Limited, and B. F. Goodrich Company of Akron, Ohio, U.S.A., a leading manufacturer of PVC. The foreign collaborators will provide all technical information, know-how and data for the manufacture of PVC and related materials and will also make an investment in the equity capital. The company has been sanctioned a Dollar loan of \$3.15 million from the Export-Import Bank which will be adequate to finance the cost of imported plant and machinery. In addition, an AID loan in rupees from PL 480 funds has been sanctioned to the tune of \$685,000.

The main indigenous raw materials will be chlorine and alcohol. Chlorine will be delivered by pipeline from the adjacent plant of Mettur Chemicals Ltd. Alcohol will be delivered from a central distillery which is being located in Tiruchirapalli. The company has been able to secure 120 acres of land which will be adequate to take care of future expansion also.

The fabrication plant in Bombay will process 1,500 tons PVC resins annually and produce PVC pipes and fittings, both rigid and flexible of exceptional quality. Other PVC compounds and compositions to meet various special requirements of the belting, electrical cable, building, paint and other industries will also be made. The business will be managed by Indplast Private Ltd., which has entered into an agreement with Chemicals and Plastics India Limited.

UNITED COMMERCIAL BANK: A NEW BRANCH

With the opening of a new branch at Kirti Nagar, New Delhi, last week, the United Commercial Bank Ltd. has now a network of more than 200 branches in India and abroad. Already it has about a dozen branches in Delhi and New Delhi and in view of the increasing population in the Capital, the Bank considered it advisable to open this new branch. Deposits and bills payable of the Bank have already gone beyond Rs. 122 crores and with the increasing number of branches, the deposits are likely to be higher by the end of the current year.

BLUNDELL EOMITE PAINTS

Mr. E. B. Calvert, Chairman, Blundell Eomite Paints Limited, laid the foundation stone of its modern paint factory under construction on a 27-acre site at Kolshet, near Thana, on November 29. Blundell Eomite Paints Limited is the

Indian subsidiary of Blundell-Permoglaze Group, a leading paint manufacturing group in England. Blundell Eomite Paints was formerly known as the Elephant Oil Mills. When complete, the Kolshet factory will be one of the most modern factories in India equipped with the latest plant and equipment and up-to-date research and quality control laboratories and also staff welfare facilities. The factory's oil, resin and varnish units will commence production shortly.

ESCORTS: A YEAR OF GROWTH

The Escorts achieved substantial progress and recorded a net profit of Rs. 24.99 lakhs during the year ended December 31, 1963. Sales during the year amounted to around Rs. 4.51 crores as against Rs. 3.45 crores last year. Its unit at Faridabad made significant strides to produce X-ray equipment, railway shock absorbers, heating elements and trailers in large quantities. The sales of pistons, piston rings and cylinder liners manufactured at Patiala also increased substantially. The company obtained a licence for the import of plant and machinery to manufacture piston pins in collaboration with a leading German firm and during the current year expects to reach an overall level of sales to the extent of Rs. 6 crores.

The main building to house the manufacture of motor cycles and scooters, magnetos and wheel rims has been completed and the assembly of Rajdhoot motor cycle will be taken up early in 1965 there. A fact of remarkable achievement has been that the company has already been able to bring down the value of the imported content to below Rs. 350 as against ex-factory sale price of a motor cycle at Rs. 2,390. The company continues to progress in its after-sales service organisation and has been able to manufacture tractors and allied equipment, a part of which is being exported now. The company proposes to manufacture additional items like automatic couplers, brakes and trailers for the Indian Railways.

SESHASAYEE ROPE FACTORY

The steel wire rope plant of Seshasayee Wire Ropes Limited will be inaugurated on December 18, by Mrs. Yumiko Iwasaki, wife of the President of Kokoku Iron & Steel Wire Manufacturing Company Limited, well-known Japanese manufacturers of steel wire and wire products. Spread over thirty six acres of land at Edathala, about five miles from Alwaye, this new plant will have an annual production capacity of 3,000 tons of steel wire ropes, worth about Rs. 100 lakhs.

The authorised capital of the project is Rs. one crore of which Rs. 50 lakhs is subscribed, including the participation of the Japanese collaborators — Kokoku Iron & Steel Manufacturing Company — who have besides helped in the design, layout, purchase of equipment, construction and starting up of the factory. The foreign exchange requirements of the project were obtained under the "Yen Credit" assistance made available to the Government of India by the Government of Japan. Indian engineers who have been trained in Japanese wire rope factories will be in charge of production.

Steel wire ropes are today extensively used in the mining industry for haulage and winding, for aerial ropeways, in ships as hawser ropes and mooring ropes, and by the general engineering industry in cranes and winches.

BRADY ENGINEERING

The Brady Engineering Co. Ltd. has entered into a collaboration agreement with Herbert Morris Ltd., UK, for the manu-

facture of lifting and carrying machinery, electric hoist blocks, electric overhead travelling cranes and hand and load chains of the standard and type manufactured by the latter in the UK.

The collaboration agreement provides for the issue of 10,724 equity shares of Rs. 100 each of Brady Engineering to Herbert Morris Ltd., in consideration for the supply of plant and machinery for the expansion scheme of Brady Engineering. A further 2,000 equity shares will be allotted to Herbert Morris for supply of know-how. Under the scheme of amalgamation, Brady Engineering will issue 13 equity shares of Rs. 100 each for every 10.5 shares of Morris and Brady Ltd., held by the shareholders of Morris and Brady as on December 31, 1964. The present issued and paid-up capital of Morris and Brady Ltd., is Rs. 6 lakhs, divided into 6,000 equity shares of Rs. 100 each. The issued and subscribed capital of the Brady Engineering is Rs. 25 lakhs, divided into 25,000 equity shares of Rs. 100 each.

DANDEKAR MACHINE

The directors of the Dandekar Machine Works Ltd., have decided to issue next month bonus shares in proportion of one share for every nine shares held, by capitalising Rs. one lakh held in capital redemption reserve, after redeeming the preference shares. Bonus shares are in celebration of the silver jubilee of the company. The directors have also recommended a silver jubilee bonus dividend at 2½ per cent and the usual dividend of 12½ per cent, thus making in all 15 per cent, on equity shares for the year ended June 30, 1964. After providing for depreciation and development rebate reserve, the company has shown a profit of Rs. 3.55 lakhs for the year ended June 30, 1964. Taxation gets Rs. 2.16 lakhs and general reserve Rs. 25,000. The directors in their report point out that due to changing and frequent pronouncements by the Government in respect of rice milling machinery industry and the distribution of foodgrains, buyers are hesitant to accept the delivery of rice mills manufactured by the company with the result that as many as 12 plants are lying in stock undelivered.

SANDOZ (INDIA)

The subscription list of the public issue of Rs. 30 lakhs in equity shares of Rs. 10 each by Sandoz (Ind a) Ltd., will open on December 14 and close on December 24 or earlier but not before December 16. The new issue is made to finance the expansion of the agro-chemical plants and a part of capital expenditure of the dyestuff scheme. The company has an authorised capital of Rs. 2 crores and a paid-up capital of Rs. 75 lakhs. The present issue is for Rs. 75 lakhs, of which shares worth Rs. 45 lakhs will be taken up by Sandoz Ltd., Switzerland and associates of the company in India. The capital outlay is estimated at Rs. 1.70 crores — Rs. 80 lakhs for the expansion of the dyestuff plant, Rs. 70 lakhs for other expansion schemes and Rs. 20 lakhs for working capital. The dyestuff plant will go into production early next year. The company's factory is situated at Kooshet, near Thana.

CHOWGULE STEAMSHIPS

Chowgule Steamships Limited proposes to raise its tonnage to 200,000 dwt. during the fourth Plan period. Presently, the company owns 3 ships of about 10,000 tons capacity each operating on the Indian coast as well as overseas for transportation of bulk cargoes. Their first bulk carrier of 35,100 tons which was launched in Germany in September last is due to be delivered on December 15. The second bulk carrier of 35,000 tons for which an order has been placed with a Japanese yard will be delivered to the company in the month of January-February 1966 and will be employed for transport of pellets to be produced from their pulp palletization plant for

the entire life of the ship. Of the three passenger ships which are now being built in Yugoslavia, the first one will be delivered to the company between December 10 and December 15, while the second ship will be put into service by April, 1965. With these two ships the company will operate a daily passenger service between Bombay and Goa. The third ship will be delivered to the company by June 1965, which will also be added to the service on the Konkan coast.

HINDUSTAN FERODO ISSUE

Hindustan Ferodo Ltd. enters the capital market with a public issue of Rs. 54.68 lakhs on December 17. The subscription list will close on December 30 or earlier at the discretion of the directors but not before December 21. The authorised capital of the company is Rs. four crores made up of 4,000,000 equity shares of Rs. 10 each and issued, subscribed and fully-paid up capital, including the present issue, is Rs. 2.68 crores. Out of the present issue of Rs. 69.68 lakhs, as many as 150,000 equity shares of Rs. 10 each have been agreed to be subscribed by the directors, their associates, and friends at a premium of Rs. 17 per share. The public issue is of 546,800 equity shares of Rs. 10 each, which is also at a premium of Rs. 17 per share i.e. at a price of Rs. 27 per share for cash.

The Company was incorporated in July 1964 as a public limited company with the main object of taking over and expanding and manufacturing and related selling business of Asbestos, Magnesite and Friction Materials Ltd., in the manufacture and sale of brake and clutch linings, asbestos yarns and textiles, asbestos packings, and jointings and insulating materials; asbestos flooring sheets and asbestos millboard. The Company has been jointly promoted by Turner & Newall Ltd. and Asbestos, Magnesite and Friction Materials Ltd. of the UK. The promoters amongst themselves will hold 74 per cent of the issued capital of the company.

The company has entered into technical assistance agreements with four of the operating subsidiaries of Turner & Newall Ltd. viz. (i) Ferodo Limited for the manufacture of "Ferodo" friction materials, (ii) Turner Brothers Asbestos Co. Ltd. for the manufacture of "Firefly" asbestos textiles and "Permanite" and "CAF" compressed asbestos fibre joining, (iii) J. W. Roberts Ltd. for the manufacture of "Ferobestos" asbestos flooring sheets, and (iv) Turners Asbestos Cement Co. Ltd. for the manufacture of Asbestos millboard. The use by the company of the registered trade marks will be secured by registered user agreements with Turner & Newall Group.

The proceeds of this issue will be utilised for effecting a major expansion programme which is expected to be completed by October 1966. The Company has secured licences to raise the installed capacity of brake linings from 1,084 tonnes to 2,160 tonnes, clutch facings from 499,992 to 1,000,000, asbestos textiles from 600 tonnes to 775 tonnes, other miscellaneous textiles from 148 tonnes to 312 tonnes, jointing limpel sheet from 1,400 tonnes to 2,100 tonnes and also to manufacture new items. The company has also secured licences for the import of plant and machinery and, in this regard, Turner & Newall have deposited foreign currency amounting to £400,000 (Rs. 53.33 lakhs) in an account in the name of the company with a bank in London to cover the purchase of plant, machinery and equipment to be imported. The capital outlay required for the proposed expansion is estimated at Rs. 291.46 lakhs of which Rs. 241.17 lakhs will be provided by share capital including the premium amount of Rs. 50 lakhs from internal resources and to the extent necessary from bank borrowings. The company has purchased from Asbestos, Magnesite & Friction Materials Ltd. that company's estate and factory at Ghatkopar, Bombay, approximately 18 acres in surface area. The construction of additional factory buildings has already commenced and is expected to be completed by July 1965.

COMPANY MEETINGS

TUBE INVESTMENTS OF INDIA LIMITED

ADDRESS BY SIR A. RAMASWAMI MUDALIAR, K.C.S.I., D.C.L. (OXON), CHAIRMAN, TUBE INVESTMENTS OF INDIA LIMITED, AT THE FIFTEENTH ANNUAL GENERAL MEETING ON 7TH DECEMBER, 1964.

Gentlemen,

Let me extend to you a cordial welcome to the Fifteenth Annual General Meeting of the Shareholders of Tube Investments of India Limited. The Directors' Report, the Audited Balance Sheet and the Profit and Loss Account for the year ended 31st July, 1964 have been in your hands for some time and with your permission, I shall take them as read.

During the year, the Company had to face a serious power cut which considerably affected all sections. Nevertheless, I am happy to state that owing to special efforts made by the Management in the Factories, the results have been better than were anticipated.

T. I. CYCLES

I am glad to report that from the point of view of final output of cycles, this has been a particularly satisfactory year. The target figure was exceeded by a slight margin and, it is hoped, during the current year we shall be able to exceed even this. This forecast is subject, of course, to conditions being satisfactory regarding power supply and adequate raw-materials, sufficient in quantity, and the quality up to requisite standard. Several improvements have taken place in the Cycle Factory to overcome the defects in indigenous raw-materials.

The Debrassing Plant was completed early in the year and its operation has been successful. In addition to increased production of cycles, the components section has produced a fair amount of spares which is in excess of what was produced in the previous year. Both freewheels and hubs are available to the market which has received supplies to fulfil a reasonable portion of the requirements. It is hoped, subject to availability of raw-materials, this supply could be increased.

TUBE PRODUCTS

The Directors' Report refers to the increase in the production of tubes of various kinds in the Factory. There are still difficulties due to the power cut and more especially to the nature of a skelp that is supplied. I referred to various handicaps which the Tube Mill suffered from, in my speech last year, particularly the cut in the import licence for essential consumable stores. There has been no great improvement in this respect during the year under review.

The question of the quality of raw materials supplied has been taken up again with the suppliers and I am glad to say that, after prolonged consultations, there is now a better understanding about our requirements by the indigenous suppliers and efforts are being made to meet our requirements. The deficiency in quality has not been completely made up and this naturally affects the quantity available for processing. Further improvements in output of tubes are mainly dependent on the quality of steel supplied to us and on the quantity. As we are one of the main suppliers in the

Country of high quality cold drawn tubes, it is extremely important that suitable raw materials should be available.

COLD ROLLING MILL

The production from this Mill showed some increase over the previous year's output. The demand, however, far out-steps the supply. It is proposed to expand the production and the approval of the Government having been received for doubling the existing capacity, your Board have taken steps to implement this sanction.

METAL SECTIONS

In my speech last year, I referred to the fact that while all preliminary steps had been taken by us including selection of personnel for the special training required for this section and the erection of buildings to instal the plant and machinery of the unit, Government orders for the capital goods licence had not been received. I am glad to inform you that this licence for the Metal Section has since been received and orders have been placed for plant and machinery both abroad and in India. The building is ready and the imported plant and machinery from abroad is expected to be received early in 1965 and will be installed in the buildings already erected.

SUBSIDIARY COMPANIES

T. I. Diamond Chain Limited

Further progress has been made in the manufacture of cycle chains. The number of bicycle chains produced in the Factory has shown a satisfactory increase and we hope we will be able to export a fair quantity of chains—indicating that the quality of the product has been such that it has been possible to export the chains to Great Britain.

The Factory was also constructed to produce industrial chains and I am glad to state that the chains produced have been well received in the market. Single, Duplex and Triplex industrial chains have been produced and our collaborators in the United States have approved these chains as being of good quality and the reception in the market has been enthusiastic.

T. I. Miller Limited

I stated last year that the production of dynamo lamps was expected to commence early in the New Year. During the year under review, a reasonable quantity of lamps was produced and I consider this a satisfactory performance, when it is borne in mind that this is a completely new unit with raw labour and a limited senior staff. Certain components are in short supply, particularly magnets. The product has been put on the market and very favourably commented upon.

ACKNOWLEDGEMENT TO COLLABORATORS

I should like to record our sincere thanks for the ready help and advice that your Company has continued to receive from our associates, Messrs. Tube Investments of the United



KIRON



Tropical

**THE TWO
INDISPENSABLES**

PRODUCTS OF
BHARAT ELECTRICAL INDUSTRIES LTD.

Agents :
**THE ORIENTAL MERCANTILE
CO., LTD.**

CALCUTTA • BOMBAY • KANPUR • DELHI • MADRAS

Kingdom and other Companies in their group. We have had the benefit of the advice given by the technicians and planners coming to India and examining the working of the Factory. Our collaborators for the Subsidiary Companies have also helped us with their best advice and have placed at our disposal the latest know-how.

BOARD OF DIRECTORS

In my speech at the Thirteenth Annual General Meeting, I referred to certain changes that had been made in the Board of Directors and in particular to the appointment as Director of your Company, of the Rt. Hon'ble Lord Plowden, K.C.B., K.B.E., Chairman of Tube Investments of Birmingham. As was anticipated, he has been taking a keen interest in the Indian Company and his experience as an administrator and industrialist has been of great value.

I also stated then that Sir Ivan Arthur Rice Stedeford, G.B.E., had expressed a desire to retire from your Board, as he would cease to be Chairman of Tube Investments of Birmingham, although he would hold the Presidentship of the parent Company. On the request of the Indian Directors, however, he acceded to their desire to continue as Director of your Company. I have now had his approval personally to his being re-elected Director as his term of office as Director ceased during the year and I have genuine pleasure in requesting you as Shareholders to elect him at this Meeting as a Director.

Mr. R. D. Young who has been associated with the T.I. Cycles project in India for a long time will cease to be a Director of your Company in the course of the current year, as he has ceased to be connected with the Tube Investments of Birmingham. I cannot overestimate the interest that he took and the help that he gave to this Company during all these years.

I would like, with your approval, that our deep appreciation and thanks for his contribution to the progress and success of Tube Investments of India, should be recorded. I wish Mr. Young all success in the new field in which he will be working hereafter.

Mr. B. A. Forsyth, Works Director, will be returning shortly to the United Kingdom to take up a position with the Tube Investments of Birmingham. Mr. Forsyth came to Madras in 1955 and joined the Tube Investments of India, at that time the T.I. Cycles of India, at an interesting stage of development. He has been associated with development of the Cycle Factory and Components Unit, and has latterly been supervising the Chain and Lamp Factories. First as Works Manager and then as Works Director, he has been closely associated with the progress of the Company and has played his part in helping the standardisation of cycle parts manufactured in the Country by the Indian Standards Institution. I wish to express the appreciation of the Board for the service he has rendered to the cycle industry.

ACKNOWLEDGEMENTS

We are grateful to the Government of India and to the State Government of Madras for the interest that they have shown in all the activities of the Company, for the facilities that they have extended to us and the advice they have given to us in the expansion programme.

Our relations with our employees, both officers and workers in the administrative offices and in the Factory, have been cordial and I have pleasure in acknowledging with thanks, the co-operation that has been extended to us in the difficult circumstances that prevailed during the year.

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

THE UNITED COMMERCIAL BANK LTD

Head Office : 2, India Exchange Place, Calcutta

L. P. GOENKA
CHAIRMAN

AUTHORISED CAPITAL	Rs. 8,00,00,000
SUBSCRIBED CAPITAL	Rs. 5,60,00,000
PAID-UP CAPITAL	Rs. 2,79,99,250
RESERVE FUND AND OTHER RESERVES	Rs. 3,20,00,000

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
ALSO AT	: Hong Kong and Kowloon
AGENTS	: Throughout the world.

BUSINESS & SERVICE

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.

R. B. SHAH

General Manager.

ASP/LIC/PR-2

LIC PLANTS THE MONEY



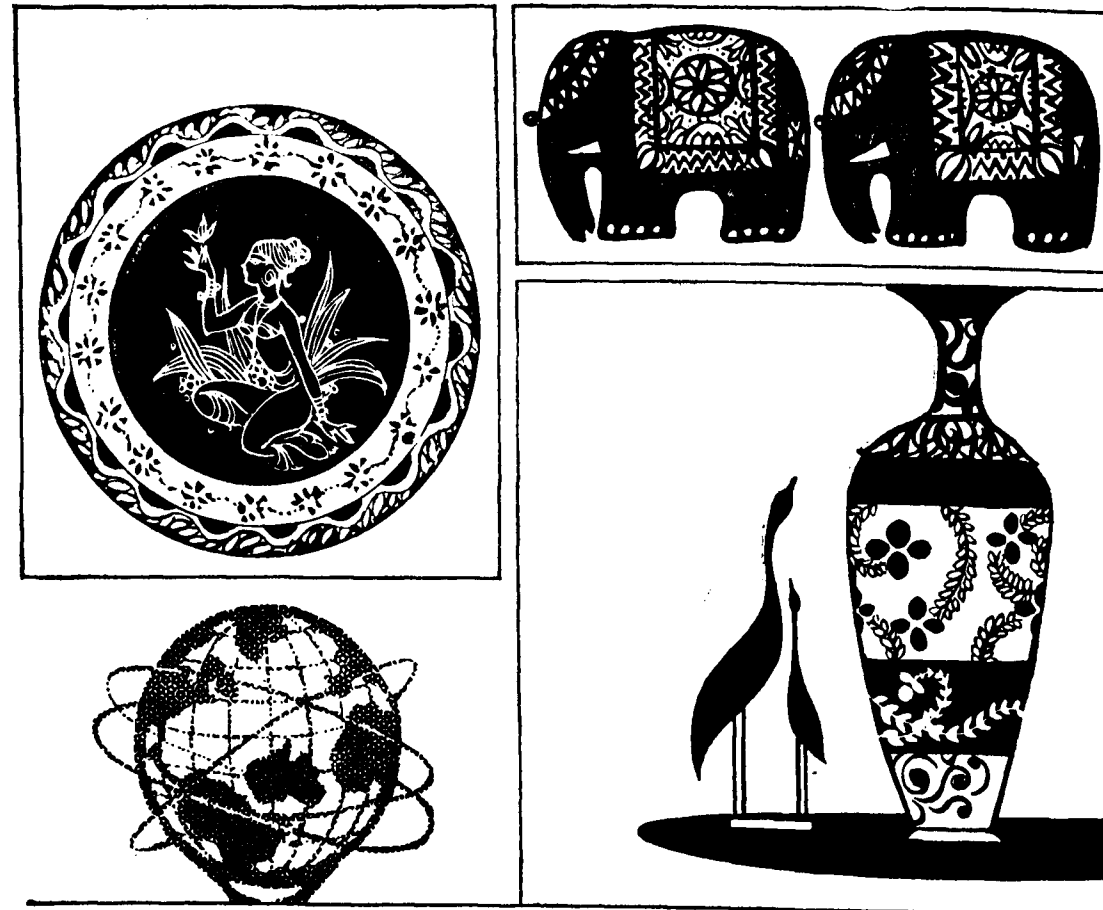
L.I.C. sows saplings into the economic soil of the country. Saplings which will grow into a rich harvest of prosperity tomorrow.

L.I.C. invests nearly 3 million rupees a day in industry, agriculture, railways, transport, electricity and many other projects. The growth effect of these investments creates more jobs, more incomes, more food—in fact, a higher standard of living for everybody.

Remember, when you insure or are already a policyholder, your premiums are helping in two ways. Firstly in protecting yourself and your family, and secondly in helping to improve economic conditions for the country at large.

Some LIC Investments at a glance	
Plantations	Rs. 240 lakhs
Rubber Products	Rs. 253 lakhs
Coal	Rs. 316 lakhs
Dyes, Chemicals & Pharmaceuticals	Rs. 323 lakhs
Banks	Rs. 462 lakhs
Cotton Textiles	Rs. 1,216 lakhs

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On our Boeings your goods take less than a day to reach New York. They arrive fresh and fine and are sold as fast as they come.

Our Boeing jet service simplifies distribution, reduces packaging, handling and insurance costs. We offer discounts ranging from 25% to 50% on bulk consignments and special reduced commodity rates.

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7 flights a week to New York from Bombay
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IN ASSOCIATION WITH BOAC AND QANTAS

CHAIRMAN'S STATEMENT

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 we last met, the country has suffered an irreparable loss in the death of Jawaharlal Nehru. Millions of words have been written about him — his courage and sacrifice, his intense patriotism, his humanism, and his contribution to world peace. I am sure shareholders would wish to have recorded, in this statement, their grief at his passing away and their determination, in so far as they are concerned, to see that they make such contribution as they can to the carrying on of the great work which he launched as the first Prime Minister of India.

ACCOUNTS

Shareholders are aware that the year-end of the Company has been changed from 31st March to 30th September and the Report and Accounts which have been in your hands for the statutory period, relate to the eighteen-month period 1st April, 1963 to 30th September, 1964, whereas the comparative figures of the previous year reflect the results of the twelve months to 31st March, 1963. As indicated in the Directors' Report, the sales for the period under review were higher by Rs. 50 lakhs over the corresponding 18 months ended 31st March, 1963.

PROFIT

The net profit before taxation for the period under review is Rs. 21,82,374. Provision for taxation including the Surtax of Rs. 2,81,000 amounts to Rs. 14,71,180 leaving available for appropriations, together with a small balance of Rs. 2,705 brought forward from the previous year, a sum of Rs. 7,13,899. Out of this sum, the statutory transfer to Development Rebate Reserve, and the two interim dividends totalling 18 per cent have absorbed Rs. 3,70,000 leaving available Rs. 3,43,899 for the final dividend. The Directors have recommended payment of a final dividend at the rate of 9 per cent amounting to Rs. 1,80,000 and transfer of a sum of Rs. 1,60,000 to General Reserve, leaving a small surplus of Rs. 3,899 to be carried forward. The total of dividends paid and proposed for the eighteen-month period under review amount to 27 per cent or 18 per cent per annum i.e. an increase of 2 per cent over the previous year. In the context of the need to conserve resources for rehabilitation of plant and machinery and strengthen the Reserves in order to reduce the high incidence of Surtax, the total dividend for the period should be considered satisfactory.

SALES TURNOVER

Shareholders will have noted from the Report of the Directors that the sales turnover of Rs. 2.77 crores was the highest achieved so far, the increase over the 18 months ended 31st March, 1963, being 22 per cent in value and 25 per cent by volume. The upward trend of sales was maintained everywhere which is proof of the growing popularity of your products throughout the country.

RAW MATERIALS AND RISING COSTS

Although, during the period under review, trading conditions were on the whole favourable, the supply position of the main raw materials presented considerable difficulties and I am sorry to say that these continue to persist. Consequent on the imposition of control in April 1963, releases of sugar for confectionery manufacture have been strictly controlled by Government. Other essential raw materials like Milk

Powder and Condensed Milk are not available in the quantities we require owing to the diversion of the bulk of the indigenous production for Defence needs. Apart from the short supply of these raw materials, their prices are continually rising with no prospect of a fall in the near future. The recent increase in the price of sugar is another factor that has enhanced the cost. Our selling prices have had to be increased from time to time in an endeavour to absorb some of these increases, but for a commodity like sweets it is clearly undesirable to go beyond the limit at which consumer resistance is likely to affect the offtake.

REHABILITATION

In my statement circulated with the last year's Accounts, I referred to the difficulty your Company was facing in obtaining machinery for replacement and rehabilitation. I am glad to inform you that during the period under review your Company successfully negotiated the purchase of Manjula Confectionery Limited's machinery for replacement of some of our old units which have reached the end of their useful life. This machinery had been very little used, had been well maintained and was in very good condition at the time of purchase. It was available for purchase as Manjula Confectionery Limited discontinued the manufacture of sweets. Whilst these and other additions to machinery will help replacement and modernisation of our plant, there is still a considerable imbalance between the sweet making and wrapping capacity. If your Company is to maintain its present rate of growth in the home market and play an effective role in developing exports, further additions, particularly of wrapping machines, are essential. The long term prospect, therefore, depends largely on your Company's ability to overcome the twin problems of raw material shortage and procurement of machinery to sustain a satisfactory rate of sales growth.

EXPORTS

Your Company exported during the period under review sweets valued at Rs. 1.31 lakhs. Surveys made by the Company's Executives in the Far East, Middle East and East African markets, reveal that a considerable export potential exists, but it is difficult to achieve a satisfactory volume of exports in competition with other exporting countries, because of our high production costs. The reasons for the wide disparity in prices between the foreign and Indian manufacturer have been brought to the attention of Government from time to time but until substantial assistance such as supply of sugar and glucose at international prices and liberalisation of imports of other essential raw materials is forthcoming, it is impossible to build up a large volume of exports. I would, therefore, urge Government to view these problems of the industry more sympathetically and extend the necessary help for the development of exports.

STAFF AND LABOUR

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 good work done by them.

Note: The above statement is not a report of the proceedings of the Annual General Meeting, which will be held on the 31st December, 1964.

COMPANY NOTICES

UPPER GANGES SUGAR MILLS LIMITED NOTICE

NOTICE is hereby given that the Thirty-second Annual General Meeting of Upper Ganges Sugar Mills Limited will be held on Wednesday, the 30th December, 1964 at 2-15 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, 1964.
2. To declare dividends.
3. To elect a Director in place of Shri B. T. Thakur, who retires by rotation as well as under Section 280 of the Companies Act, 1956. In this connection the Company has received a special notice pursuant to Section 281 of the Companies Act, 1956, from a Shareholder of the Company and Special Notice is hereby given that the following resolution will be moved at the meeting:-

"RESOLVED that Shri B. T. Thakur who retires by rotation and who has attained the age of 72 years be and is hereby re-elected as a Director of the Company and that the age limit prescribed under Section 280 of the Companies Act, 1956 shall not apply to him".

Shri B. T. Thakur has vast experience in finance and it is considered advisable in the interest of the Company to re-elect him on the Board to continue to avail of his valuable advice.

4. To appoint Auditors and fix their remuneration.

AS SPECIAL BUSINESS:

To consider and, if thought fit, to pass with or without modification the following resolutions as ordinary resolutions:-

5. "RESOLVED that subject to the approval of the Central Government, The Cotton Agents Private Limited be and are hereby re-appointed Managing Agents of the Company for a further period of five years with effect from the 15th August, 1965 upon terms as to remuneration and otherwise contained in the draft agreement placed before the meeting and initialled by the Chairman for the purpose of identification subject to such modifications as may be required by the Central Government for granting the approval as aforesaid and agreed to by the Directors of the Company and The Cotton Agents Private Limited."

6. "RESOLVED that the mortgage dated the 22nd day of May, 1961 and made between Upper Ganges Sugar Mills Limited of the one part and the State Bank of India of the other part registered at Calcutta Registry in Book No. 1, Volume No. 101, Pages 43 to 69, Being No. 3,400 for the year 1961 should be taken as having been made with the consent and under the authority of the Shareholders of the Company".

By Order of the Board,
14, Radha Bazar Lane,
Calcutta, the 3rd December, 1964. **S. N. GUPTA,**
Secretary.

- Notes: 1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
2. Shareholders are requested to notify any change of address failing which the dividend warrants will be posted to their addresses as registered with the Company.
3. The Register of Members of the Company will remain closed from the 22nd December 1964, to

the 30th December, 1964 both days inclusive.

4. The dividends when declared will be payable to the registered Shareholders as on the 30th December, 1964 or to their mandatees on or after the 20th January, 1965.

Explanatory Statement as required under Section 173 of the Companies Act, 1956 has been sent to the Shareholders along with the notice.

BHARAT SUGAR MILLS LIMITED NOTICE

NOTICE is hereby given that the Thirty-third Annual General Meeting of Bharat Sugar Mills Limited will be held on Wednesday, the 30th December, 1964 at 2.30 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, 1964.
2. To declare dividends.

3. To elect a Director in place of Shri R. K. Bhuwarka, who retires by rotation as well as under Section 280 of the Companies Act 1956. In this connection the Company has received a special notice pursuant to Section 281 of the Companies Act 1956 from a shareholder of the Company and special notice is hereby given that the following resolution will be moved at the meeting.

"RESOLVED that Shri R. K. Bhuwarka who retires by rotation and who has attained the age of 67 years be and is hereby re-elected as a Director of the Company and that the age limit prescribed under Section 280 of the Companies Act 1956 shall not apply to him".

Shri R. K. Bhuwarka has vast experience and it is considered advisable in the interest of the Company to re-elect him on the Board to continue to avail of his valuable advice.

4. To appoint Auditors and fix their remuneration.

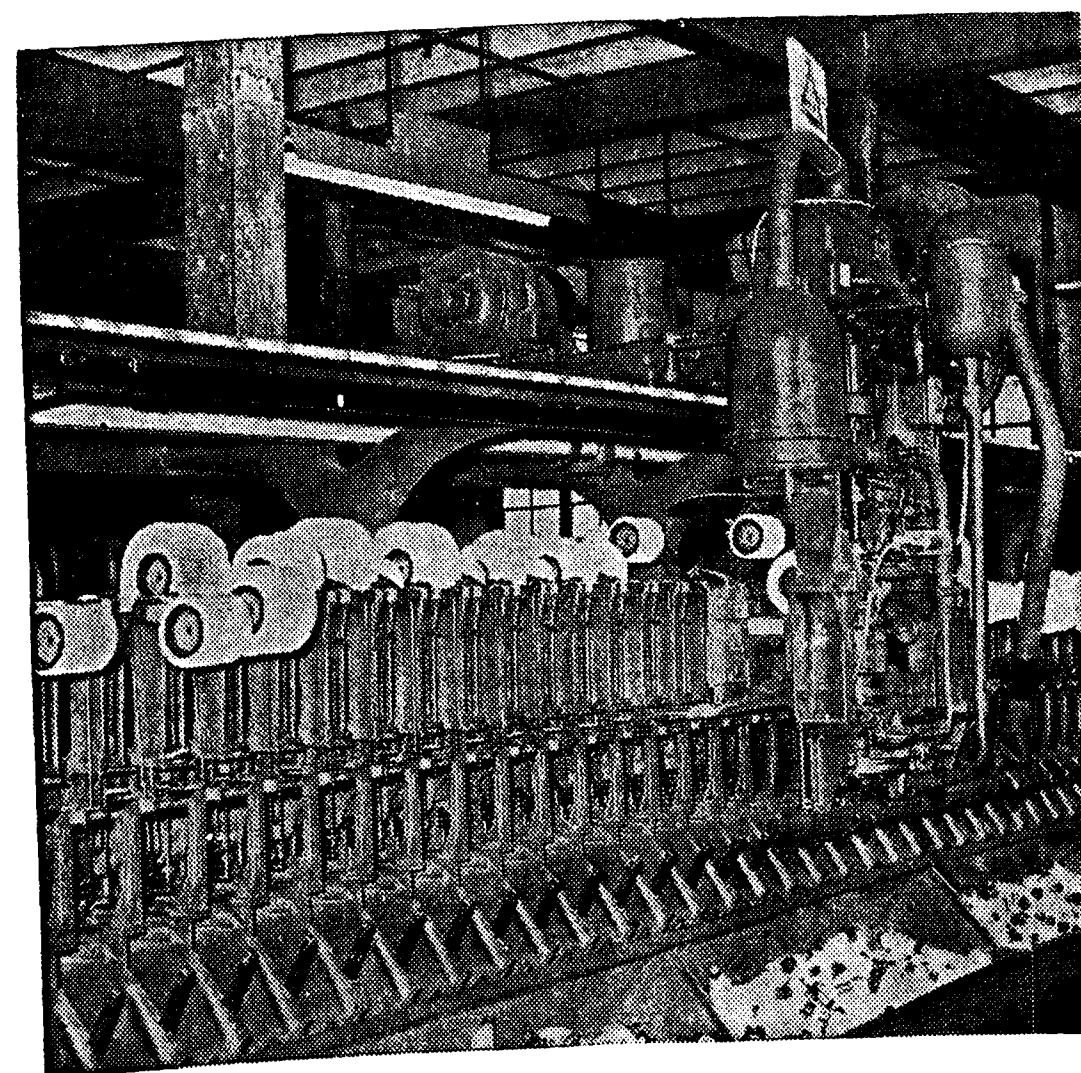
AS SPECIAL BUSINESS:

To consider and, if thought fit, to pass, with or without modification the following resolution as ordinary resolution:

"RESOLVED that subject to the approval of the Central Government, The Cotton Agents Private Limited be and are hereby re-appointed as Managing Agents of the Company for a further period of 5 years with effect from the 15th August, 1965, upon terms as to remuneration and otherwise contained in the draft agreement placed before the meeting and initialled by the Chairman for the purpose of identification subject to such modifications as may be required by the Central Government in granting the approval as aforesaid and agreed to by the Directors of the Company and The Cotton Agents Private Limited".

By Order of the Board,
14, Radha Bazar Lane,
Calcutta, the 3rd December, 1964. **S. N. GUPTA,**
Secretary.

- Notes: 1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
2. Shareholders are requested to notify any change of address failing which the dividend warrants will be posted to their addresses as registered with the Company.
3. The Register of Members of the Company will remain closed from the 22nd December 1964, to the 30th December, 1964 both days inclusive.
4. The dividends when declared will be payable to



Keep Production rolling with Caltex "STOP LOSS" programme

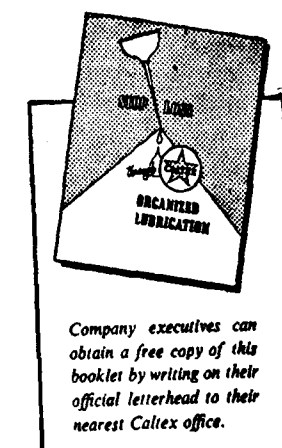
When a machine bearing fails, it's not the cost of replacement that's expensive, it's the lost production. A Caltex "Stop Loss" Programme can virtually eliminate the most common cause of bearing failure—improper lubrication.

HOW "STOP LOSS" WORKS: Caltex Lubrication Engineers help you set up a fool-proof system of lubrication control. From woodyard to shipping platform, they see to it that every piece of equipment gets the right amount of the right lubricant at the right time. The results: maintenance costs down as much as 15%, number of major lubricants required reduced to as few as six, purchasing simplified.

Production is worth a lot of money—keep it rolling with Caltex "Stop Loss" Programme.



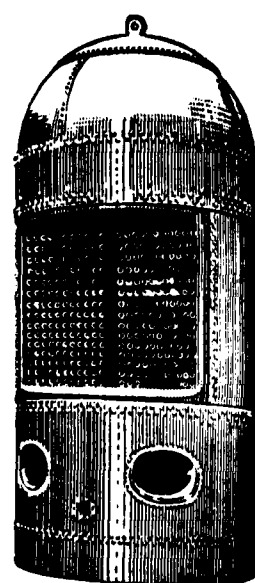
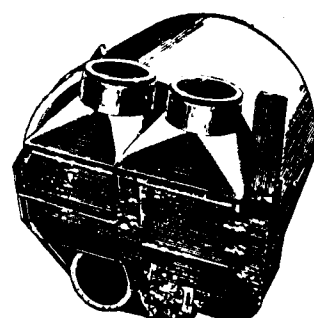
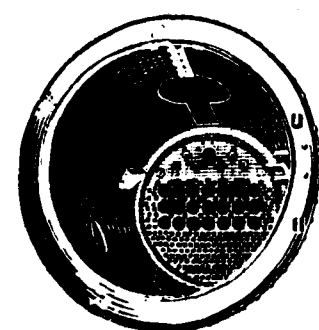
CALTEX (INDIA) LIMITED BOMBAY • NEW DELHI • CALCUTTA • MADRAS



Company executives can obtain a free copy of this booklet by writing on their official letterhead to their nearest Caltex office.

E.R.W. BOILER TUBES

For trouble-free steam raising in all applications calling for rigid specifications, Electric Resistance Weld tubes are in every respect equal to corresponding seamless tubes. High frequency current ensures efficient welding, and normalising is carried out in controlled atmosphere furnaces to produce a ductile tube with a smooth, blue finish.



LOCO

We supply E.R.W. loco boiler and superheater tubes from our Jamshedpur Works to meet the bulk of the Indian Railway's demand. These tubes meet all the technical requirements of Indian Railways.



MARINE

Our E.R.W. tubes meet all the tests specified by Lloyd's Register of Shipping. Indian Tube is on Lloyd's Register of Shipping's list of approved manufacturers



LAND

Our E.R.W. tubes for land boilers are accepted by the D.G.S. & D. and comply with the Indian Boiler Regulations. We also carry ready stocks of this category at our Warehouses.

INDIAN TUBE THE INDIAN TUBE COMPANY (1953) LIMITED
A TATA-STEWARTS AND LLOYDS ENTERPRISE

ANNOUNCEMENT REGARDING THE PROPOSED ISSUE OF CAPITAL

THIS IS NOT A PROSPECTUS. PERSONS INTERESTED IN FULL DETAILS MAY OBTAIN COPIES OF PROSPECTUS FROM THE COMPANY'S REGISTERED OFFICE OR FROM THE UNDERWRITERS, BANKERS AND BROKERS TO THE ISSUE MENTIONED HEREINAFTER.

SHAMA FORGE COMPANY LIMITED

(Incorporated as a Public Company on 5th October, 1963, under the Companies Act, 1956).

REGISTERED OFFICE: 14-F, Connaught Place, Centre Circle, New Delhi.

SHARE CAPITAL		Rs.	
Authorised:		70,00,000	
7,00,000	Equity shares of Rs. 10 each		
30,000	Cumulative Redeemable Preference shares of Rs. 100 each	30,00,000	
			1,00,00,000
Issued and Subscribed:		Equity	Preference
		Rs.	Rs.
7	Equity shares of Rs. 10 each fully paid up by subscribers	70	
1,43,543	Equity shares of Rs. 10 each and		
5,225	9.5% Cumulative Redeemable preference shares of Rs. 100 each by Promoters, Directors, their friends, associates and others including Indo-Burma Petroleum Co. Ltd. (both 50% paid up).	14,35,430	5,22,500
		14,35,500	5,22,500
	Total paid-up Capital	9,79,035	
Present Issue:			
3,56,450	Equity shares of Rs. 10 each	35,64,500	
19,775	9.5% Cumulative Redeemable Preference shares of Rs. 100 each	19,77,500	
		55,42,000	
Out of the present issue 2,16,450 Equity shares are reserved for allotment at par to Kropp Forge Company of U.S.A. foreign collaborators against price of equipment to be supplied by them to the Company		21,64,500	
Now offered at par for Public Subscription			
1,40,000	Equity shares of Rs. 10 each	14,00,000	
19,775	9.5% Cumulative Redeemable preference shares of Rs. 100 each	19,77,500	
		33,77,500	

Note: Cumulative Redeemable Preference Shares are carrying dividend @ 9.5% free of Company's tax, but subject to deduction of tax at source at prescribed rates and these shares are redeemable at such premium, if any, as may be determined at that time by the Company and at any time after the expiry of twelve years from the date of allotment but before fifteen years from the said

date at the option of the Company by a notice of at least 15 days.

UNDERWRITERS

INDUSTRIAL FINANCE CORPORATION OF INDIA, Reserve Bank Building, Parliament Street, New Delhi; INDUSTRIAL DEVELOPMENT BANK OF INDIA, Reserve Bank Building, Bombay; LIFE INSURANCE CORPORATION OF INDIA, Yogakshema, Foreshore Road, Bombay-1; MADHYA PRADESH FINANCIAL CORPORATION, Shiv Vilas Palace, Indore City; UNION BANK OF INDIA LIMITED, 66/80 Apollo Street, Fort, Bombay-1, and MESSRS BATLIVALA & KARANI, Union Bank Building, Dalal Street, Fort, Bombay-1.

BOARD OF DIRECTORS

1. SHRI C. C. DESAI, I.C.S. (Ret.) 44, Friends Colony, New Delhi. **Industrialist:** Chairman of: Antifriction Bearings Corporation Ltd., Camphor and Allied Products Ltd., Indian Detonators Ltd., Lynx Machinery Ltd., Modella Woollens Ltd., Premier Tyres Ltd., Sunkey Wheels Ltd. (Alternate Chairman) and others. **Director of:** Spencer & Co. Ltd., United Carbon India Ltd. and others.

2. SHRI BIMAL K. KHANNA, 22, Ratendone Road, New Delhi. **Businessman:** **Director of:** B. K. Khanna & Co. Private Ltd., Shama Engine Valves Ltd., Shama Pistons & Rings Ltd., Bliss & Loughlin - Shama Ltd.

3. MR. RAYMOND T. O'KEEFE, President Kropp Forge Company, 5301, West Roosevelt Road, Chicago-50, Illinois, U.S.A. **Industrialist:** **President:** Kropp Forge Company U.S.A.

4. MR. STUART D. MISHLOVE, Treasurer, Messrs Kropp Forge Company of USA., 5301, West Roosevelt Road, Chicago-50, Illinois, U.S.A.

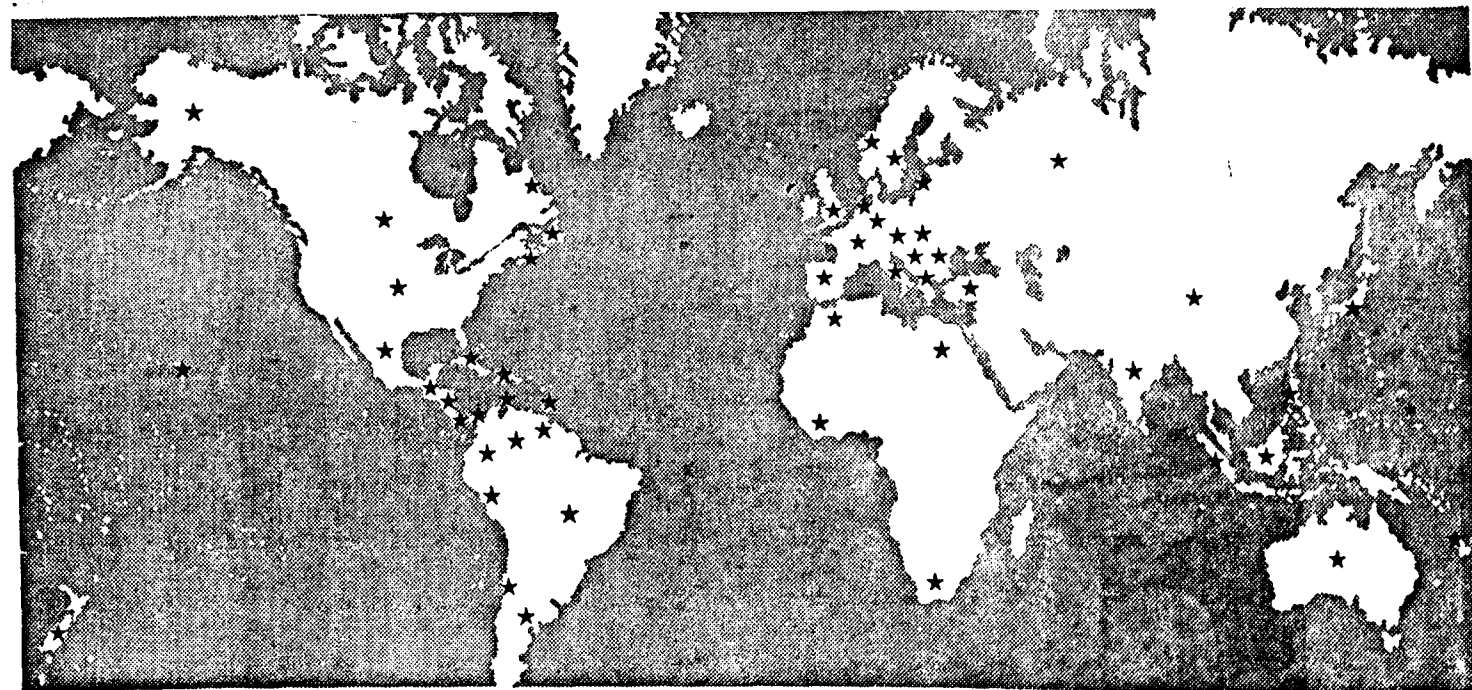
5. SHRI KAMAL N. KHANNA, 22, Ratendone Road, New Delhi. **Businessman:** **Director of:** B. K. Khanna & Co. Private Ltd., Shama Engine Valves Ltd., Shama Pistons & Rings Ltd., Bliss & Laughlin - Shama Ltd.

MR. N. WHITEHEAD, 49, Hill Park, Powai Road, Bombay-6. **Company Executive:** **Chairman of:** Indo-Burma Petroleum Company Ltd. **Director of:** Indo-American Electricals Ltd., Assam Sillimanite Ltd., Shama Pistons & Rings Ltd., Bliss & Laughlin - Shama Ltd., Balmer Lawrie & Co. Ltd. and others.

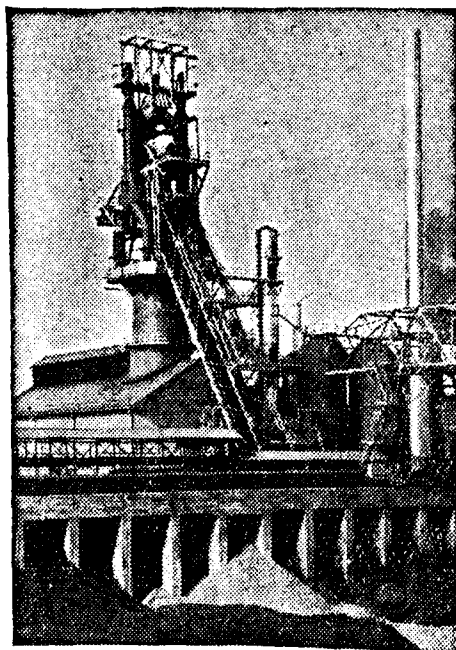
7. DR. PRANLAL PATEL, Mathuradas Mill Compound, Tulsi Pipe Road, Lower Parel, Bombay-15. **Industrialist:** **Director of:** Malleable Iron and Steel Casting Co. Pvt. Ltd., Kamani Metals and Alloys Ltd., Acme Pig Iron & Centrifugal Pipe Works Ltd., Graham Firth Steel Products (India) Ltd., Murphy India Ltd., Tensile Steel Ltd., and others.

8. SHRI S. B. BILIMORIA, Union Bank Buildings, Dalal Street, Fort, Bombay-1. **Stock Broker:** **Director of:** Shama Engine Valves Ltd., Firth Sterling Steel Co. of India Ltd., Indo-American Electricals Ltd., Shama Pistons & Rings Ltd., East India Hotels Ltd. and others. **Partner of:** Batlivala & Karani, Bombay.

9. SMT. K. RATHOUR, 22, Ratendone Road, New Delhi.



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Successful execution by McKee-WKE engineers of some 4,000 contracts in fifty countries, including India, has created for our organization a fund of specialized knowledge and experience unequalled by any other company.

McKee-WKE men know local laws, customs and conditions in the mining, steel and non-ferrous metals-producing and petroleum refining areas of the world. They know how to get a construction rig into remote locations—how to get men and materials on the job at the right time—anywhere. But above all, *they know how to do the job*—efficiently, rapidly and economically. That's why about 80% of our contracts are repeat contracts from satisfied customers—a good indication of the quality of McKee engineering and construction services. We will be glad to show you how these services can work effectively in India for the nation's basic industries.

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METALS DIVISION: Comprehensive engineering-contracting services for Blast Furnaces, Steel-Making Shops, Rolling Mills, Coke Ovens, Agglomerating, Sintering and Pelletizing Plants and related off-site facilities.

PETROLEUM & CHEMICALS DIVISION: Complete Refineries and individual Processing Units for all modern petroleum and petrochemical processes and for a wide range of organic and inorganic chemicals and chemical products.

WESTERN KNAPP ENGINEERING DIVISION: Plants and facilities for production of Non-Ferrous Metals, mining, preparation, handling, beneficiation and storage of Ores and Industrial Minerals, Coal and Aggregates.

the registered shareholders as on the 30th December, 1964 or to their mandatees on or after the 20th January, 1965.

Explanatory Statement as required under Section 173 of the Companies Act, 1956 has been sent to the Shareholders along with the notice.

NEW INDIA SUGAR MILLS LIMITED

NOTICE

NOTICE is hereby given that the Thirtieth Annual General Meeting of New India Sugar Mills Limited will be held on Wednesday, the 30th December, 1964 at 2-45 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, 1964.
2. To declare dividends.
3. To elect a Director in place of Shri T. D. Kanoria, who retires by rotation and being eligible offers himself for re-election.
4. To appoint Auditors and fix their remuneration.

AS SPECIAL BUSINESS:-

To consider and, if thought fit, to pass, with or without modification the following resolution as ordinary resolution:-

"RESOLVED that subject to the approval of the Central Government, The Cotton Agents Private Limited be and are hereby re-appointed as Managing Agents of the Company for a further period of 5 years with effect from the 15th August, 1965 upon terms as to remuneration and otherwise contained in the draft agreement placed before the meeting and initialled by the Chairman for the purpose of identification subject to such modifications as may be required by the Central Government in granting the approval as aforesaid and agreed to by the Directors of the Company and The Cotton Agents Private Limited."

By Order of the Board,

S. N. GUPTA,

Secretary,

14, Radha Bazar Lane,

Calcutta, the 3rd December, 1964.

- Notes:**
1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
 2. Shareholders are requested to notify any change of address failing which the dividend warrants will be posted to their addresses as registered with the Company.
 3. The Register of Members of the Company will remain closed from the 22nd December, 1964 to 30th December, 1964, both days inclusive.
 4. The Dividends when declared, will be payable to the registered shareholders as on the 30th December, 1964 or to their mandatees on or after the 20th January, 1965.

Explanatory statement as required under Section 173 of the Companies Act, 1956 has been sent to the Shareholders along with the notice.

GOBIND SUGAR MILLS LIMITED

NOTICE

Notice is hereby given that the Twelfth Annual General Meeting of Gobind Sugar Mills Limited will be held on Wednesday, the 30th December 1964 at 3.00 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, 1964.

2. To declare dividends.
3. (a) To elect a Director in place of Shri K. P. Khaitan, who retires by rotation and being eligible offers himself for re-election.
- (b) To elect a Director in place of Shri S. G. Nevatia, who retires by rotation and being eligible offers himself for re-election.

Shri S. G. Nevatia is a Director and an associate of The Cotton Agents Private Limited, the Managing Agents of the Company. He has vast experience in the management of sugar mills and it will be in the interest of the company to re-elect him on the Board to continue to avail of his valuable advice. The Company has received the requisite special notice from a Shareholder and accordingly the special notice is hereby given to shareholders for passing the following special resolution under section 261 of the Companies Act, 1956 for re-appointment of Shri S. G. Nevatia, as a Director of the Company.

"RESOLVED that Shri S. G. Nevatia, who is a Director and an associate of The Cotton Agents Private Limited, the Managing Agents of the Company, be and is hereby re-elected as a Director of the Company".

4. To appoint Auditors and fix their remuneration.

AS SPECIAL BUSINESS:

To consider and, if thought fit, to pass, with or without modification the following resolutions:-

5. AS ORDINARY RESOLUTION:

"RESOLVED that subject to approval of the Central Government The Cotton Agents Private Limited be and are hereby re-appointed as Managing Agents of the Company for a further period of 5 years with effect from the 15th August, 1965 upon terms as to remuneration and otherwise contained in the draft agreement placed before the meeting and initialled by the Chairman for the purpose of identification subject to such modification as may be required by the Central Government in granting the approval as aforesaid and agreed to by the Directors of the Company and The Cotton Agents Private Limited."

6. AS SPECIAL RESOLUTION:

"RESOLVED that the payment of a commission @ 1% of the net profits of the company to be computed in accordance with the provisions of the Companies Act, 1956 to all the Directors for a further period of five years with effect from 1st July, 1965 be and is hereby sanctioned".

By Order of the Board,

S. N. GUPTA

Secretary

14, Radha Bazar Lane,

Calcutta, the 3rd December, 1964.

- NOTES:**
1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
 2. Shareholders are requested to notify any change of address failing which the dividend warrants will be posted to their addresses as registered with the company.
 3. The Register of Members of the Company will remain closed from the 22nd December, 1964 to the 30th December, 1964 both days inclusive.
 4. The dividends when declared will be payable to the registered Shareholders as on the 30th December, 1964, or to their mandatees on or after the 27th January, 1965.

Explanatory Statement as required under section 173 of the Companies Act, 1956 has been sent to the Shareholders along with the notice.

Business : Director of: Shama Engine Valves Ltd., B. K. Khanna & Co. Private Ltd., Shama Pistons & Rings Ltd. and others.

10. MR. D. F. N. SYMONDS, 19, Sunder Nagar, New Delhi, **Businessman.**

MANAGING AGENTS

Messrs. B. K. Khanna & Co. Private Ltd., 14-F, Connaught Place, Centre Circle, New Delhi.

AUDITORS

Messrs. A. F. Ferguson & Co., Chartered Accountants, Scindia House, New Delhi.

BANKERS TO THE ISSUE

The Union Bank of India Ltd., Connaught Place, New Delhi.
The National & Grindlays Bank Ltd., 'H' Block, Connaught Circus, New Delhi.

The Central Bank of India Ltd., National Insurance Bldg., Parliament Street, New Delhi.

SOLICITORS TO THE ISSUE

Messrs Orr Dignam & Company, 29, Netaji Subhas Road, Calcutta.

LEGAL ADVISERS

Messrs. Rajinder Narain & Co. (Advocates), 14-F, Connaught Place, New Delhi.

Mr. Prem Nath Khanna, (Advocate), 14, Asaf Ali Road, New Delhi.

BROKERS TO THE ISSUE

CALCUTTA :

G. M. Pyne, Allahabad Bank Buildings, 14, India Exchange Place, Calcutta-1.

Stewart & Co., 14, India Exchange Place, Calcutta-1.

OMBAY :

Batlivala & Karani, Union Bank Buildings, Dalal Street, Fort, Bombay-1.

Mahadevia Bros., Stock Exchange Old Building, Dalal Street, Fort, Bombay-1.

A. B. Pandit & Company, 32, Apollo Street, Fort, Bombay.
Merwanjee Bomanjee Dalal, Allahabad Bank Building, Apollo Street, Fort, Bombay.

MADRAS :

Chitra & Co., 322-323, Linghi Chetty Street, Madras-1.

Maconochie & Co., Mercantile Bank Building, Madras-1.

Paterson & Co., Vanguard House, III Floor, 11/12, Second Line Beach, Madras-1.

DELHI :

Raj Paul Chadha & Co., Delite Cinema Building, Asaf Ali Road, New Delhi.

P. Roy Company, 3/8, M. M. Road, Jn. Panchkuin Road, New Delhi-1.

Raja Ram Bhasin & Co., 31, Delhi Stock Exchange Association Building, Asaf Ali Road, New Delhi.

M. R. Dhawan & Co., 4/8, Asaf Ali Road, New Delhi.

Desh Bandhu Gupta & Co., 45, Stock Exchange Building, Asaf Ali Road, New Delhi.

J. S. Sahny & Co., 25, Stock Exchange Building, Asaf Ali Road, New Delhi.

HYDERABAD :

P. B. Afzulpurkar, Sultan Bazar, Hyderabad.

BANGALORE :

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

AHMEDABAD :

Kantilal Chandulal & Co., Shahibag, Near Rly. Crossing, Ahmedabad.

Chinubhai Chimanlal Dalal, Manek Chowk, Ahmedabad.
Chimanlal Lalbhai, 2286, Manek Chowk, Ahmedabad.

OBJECTS AND PROPOSED ACTIVITIES

The main object for which the Company has been established is, 'inter alia', to carry on the business as manufacturers of and dealers in "Forgings" of various types. The Industrial Licence from the Central Government authorises the manufacture of 5,000 tons annually of mild and alloy steel forgings. The indigenous production of forgings is inadequate to meet the present, as also the growing demands from the expanding industries and for the Defence requirements in all its phases from Ordnance to aircraft and missiles. The tariff policy of the Government of India gives encouragement to the forging industry and the Company hopes to establish itself in a short period as one of the premier manufacturers of quality forgings on mass scale.

FOREIGN COLLABORATION :

The Promoters viz., Messrs. B. K. Khanna & Co. Private Ltd., entered into an agreement dated 1st August, 1963, with Messrs. Kropp Forge Company of Chicago, U.S.A. who, having 66 years experience in forging industry are among the largest manufacturers in U.S.A. of forging from various ferrous and non-ferrous metals. The said collaborators have agreed to make available their extensive experience in the manufacture of mild and alloy steel and other metal forgings, to assist in the layout of the plant and erection of factory, to train Indian personnel at their Works and to provide men with technical experience. This agreement has been assigned in favour of the Company by the promoters. The duration of the Agreement is ten years.

LOCATION

The plant will be located at Bhopal in Madhya Pradesh where land has been acquired.

FINANCIAL ARRANGEMENTS

The Company has arranged loans from Industrial Finance Corporation of India for Rs. 26,40,000 (foreign exchange loan of Rs. 23,34,000 and rupee loan of Rs. 3,06,000) and United States Agency for International Development ("A.I.D.") for Rs. 47,50,000.

APPLICATION FOR SHARES

Application for shares must be for a minimum of 25 equity shares or multiples thereof and/or for a minimum of 5 preference shares or multiples thereof, and must be on the prescribed forms accompanying the prospectus, which can be had from the Company's Registered Office, Underwriters, the Bankers and Brokers to the Issue.

All application forms duly completed must be lodged together with the amount payable on application with the UNION BANK OF INDIA LIMITED, Connaught Place, New Delhi or THE NATIONAL AND GRINDLAYS BANK LIMITED, H-Block, Connaught Circus, New Delhi, or THE CENTRAL BANK OF INDIA LIMITED, National Insurance Building, Parliament Street, New Delhi, or at principal branches of any of the said Banks at Agra, Ahmedabad, Ajmer, Allahabad, Ambala, Amritsar, Bangalore, Baroda, Bhopal, Bombay, Calcutta, Chandigarh, Coimbatore, Cuttack, Dehra Dun, Delhi, Ernakulam, Gauhati, Hyderabad, Indore, Jaipur, Jammu, Jamshedpur, Jullundur, Kanpur, Kotah, Lucknow, Ludhiana, Madras, Madurai, Meerut, Mysore, Nagpur, New Delhi, Patiala, Patna, Poona, Ranchi, Shillong and Surat.

DATE OF OPENING AND CLOSING OF SUBSCRIPTION LIST

The Subscription List will open both in respect of Equity and Preference Shares, at the commencement of banking hours on 28th December, 1964, and will remain open until the close of 12th January, 1965, unless closed earlier or later at the discretion of the Directors but not before the close of the banking hours on 2nd January 1965.

December 11, 1964

THIS IS AN ANNOUNCEMENT AND NOT A PROSPECTUS. PERSONS INTERESTED IN FULL DETAILS ARE REQUESTED TO APPLY FOR A COPY OF THE PROSPECTUS FROM THE COMPANY'S REGISTERED OFFICE. BANKERS, BROKERS, AND UNDERWRITERS NAMED BELOW :

CHEMICALS AND PLASTICS INDIA LIMITED

(Incorporated on 29-9-1962 under the Companies Act, 1956)

Registered Office - "Dhun Building", 175/1, Mount Road, Madras-2.

SHARE CAPITAL

AUTHORISED CAPITAL:

- 1,50,000 Equity Shares of Rs. 100 each
- 50,000 — 9.5% (free from income-tax payable by the Company but subject to deduction of tax under Section 194 of the Income Tax Act, 1961) Cumulative Redeemable Preference Shares of Rs. 100 each

Rs.

1,50,00,000

50,00,000

2,00,00,000

ISSUED CAPITAL :

- Subscribed:**
 - 7 Equity shares of Rs. 100 each (fully paid up being the shares subscribed by the Signatories of the Memorandum)
- Present Issue:**
 - 1,34,993 Equity shares of Rs. 100 each
 - 15,000 9.5% (free from income-tax payable by the Company but subject to deduction of tax under Section 194 of the Income Tax Act 1961) Cumulative Redeemable Preference Shares of Rs. 100 each.

700

1,34,99,300

15,00,000

1,50,00,000

Out of the present Issue:

- The B. F. Goodrich Company of Akron, Ohio, U.S.A., and/or their nominees have agreed to subscribe and will be allotted 17,212 equity shares of Rs. 100 each at par (or such number of shares as is equivalent to U.S. Dollars 3,50,000 at the rate of exchange in effect on the date of allotment) for consideration other than cash and 17,213 equity shares (or such number as together with the allotment for consideration other than cash makes a total of 34,425 equity shares) of Rs. 100 each at par for cash
- The Founders, Directors, Managing Agents and their relatives and friends and their associated companies have subscribed and will be allotted:

34,42,500

(a) 51,068 Equity shares of Rs. 100 each at par as per details hereunder:

No. of equity Shares

51,06,800

- Indplast Private Ltd. 17,000
- The India Cements Ltd. 13,500
- Kumari Investment Corporation (Private) Ltd. 3,750
- Narayanan Investment Trust (Private) Ltd. 3,750
- The Mettur Chemical & Industrial Corporation Limited 5,000
- Directors, friends and associates 8,068

- 2,500 9.5% (free from income tax payable by the Company but subject to deduction of tax under Section 194 of the Income Tax Act 1961) Cumulative Redeemable Preference shares of Rs. 100 each at par:
 - Kumari Investment Corporation (Private) Ltd. 1,25,000
 - Narayanan Investment Trust (Private) Ltd. 1,25,000

2,50,000

3. Now Issued for Public Subscription at par for Cash

- 49,500 Equity shares of Rs. 100 each 49,50,000
- 12,500 9.5% (free from income-tax payable by the Company but subject to deduction of tax under Section 194 of the Income Tax Act 1961) Cumulative Redeemable Preference Shares of Rs. 100 each 12,50,000

1,49,99,300

BOARD OF DIRECTORS :

- SRI T. S. NARAYANASWAMI, 2, Dr. C. P. Ramaswami Iyer Road, Alwarpet, Madras-18. (Industrialist).

Director of:

The India Cements Limited, Industrial Chemicals Ltd., Madras Industrial Investment Corporation Limited, The Madras Aluminium Co. Ltd., W. S. Insulators of India Ltd., Aruna Sugars Ltd., South India Shipping Corporation Ltd. and others.

- SRI K. PALANI, 25, Venkatanarayana Road, T. Nagar, Madras-17. (Business).

Director of:

The India Cements Ltd., The Madras Aluminium Co. Ltd., Industrial Chemicals Ltd., W. S. Insulators of India Ltd., Natraj Spinning & Weaving Mills Ltd., Aruna Sugars Limited, South India Shipping Corporation Limited and others.

- SRI C. S. LOGANATHAN, 6, Vasu Street, Kilpauk, Madras-10. (Business).

Director of:

The Travancore Cements Ltd. (Chairman), Cauvery Spinning & Weaving Mills Ltd., Travancore Rayons Limited, The India Cements Limited, Aruna Sugars Ltd., W. S. Insulators of India Ltd., South India Shipping Corporation Ltd. and others.

4. MR. CHARLES RAYMOND COUTS C/o. The B. F. Goodrich Company, 3135, Euclid Avenue, Cleveland 15, Ohio, U.S.A. (Attorney, Counsel and Assistant Secretary, The B. F. Goodrich Company).

Director of:

B. F. Goodrich Australia Pty. Ltd., B. F. Goodrich-C.S.R. Chemicals Pty. Ltd., Melbourne, Australia, B. F. Goodrich Liberia, Inc., Plásticos y Productos Químicos, S. A. Bogota, Columbia, Geon de Mexico S.A., N. V. Chemische Industrie AKU-Goodrich, Arnhem, Holland, International B. F. Goodrich Limited.

5. MR. MARVIN WENDEL LARSON, C/o B. F. Goodrich Chemical Company, 3135, Euclid Avenue, Cleveland 15, Ohio, U.S.A.

Director of:

B. F. Goodrich-C.S.R. Chemicals Pty. Ltd., Melbourne, Australia, N. V. Chemische Industrie AKU-Goodrich, Arnhem, Holland, British Geon Limited.

6. SRI P. SURYANARAYANA, No. 8, Boag Road Madras-17. (Business).

Director of:

The India Cements Ltd., Cauvery Spinning & Weaving Mills Ltd., Tirupathi Cotton Mills Ltd., Parry's Confectionery Ltd., Natraj Spinning & Weaving Mills Ltd., Aruna Sugars Limited, Local Board-State Bank of India (Member) and others.

7. SRI S. NARAYANASWAMY, "Seshadri", 6, Chittaranjan Road, Madras-18. (Stock & Share Broker).

Director of:

Aluminium Industries Ltd., Central Scientific Supplies Co. Ltd., Seshasayee Industries Ltd., Industrial Chemicals Ltd., Mettur Chemical & Industrial Corporation Ltd., Seshasayee Wire Ropes Ltd., Seshasayee Paper & Boards Ltd. and others.

8. MR. RUSSI JAL TARAPOREVALA, 210, Dr. D. Naoroji Road, Fort, Bombay-1. (Economist and Businessman).

Director of:

Aluminium Industries Ltd., Gabriel India Ltd., Gajjar's Standard Chemical Works Ltd., Indian Vegetable Products Ltd., Investa Machine Tools & Engineering Company Ltd., Jayabharat Insurance Company Ltd., New India Industries Ltd., Neyveli Ceramics & Refractories Ltd., Seshasayee Industries Ltd., Simco Meters Ltd. and others.

9. DR. G. S. LADDHA, 41, II Main Road, Kasturba Nagar, Madras-20.

Director of:

Alagappa Chettiar College of Technology.

MANAGING AGENTS:

Indplast Private Limited,
Dhun Building,
175/1, Mount Road,
Madras-2.

BANKERS:

The Indian Overseas Bank Ltd.,
151, Mount Road, Madras-2.

BANKERS TO THE ISSUE:

1. The Indian Overseas Bank Ltd., 151, Mount Road, Madras-2.
2. The Central Bank of India Ltd., 308-309, Linghi Chetty Street, Madras-1.

3. The Bank of India Ltd., 10, Armenian Street, Madras-1.

4. The United Commercial Bank Ltd., 2, India Exchange Place, Calcutta.

5. The Punjab National Bank Ltd., 107, Armenian Street, Madras-1.

LEGAL ADVISERS:

1. SRI R. NARASIMHACHARI and SRI N. VARADARAJAN, (Advocates), "Sarnath", Dr. Rangachari Road, Madras-4.

2. SRI T. RAGHAVAN, (Advocate),
11-B, Mowbrays Road, Madras-18.

SOLICITORS TO THE ISSUE:

Messrs. Orr, Dignam & Co.,
29, Netaji Subhas Road,
Calcutta-1.

AUDITORS:

Messrs. Brahmayya & Co., (Chartered Accountants),
"Andhra Insurance Building," Thambu Chetty Street,
Madras-1.

UNDERWRITING:

The entire issue to the public of 49,500 Equity shares of Rs. 100 each and 12,500 — 9.5 % (free from income tax payable by the Company but subject to deduction of tax under Section 194 of the Income Tax Act 1961) Cumulative Redeemable Preference shares of Rs. 100 each has been underwritten as follows:

Name and Address of Underwriter

	Value of shares Underwritten Rs.	Equity Preference Rs.
1. The Madras Industrial Investment Corporation Limited, 23, Nungambakam High Road, Madras-34	25,00,000	10,00,000
2. The Indian Overseas Bank Ltd., 151, Mount Road, Madras-2	15,00,000	
3. Chitra & Co., 322/323, Linghi Chetty Street, Madras-1.	4,75,000	1,25,000
4. Paterson & Co., 'Vanguard House', 11/12, Second Line Beach, Madras-1.	4,75,000	1,25,000

1. The Madras Industrial Investment Corporation Limited, 23, Nungambakam High Road, Madras-34
2. The Indian Overseas Bank Ltd., 151, Mount Road, Madras-2
3. Chitra & Co., 322/323, Linghi Chetty Street, Madras-1.
4. Paterson & Co., 'Vanguard House', 11/12, Second Line Beach, Madras-1.

BROKERS:**Madras:**

1. Chitra & Co., 322/323, Linghi Chetty St., Madras-1.
2. Paterson & Co., 'Vanguard House', 11/12, Second Line Beach, Madras-1.
3. Dalal & Co., 362, Esplanade, Madras-1.
4. Maconochie & Co., Mercantile Bank Buildings, Madras-1.
5. Kothari & Sons, Oriental Buildings, Armenian Street, Madras-1.
6. Subramaniam & Co., 14, Second Line Beach, Madras-1.

Bombay:

1. Lewis & Jones, Bank of Baroda Buildings, Apollo Street, Fort, Bombay-1.
2. Batlivala & Karani, Union Bank Buildings, Dalal Street, Fort, Bombay-1.
3. P. R. Subramaniam & Sons, 70-A, Stock Exchange New Buildings, Apollo Street, Fort, Bombay-1.
4. Mahadevia Bros., Stock Exchange Buildings, Apollo Street, Fort, Bombay-1.
5. T. H. Vakil, 112, Stock Exchange New Buildings, Bombay-1.
6. Merwanji Bomanji Dalal, Allahabad Bank Buildings, Apollo Street, Fort, Bombay-1.

Calcutta:

1. Place, Siddons & Gough (Private) Ltd., 6, Lyons Range, Calcutta-1.

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power control

Engineering-Fabrication,
Sales & Service
I.A.E.C.
(BOMBAY) PVT. LTD.
43, Forbes Street, Bombay 1.
Branch at: "K" Block, Chowdhary Bldg., Connaught Circus, New Delhi.

Associated Offices:
I.A.E.C. (Madras) Pvt. Ltd., "Dinroze Estate", 2/17-G, Mount Road, 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., 19, Rajendranath Mukherjee Road, Calcutta 1.

S. & L. AND CHEMICAL PLANTS

Even more than in other industries, the modern chemical plant relies on complex piping systems—a breakdown in a simple pipeline could bring the whole plant to a standstill.

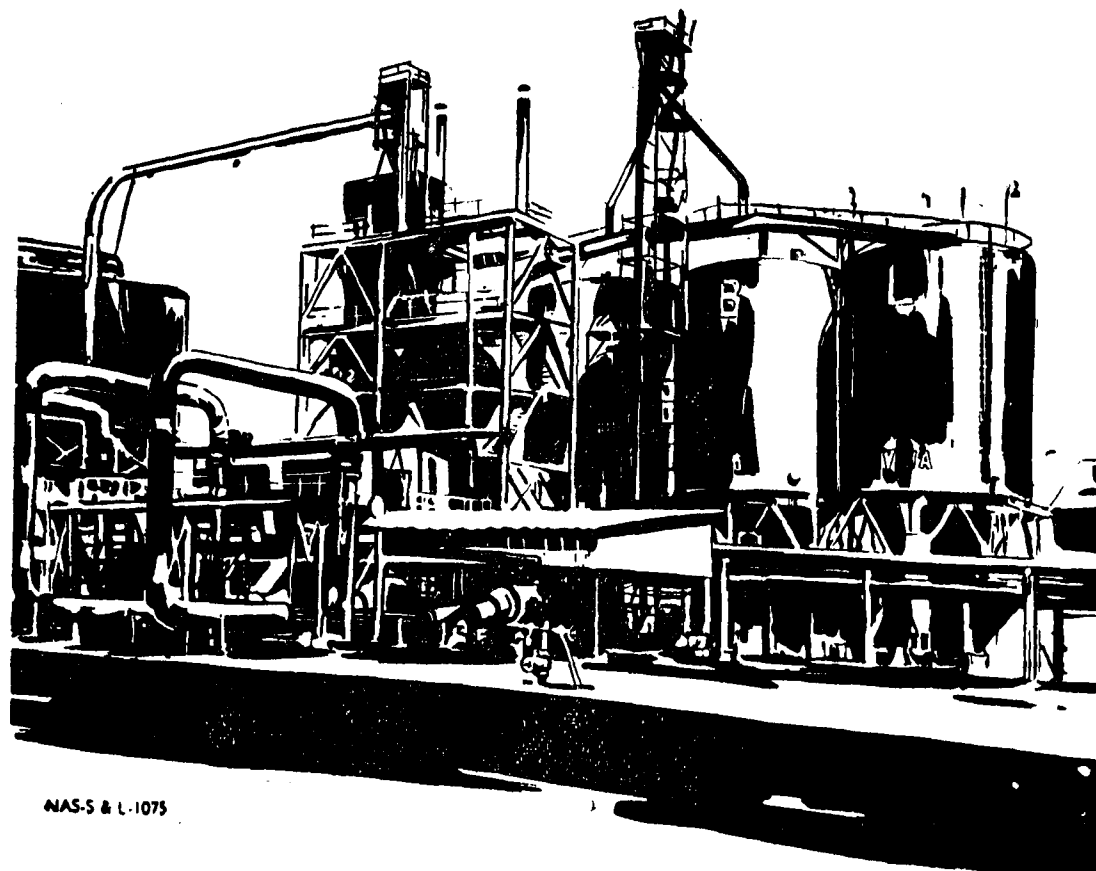
S. & L.'s experience in this field all over the country—at Durgapur, Rishra, Gomia, Bombay, Sindri, Varanasi etc.—places them in a unique position to render an important service to the Chemical Industry.

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Branch Office : Himalaya House, 5th Floor, Palton Road, Bombay
Tech. Representative : c/o. Crompton Engineering Co. (Madras) Limited-49/51, Second Line Beach, Madras-1

S&L



NAS-S & L-1075

2. G. M. Pyne, Allahabad Bank Buildings,
14, Exchange Place, Calcutta-1.

Delhi :

1. Harbans Singh Mehta & Co., 33, Regal Building,
Parliament Street, New Delhi.
2. R. K. Relan & Co., United India Life Building,
Connaught Place, New Delhi.

OBJECTS, PROPOSED ACTIVITIES AND LOCATION OF INDUSTRY:

The main objects of the Company are as set out in the Memorandum of Association and include inter alia the following: to carry on business as manufacturers of and dealers in polyvinyl chloride, polyvinyl dichloride and other chemicals and products of a like nature or otherwise; and also to carry on business as manufacturers and dealers in all other chemicals, plastics/petro-chemicals, oils, paints, pigments and varnishes and in any similar or allied business and either in connection with the said business or as a distinct or separate business; to carry on business as distillers, gas makers, smelters, metallurgists and chemical engineers, manufacturers and dealers in rubber and rubber products, textiles, nylon, rayon and materials of all descriptions connected with the foregoing; to manufacture, deal in and manipulate PVC bases into electrical wires, leather cloths, lining material and as films, sheets and pipes for general use and for construction material; to construct, maintain and alter any chemical and industrial plants, buildings or works.

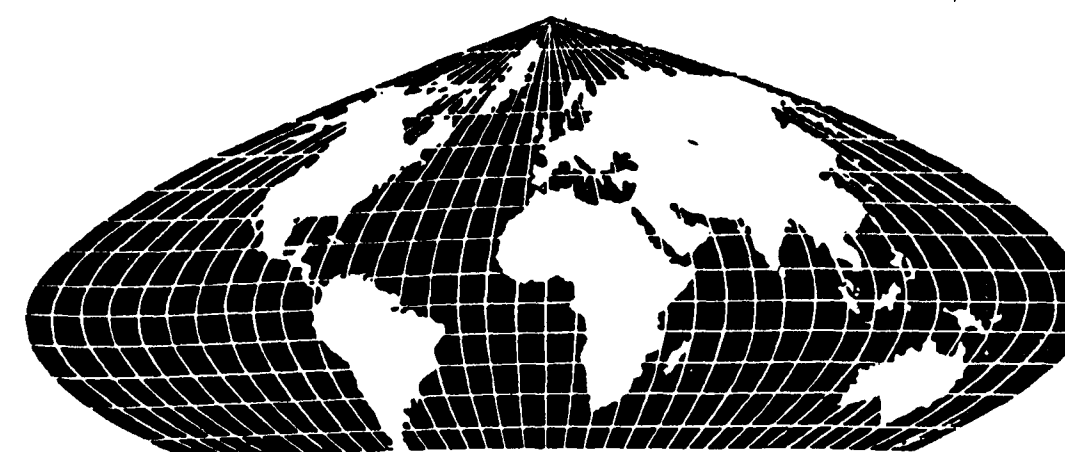
The Company has been formed with the object of setting up a factory at Mettur, Madras State, for the manufacture of polyvinyl chloride (P.V.C.) and other chemicals and pro-

ducts which may be usefully or conveniently combined with or derived from the same and another factory near Bombay in Maharashtra State for fabricating P.V.C. pipes, fittings, other extrusions and mouldings (both rigid and flexible). The Company has entered into a Technical Service Agreement for a period of ten years in the first instance with the B. F. Goodrich Company of Akron, Ohio, United States of America (Goodrich), the largest producer of polyvinyl chloride in the world. Goodrich will provide the Company all technical information, know-how, and data and the Company will be licensed to use in India the relevant patents of Goodrich. Goodrich will assist the Company in planning the layout of the factories and provide drawings, designs, blue prints and specifications for the plant, machinery and equipment for the setting up of the factories, besides procuring for the Company trained and competent engineers and technicians and providing in its plants in the U.S.A. training facilities for the Company's technical personnel. It is expected that the factory will go into production before the end of 1966.

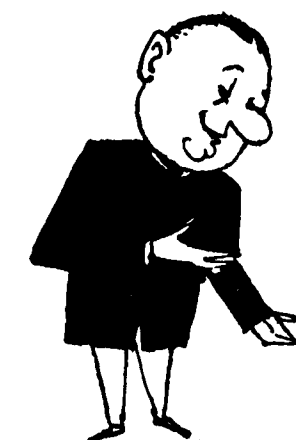
APPLICATIONS:

Copies of Application Forms and Prospectus can be obtained from the Company's Registered Office, from any of the above mentioned Underwriters, Brokers and Bankers to the issue named in the Prospectus or any of their main branches at the addresses given in the Prospectus.

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RECORDS AND STATISTICS

The Profit Motive—III

"PROFITS, IN the great majority of cases, are earned in the marketplace through the working of manifold and shifting forces of supply and demand. Profits are a residual — a residual subject to the discipline of competition", says the Monthly Economic Letter of the First National City Bank of New York in its October issue in an article entitled "Guidance for Profits?". It adds that "profits are rewards for successful enterprise and inducements for further enterprise" and "it is the most important single incentive for increased productivity and efficiency". "After all not all investments earn profits; many result in losses. Imposing uniform limits on profits and dividends would penalize growing and enterprising businesses and industries and impair the ability to get the capital needed for expansion, while it would leave inefficient and stagnating firms unharmed...." "The objective of reasonable stability of costs and prices is best served by sensible and determined economic and monetary policies of a general nature" rather than juggling with control over profits which cannot but lead to "regimentation of the economy". "Profits earned by efficiency", it concludes, "are the mainspring of economic growth". The following is an extensive reproduction of the article entitled "Guidance for Profits?":

Nearly all industrial countries in Western Europe are caught up in the toils of inflationary strains. In the United States, the generosity of settlements negotiated recently in the automobile industry, has been interpreted by some as portending another bout of wage-price spiraling. Almost everywhere economies are unusually liquid. Excess demand, sustained by enlarged money and credit supplies, is a common and pervasive factor in pulling up prices. There is, however, almost universal recognition that the push of rising wage costs is yet another basic cause of inflation. For whenever wage increases outstrip gains in productivity, the higher wage costs exert upward pressures on prices unless competitive conditions deny opportunities for passing on cost increases in the form of higher prices. The result then is profit squeeze and reduction of employment opportunities.

Guidance for Profits?

It is essential that, in any ordered society, the rate of wage increases be moderate. For sharply rising wage scales — validated in an environment of expanding demand by increases in prices — come to represent irreversible cuts in the buying power of money.

To grapple with wage-cost pressures, country after country is trying to work out what it is now fashionable to call "incomes policies". In the United States, "incomes policy" takes the form of the Council of Economic Advisers' "guideposts" for non-inflationary wage and price behaviour, first presented in 1962 and re-stated in 1963 and again this year. The hope is to "guide" wage negotiations so that wage increases are kept within the bounds of the increment in productivity for the economy as a whole.

The practical difficulty lies in implementing the "guidance". In the United Kingdom, the official target for wage increases "consistent with price stability" is 3 to 3½ per cent; increases in wage rates during the year ended last April were about 4½ per cent. In the European Common Market nations, as the European Economic Commission's Vice-President, Mr. Robert Marjolin, reported last month, little progress has been made to implement "incomes policies".

Governments acknowledge frankly that there is a problem of educating public opinion and getting the "guidance" follow-

ed. They place the main hope on general co-operation by labour and industry. It is at this point that there arises the idea of developing policies not only for wages but also for "non-wage incomes" — incomes from self-employment, personal incomes from property such as rents, interest and dividends and undistributed corporate profits. In this mixed bag, most attention is focussed on one vital area — profits — and on the alleged tendencies for mark-ups in "administered prices".

Case for a Policy for Profits

A report prepared by a group of government economists for the 21-nation Organisation for Economic Co-operation and Development, reviews what it calls "the case for a policy for profits and other non-wage incomes". It gives two main reasons why governments may consider "a policy for profits" a necessity. The first is that "the behaviour of profits and other non-wage incomes is an important cause of rising prices, either in isolation or in supporting and reinforcing a rise in wages." The second is that wherever governments endeavour to counter wage-cost inflation labour asks "for some 'quid pro quo' in return for any agreement to accept a more moderate increase in wages".

The second of these reasons — a promise of wage restraint on the part of labour obtained in return for limitations on profits — is one of political expediency, but the first raises questions of deep significance. The report supplies little evidence that increases in profits have significant causal effect on costs. Its 'piece de resistance' is a quotation from the 1962 Annual Report of the Council of Economic Advisers dealing with the period 1955-58 in the United States and mentioning, among developments of major importance at that time, "the use of market power by management to maintain profit margins despite rising costs". Other countries are "uncertain" that "market power to maintain or increase profit margins" has been an important element of cost inflation in recent years. The OECD report concludes that:

Though a degree of competition is undoubtedly a common feature of our economies there are many sectors where prices are in some sense "administered". The existence of administered prices is at least a potential cause of cost inflation.

This is not the first time that the theory of "administered prices" has been resurrected. However, apart from utilities where prices are regulated, profits must be earned under competitive conditions. In the American marketplace, competition is intense. In steel, an occasional whipping boy for the price-cost problems, the growing availability of new materials and rising imports have increased competition not only in prices but also in quality, delivery terms and marketing services.

The views expressed in the new OECD report on profits as an independent cause of inflation stand up in sharp contrast to those of one of its predecessors, which found in 1961 that business pricing policies are not a serious inflationary problem:

.... the danger of aggressive pricing to raise profit margins is a limited one. It can add fuel to the fire in an inflationary situation. But it is not likely to be the starting cause, nor can it be a cause of continuously rising prices. In this respect, an increase in profit margins differs from an increase in wages; there can be a wage-price spiral but there cannot be a profit-price spiral for the simple reason that the dampening effect of higher

prices on output and sales would be immediate when consumers' incomes were not rising. Moreover, a deliberate raising of profit margins is necessarily limited at any time to a few industries. There is no "profits round."

The OECD report recognises that the problem is not "purely economic" and that both the economic problem and its social and political background differ greatly from country to country.

Comparing the efforts of different countries to evolve "policies for profits", the report distinguishes three lines of approach, which are not mutually exclusive. The first consists of general monetary and fiscal policies. It concentrates on influencing the context within which wage and price decisions are taken, rather than "directly" influencing the decisions themselves. The OECD report regards "proper management of the general level of demand" as an essential pre-requisite for success in stabilising prices. To supplement these general policies, it offers a number of suggestions, including selective measures to curb excess demand in particular sectors, steps to improve mobility of labour and — to enhance competition — legislative control of restrictive business practices and freer imports.

Second Line of Approach

The second line of approach rests on government control of prices. The OECD experts reject a comprehensive and detailed system of direct price control; as a permanent instrument of policy, they agree such control is neither desirable nor effective. But this does not mean that "governments must appear indifferent or helpless" about prices. A number of countries have been moving toward what has been described as an "active price policy, including the use of various techniques of price supervision."

Some countries have instituted procedures for prior notification and consultation in cases involving important price increases. Others have set up special bodies, with power to obtain detailed information about price increases. Still others feel that price supervision cannot be effective unless "the government is known to possess reserve powers to intervene in the last resort." The two countries that, according to the report, place most emphasis on general price supervision and control as an integral part of their overall policy are Norway and the Netherlands. Over the past twelve months, France has used such controls on a temporary basis.

The third line is what the report calls "direct policy for non-wage incomes." It may comprise: "first, watching the development of the major categories of non-wage incomes; second, obtaining general agreement as to what should be regarded as the appropriate behaviour of these incomes; and, third, correcting any disproportionate movement by tax changes or other means."

In many countries, the report notes, tax rates on income from property are higher than those on income from employment. Some countries also differentiate between distributed and undistributed profits. Statutory control of dividend payments, used in the immediate post-war years in a number of countries, was revived last year in Denmark.

The OECD report also reviews British and French thinking on profits. In the United Kingdom, the government pledged in 1962 that it would "by fiscal or any other appropriate means, restrain any undue growth in aggregate profits which might follow from restraint in wages and salaries". In France, where development of an "incomes policy" is still at an early stage, particular weight is being given to social considerations in the execution of economic planning.

The evolution of policies along these lines, the report adds, is still in an exploratory phase. It concludes: "In so far as it

leads governments to examine in a more coherent way the influence of existing measures on wages, profits and other types of income, the results can hardly be other than beneficial."

Much more remains to be done to clear the ground and pinpoint the difficulties. The need of the moment is to deepen our understanding of the essential inter-relationships between costs, prices, profits, capital formation and employment.

Realistically, recognition should be given to the fact that profits and wages are different animals. Profits, in the great majority of cases, are earned in the marketplace through the workings of manifold and shifting forces of supply and demand. In contrast, wages are often settled by contractual agreement through processes of collective bargaining in a labour market where competition is to say the least, limited. Unlike wages, profits cannot generate spiralling price advances. Wages are costs of production; profits are a residual — a residual subject to the discipline of competition.

Profits are reaching record highs here as well as in many other industrial countries. But this is not a good indicator since the rise in aggregate profits merely reflects rising volumes of production and sales; these go up with higher employment, incomes and diffused general prosperity. The ratio of profits to sales and the return on the capital employed to earn the profits are better indicators. In the light of Internal Revenue data, the after-tax return on net worth of all US corporations amounted in 1961 to less than 6 per cent. Estimates made show that the figure has since remained basically unchanged. This conclusion is sobering.

A Crude Picture

The actual trend in the United States thus bears scant resemblance to a crude picture of swollen profits that would call for a crash programme to curb them. Indeed, it is to enhance the profitability of enterprise that the Administration has, of late, provided such incentives as new depreciation guidelines, investment tax credits and general corporate income tax-rate cuts.

So long as profits are under the discipline of competition — including increased international competition under liberal trading policies — they cannot be a cause of continuously rising prices.

Juggling with control over profits is to follow a will-o'-the-wisp. A sense of uneasiness lingers on when one considers whether a government can venture on the path of interference with prices and profits — and, for that matter, wages too — without getting into extensive regimentation of the economy. The objective of reasonable stability of costs and prices is best served by sensible and determined economic and monetary policies of a general nature.

Opportunity to earn profits is the most important single incentive for increased productivity and efficiency. Increased output and productivity are not due entirely to increased efforts by workers; they are also the fruits of improved techniques of management or of new plant and equipment. Russia itself is re-examining its ideas and attitudes about profits, judging from debates among planners. Profits are rewards for successful enterprise and inducements for further enterprise. After all, not all investments earn profits; many result in losses. Imposing uniform limits on profits and dividends would penalize their ability to get the capital needed for expansion, while it would leave inefficient and stagnating firms unaffected.

Increasing the profitability of new investment is the most effective way to make today's marginal ventures tomorrow's foundation for new products and new jobs. Profits earned by efficiency are the mainspring of economic growth.

(Concluded)

PATTERN OF PRIVATE WEST GERMAN INVESTMENT ABROAD (As on June 30, 1964)

(In million of DM)

EUROPE			
EEC countries	1,417.1	Switzerland*	887.4
EFTA countries	1,460.7	France	581.1
Developing countries	271.4	Belgium/Luxembourg	389.9
Others	54.6	Italy	291.0
TOTAL	3,203.8	Austria	275.9
		Spain	206.1
		Netherlands	155.1
AFRICA			
Industrialized countries	76.0	Liberia	80.7
Developing countries	316.4	South Africa	76.0
TOTAL	392.4	Algeria	45.4
		Libya	39.9
NORTH, CENTRAL AND SOUTH AMERICA			
U.S.A.	436.7	Brazil	814.5
Canada	719.2	Argentina	288.1
Developing countries		Mexico	88.0
Central America	193.6	Columbia	70.7

Developing countries		Neth. Antilles	45.3
South America	1,288.3	Panama	37.3
TOTAL	2,637.8	Peru	37.2
		Chile	28.4
		Venezuela	25.6
ASIA, AUSTRALIA AND OCEANIA			
Japan	47.9	India	82.4
Developing countries	175.1	Iran	27.9
Australia & New Zealand	118.9	Pakistan	18.4
TOTAL	341.9	Syria	10.0
		Afghanistan	5.0
		Lebanon	4.8
TOTAL, all continents, as on June 30 1964			6,575.9
TOTAL all continents, as on December 31, 1963			6,070.8
TOTAL, all continents, as on December 31, 1962			4,956.0
*Single countries in right column are listed according to sums of investment.			

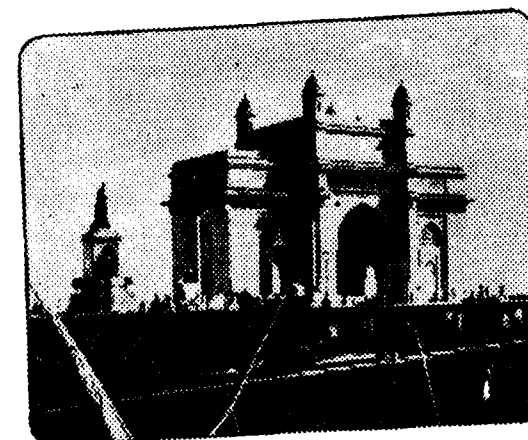
CONSUMER PRICE INDEX NUMBERS FOR WORKING CLASS

(Base: August 1939 = 100)

Madhya Pradesh											
Bombay			Delhi	Bengal	U.P.	Bombay	Pradesh	Madras	E.P.		
Period	Bombay	Bombay June 1934=100	Ahmedabad July 1927=100	Delhi †	Calcutta	Kanpur	Nagpur	Jabbulpur†	Madras June 1936=100	Ludhiana†	All India†
1955	322	338	218	130	334	371	364	133	321	134	132
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	423	511	502	198	484	182	179
1963*	424	445	299	176	442	524	522	207	488	190	185
1963 January	417	438	285	171	416	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	500	500	201	483	187	182
June	425	446	297	174	448	509	522	202	485	189	185
July	427	448	300	175	448	530	540	204	487	192	186
August	428	449	302	177	449	537	541	213	490	194	188
September	433	454	305	179	459	540	552	216	490	194	189
October*	432	453	306	179	469	547	550	216	489	192	190
November*	433	454	312	182	459	561	554	216	494	194	190
December*	460	481	333	185	459	566	553	219	508	200	193
1964 January*	462	485	—	185	438	565	567	230	508	203	193
February*	468	489	—	191	438	584	601	239	508	208	196
March*	475	496	—	191	455	591	590	240	511	208	197
April*	476	497	—	193	462	594	591	237	514	207	199
May*	479	500	—	190	466	594	610	239	526	202	203
June*	490	511	—	191	458	608	629	240	546	207	207
July*	505	526	—	196	470	—	643	243	561	208	213
August*	508	529	—	199	494	—	677	249	563	207	215
September*	510	531	—	202	—	—	700	252	563	213	216
October*	517	538	—	205	—	—	—	—	571	—	—

*Provisional. †Base 1944 = 100.

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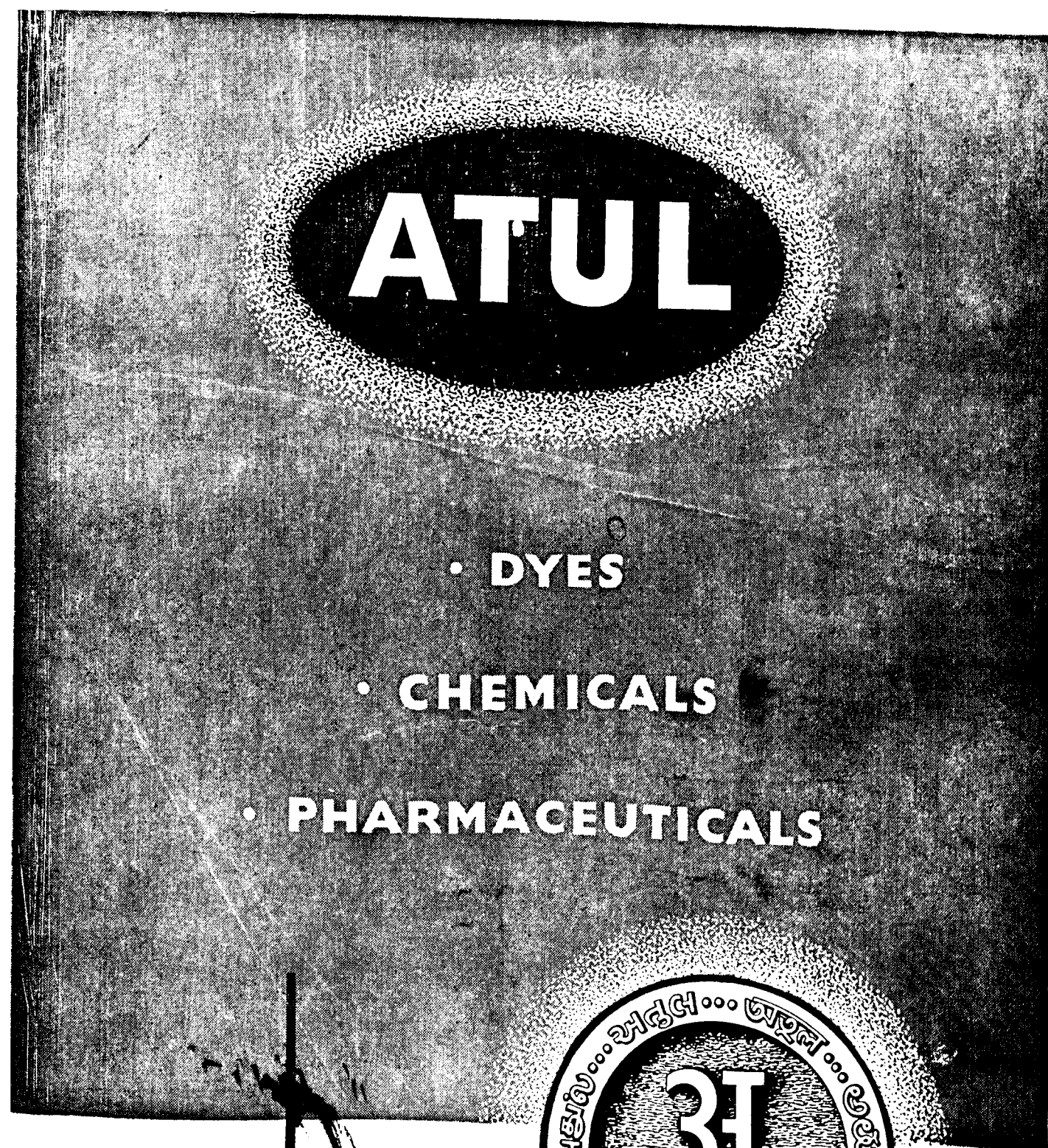
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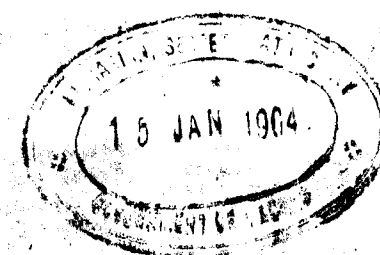
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EASTERN ECONOMIST

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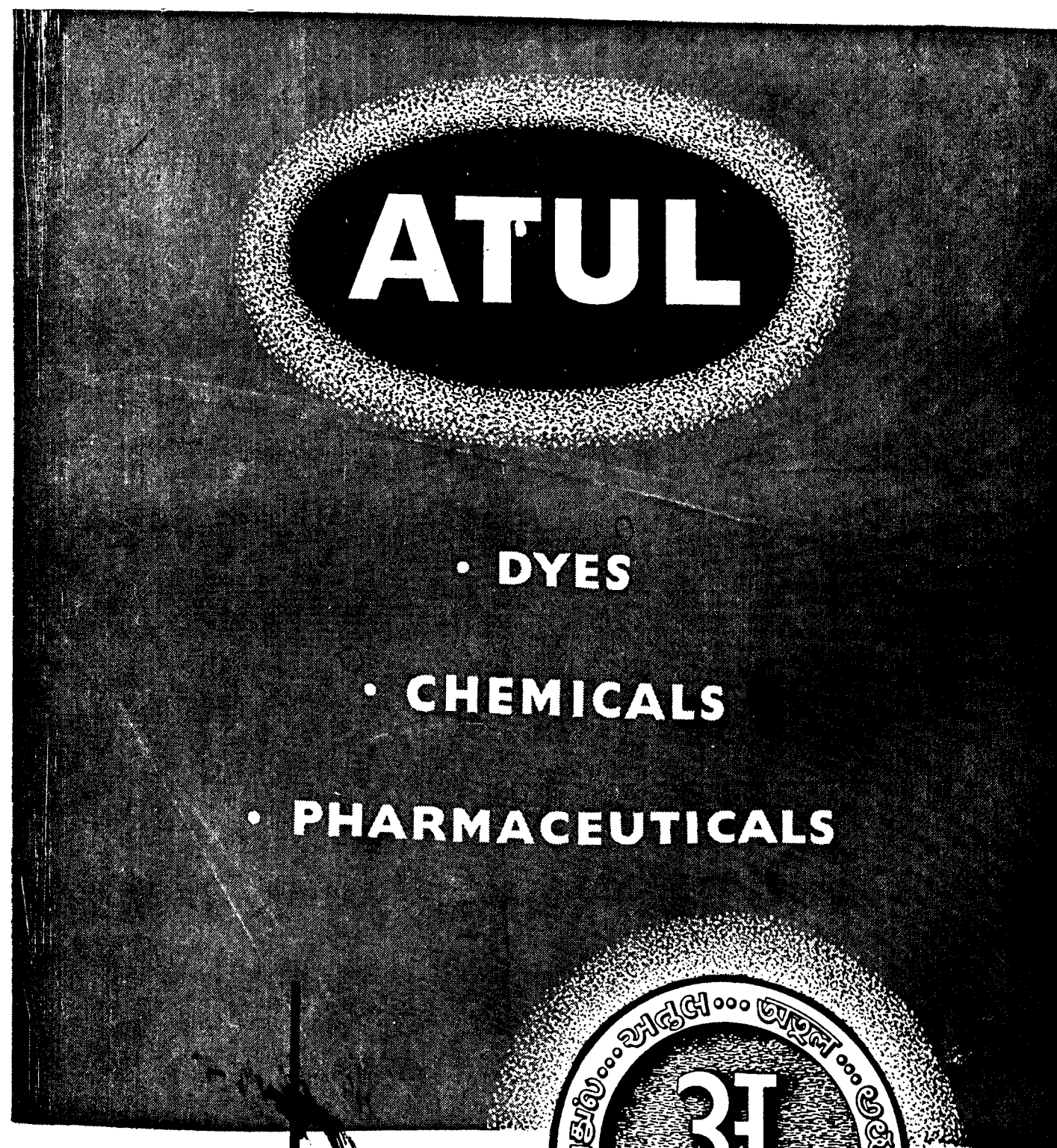
ANNUAL NUMBER 1964



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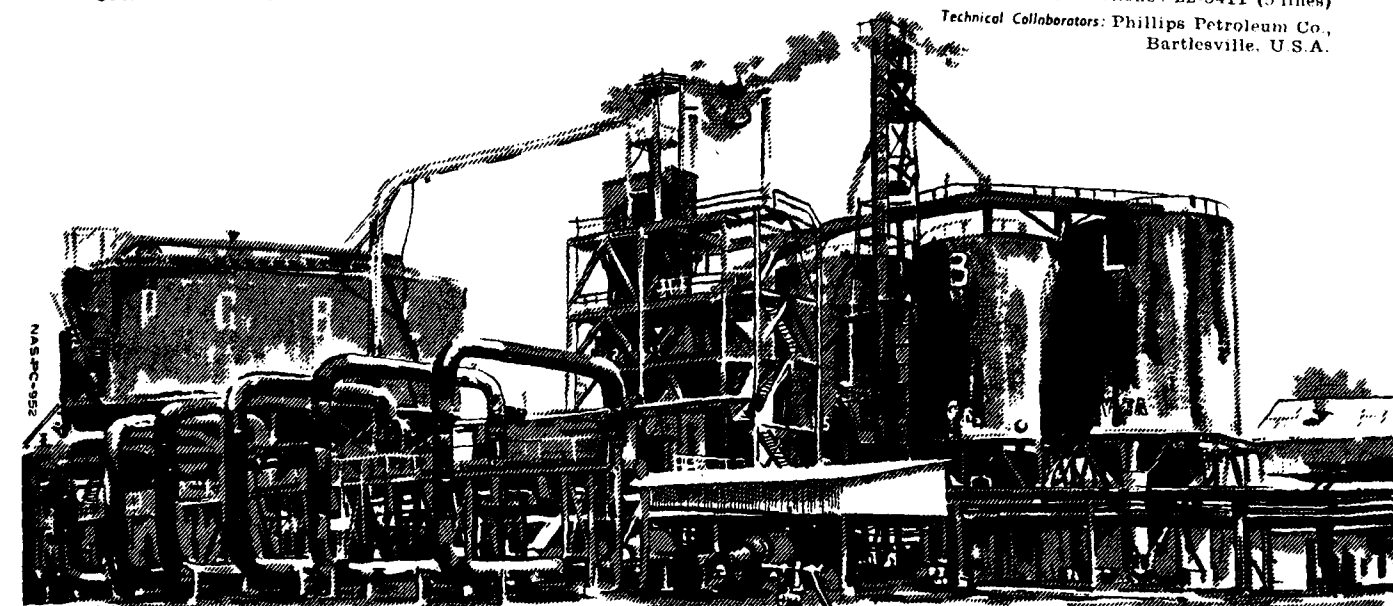
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EASTERN ECONOMIST

DECEMBER 27, 1963

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The Battle of Industrial Production

THIS IS a confession accompanied by an apology. When *Eastern Economist*, some time in the latter part of this year, chose "The Battle of Industrial Production" as the main theme of this Annual Number it was planned that this should be a straight indictment of the Government and the Planning Commission for their various sins of commission and omission resulting in the pace of industrial expansion slowing down at a time when the demands of defence and development had made it all the more imperative that this country should build up its industrial base as fast as possible. It was felt then that the Government was not only failing in vital areas of its responsibility for the economic well-being and progress of this country but also that it was being complacent over its failure.

Many things have happened since. There has been, for instance, the Mid-Term Appraisal of the Third Plan by the Planning Commission. There has also been a discussion of that Report in Parliament. The Mid-Term Appraisal has given some evidence that the Planning Commission and the Council of Ministers at the Centre are at least embarrassed by the failure of many important development programmes to make sufficient headway. Although the Mid-Term Appraisal has certainly not gone as far as it should have done in assessing the seriousness of the many failures, particularly in the industrial field, analysing the causes or apportioning responsibility, it at least has the decency, uncommon in such documents, not to pretend that everything is going on as well as it could be expected in the matter of the economic development of this country, particularly its industrialisation. The debate in Parliament has also been useful. Besides putting the Government on the defensive, it has given significant expression to a national mood of impatience with poor performance in the highly important field of promoting production, employment and a strong industrial base.

Nor has this been all. With the assumption of the office of Finance Minister by Mr. T. T. Krishnamachari, it is becoming increasingly clear that the Government's economic policies are acquiring a sense of urgency as well as positive direction. The Finance Minister, in a series of pronouncements intended for national consumption, has made it clear that the Government is interested not in the stagnation of the national economy, but in its forward movement. It is true, of course, that not everything Mr. Krishnamachari has been doing lately is wholly relevant or clearly helpful to the main national purpose of economic, particularly industrial, expansion. It is possible to say that a good deal of his recent legislative activity is beside the point. But in a democracy where popular prejudices and sectional pressures are at least as important as public opinion, it becomes sometimes necessary for the Government to strive to reach its destination through byways rather than by the highway.

What is important in the main is for the nation to be assured that the Government's basic strategy, as distinct from its tactical manoeuvres, will be firmly geared to the purpose of rapid industrialisation. In this regard, the Finance Minister's broadcast to the nation as well as his statement in Parliament on the broad lines of policy which the Government is expected to follow in ensuring economic and social progress have been quite promising as declarations of intentions. They suggest that the Government has at last been stirred into disquiet by the slow progress of the economy. This is a good sign in a democracy and we should be prepared to wait for this governmental discontent to spark off a period



WELDING ELECTRODES & EQUIPMENT

when only the best is good enough!

of positive and constructive activity, provided, of course, we do not have to wait long.

In these changing circumstances, while the theme of this Annual Number is still pertinent, its statement could be in terms more hopeful than what seemed possible earlier. Consequently, in the following pages, we have studied the fortunes of the development programmes in a number of important industries, not so much for the purpose of blaming the Government for lack of progress or for want of sufficient progress as with the object of underlining blunders in policy which the Government in its present mood of what may perhaps be described without undue optimism as "penitent heart-searching" may be expected to be keen on not repeating in the coming years.

Thus, in the case of steel, it is our finding that if sufficient progress has not been made towards targets it is because there is just not enough capacity for planning or execution within the public sector alone to accomplish a really large steel expansion programme. It follows that we regard it as highly important that if steel development is to be considerably more rapid in the future, the Government should not hesitate to have its efforts in the setting up of new plants supplemented by the resources of the private sector at home or abroad. Our study of the cotton textile industry has brought into prominence the need for a realistic policy of expansion with regard to the basic consumer goods industries. It is a contradiction in terms to talk of higher standards of living for the people as well as of restraining the production of organised consumer goods industries which alone can supply the necessities of life at reasonable prices. Oil is a case where ideology, neither pure nor simple, has played havoc with national interests. Thanks to a negative policy of bullying the international oil companies, this country has lost many valuable years in the building up of a petro-chemicals industry which could do so much to strengthen our industrial base.

Idling, rather than ideology, has been at fault in the case of the fertilizer and aluminium industries. Having drawn up large development programmes for those two industries and invited the private sector to participate in them to a substantial extent, the Government has not taken sufficient care to avoid lapses due to indiscreet licensing of projects. In the case of fertilizers there have also been other complications. As in the case of steel, the public sector in the fertilizer industry seems to have bitten off more than it can chew. Secondly, the Government's policies affecting the profitability of this industry have not been such as to encourage foreign collaboration. Pricing and marketing policies for fertilizers seem to have been a deterrent. Uneconomic price levels seem also to be the reason for the lag in the expansion of the paper, cement and, possibly, the coal industries. Our study of the paper industry in particular, shows how unrealistic price

policies could knock the bottom out of development intentions. In the case of cement, apart from the price factor, the tying up of expansion with the availability of domestic cement machinery has also contributed to the non-fulfilment of targets. Here policy has lately become more flexible, but it is nevertheless important to underline the fact that a proper scheme of priorities should always be followed between the capital goods industries and other industries. Otherwise, neither would develop satisfactorily.

Sugar and automobiles are rather strange cases. Both seem to be suffering from over-regulation. Actually, there is no sense in the Government's excessive pre-occupation with these two industries. Neither of them produces articles of mass consumption and to the extent that road transport has to depend upon the automobile industry for its vehicles, the Government could certainly have protected all reasonable public interest without having to concern itself excessively with the details of the automobile industry. We are convinced that, provided the minimum conditions necessary for orderly expansion are secured to these industries, their progress as well as the public interest will

EASTERN ECONOMIST

Wishes its Readers

A HAPPY NEW YEAR

be best served by leaving them alone. The jute industry is in a class by itself. Here the difficulty is less excessive governmental interference than plain indifference on its part. For no reason that we could appreciate, the Government seems to have assumed that the jute industry needs no particular attention and that it will continue to earn a large amount of foreign exchange irrespective of whether the Government does anything or not to assist it in meeting the dangerous aggravation of the competition from Pakistan which is gathering strength from year to year. For an allegedly export-minded Government it is no credit that the only interest it takes in the jute industry is to ask the State Trading Corporation to undertake obviously uneconomic trading in raw jute.

There are certainly many other industries besides those studied here, the experiences of which are relevant to the theme of this Annual Number. We would submit, however, that the ground covered here is not inadequate and that the industries discussed seem to provide among themselves a sufficiently illustrative bunch of case studies of wrong development policies and practices. We hope that the points we have tried to make in this analysis will be studied dispassionately in the light of the universally admitted need for avoiding serious lapses in planning or policy-making as India enters the next critical phase in its industrialization.

December 27, 1963

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December 27, 1963

December 27, 1963

ANNUAL NUMBER 1964

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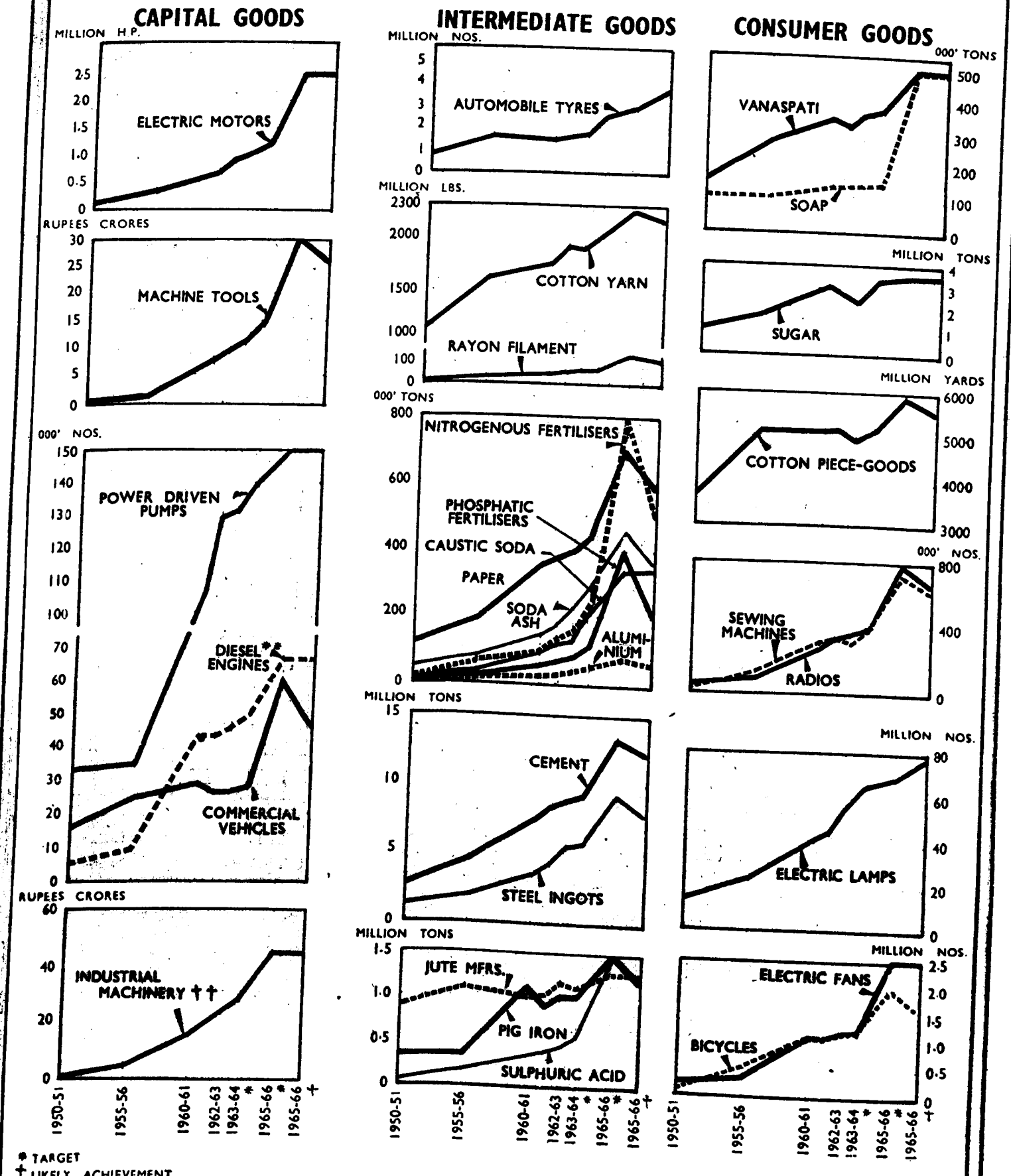
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Steel: Needed a Strategy Without Sentiment

STEEL IS often claimed to be of the hard core of our five-year Plans. It would perhaps be more accurate to say that steel is of the hard emotional core of our politico-economic planning. This has not been entirely to the bad. For any great effort certain specific enthusiasms are necessary and the rapid development of steel capacity could be a logical purpose of any programme of rapid industrialisation for a developing country and has undoubtedly got the virtue of being able to capture the popular imagination.

Earlier this month when Lok Sabha debated the Mid-term Appraisal of the third Plan, presented to it by the Planning Commission, the Finance Minister rose in his seat to argue that it was obviously wrong to blame the Government for wanting to do too much about steel, as some critics had done. A more reasonable charge, Mr. Krishnamachari said, would be that the Government had been doing too little too late in the matter of steel development. There is clearly force in this contention and, in discussing here the drag on the economy which might be attributable to the failure of planning in the steel sector, it is proposed to take Mr. Krishnamachari at his word.

It is perhaps useful to start this discussion by pointing out that the idea of substantial development of steel capacity is not really something which the country owes wholly to the present Government. It may be recalled that, as far back as in January, 1945, an Iron and Steel (Major) Panel was set up by the then Government to recommend measures for the expansion of the steel industry. This Panel was headed by Sir Padamji Ginwala, a man who had behind him a life-time of service in the employ of the (then virtually wholly private) iron and steel industry of this country. But this did not come in the way of the Panel recommending either that two new major integrated steel plants should be set up, or even in the way of its suggesting that, if no private entrepreneur came forward to set up those plants, the Government should not hesitate to undertake their erection on its own. The proposal of the Ginwala Panel was that the two new plants should each have an initial capacity of 500,000 tons steel ingots a year, which should be capable of being doubled in due course. The Panel also contemplated the simultaneous expansion of the two existing units in the private sector. This ought to make it clear that none of the major elements of the steel development programme, as it was evolved subsequently, was in the nature of an original contribution of the Government of the day. The idea that steel capacity should be expanded and that it should be expanded both through extensions of the existing units and through the setting up of new units, had been authoritatively recognised early in 1946 when the Panel made the report. It was also acknowledged at that time that, if private capital and enterprise was, for any reason, unwilling or unable to accept responsibility for the setting up of new units, the Government should come forward to do so.

Political Adventurism

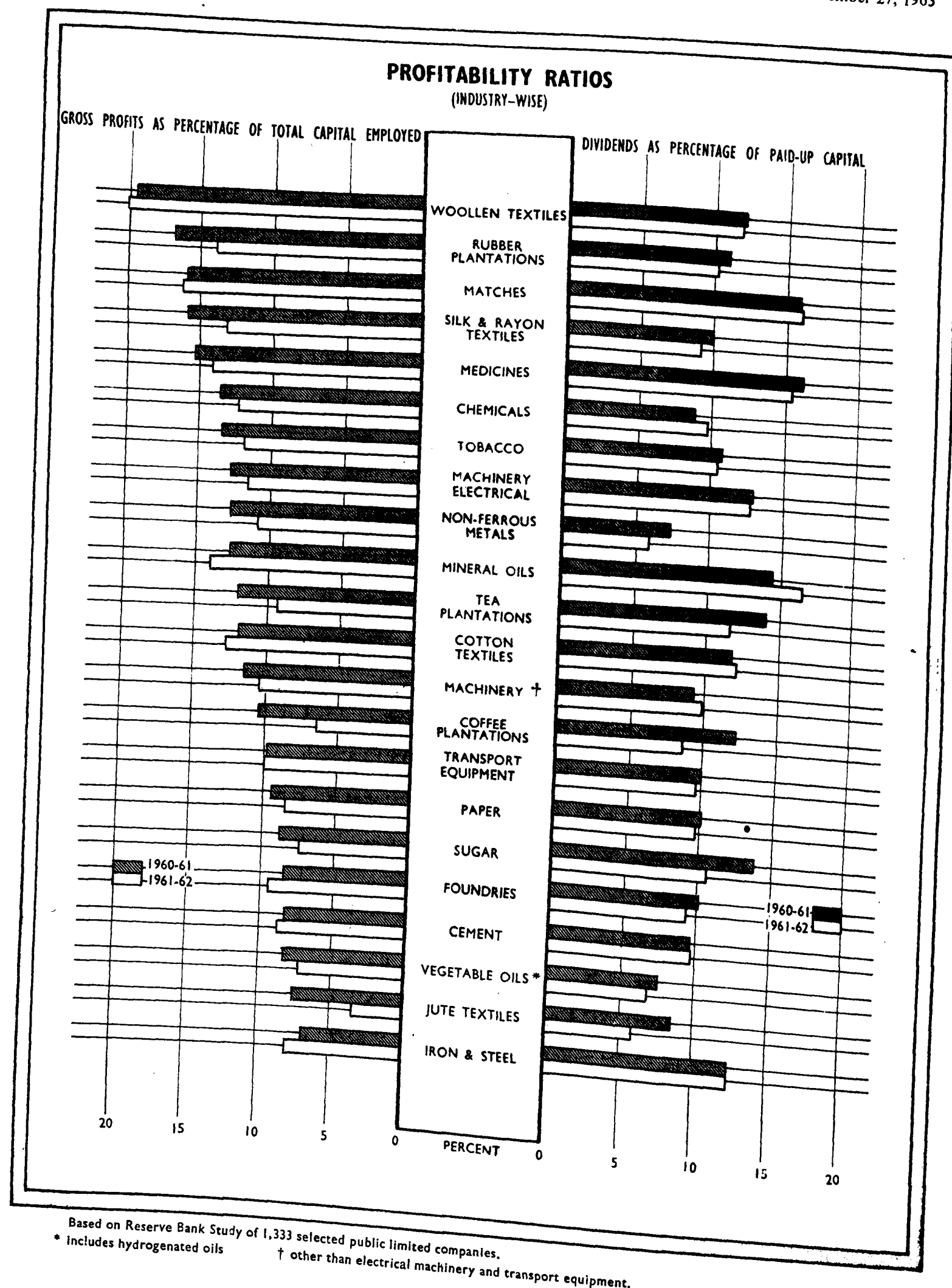
It is possible that, if this essentially rational attitude had been allowed to continue, this country today would have been producing more steel, more efficiently and at lower cost. Unfortunately, very soon after Independence, planning for steel started becoming less of an economic exercise and more of a political adventure. The signal was given in April, 1948, when Parliament entered the steel picture with a Resolution on Industrial Policy which declared, among other things, that in the case of basic industries, such as iron and steel, the State would be responsible for all new undertakings, while

the existing units would be allowed to continue for a period of ten years at the end of which the position would be reviewed and the units might be taken over on payment of fair compensation. This statement of intentions was variously interpreted at that time. Some argued that the Government's declaration was actually in the nature of an assurance to the steel industry in the sense that it had been informed that the Government had no intention of nationalizing it for the next ten years. This argument proceeded to maintain that, having been assured that the industry would continue to remain in the private sector at least for the next ten years, it should be possible for the steel companies to undertake the urgent task of post-war rehabilitation of plant and, if possible, the installation of additional capacity.

Pessimistic Appraisal

But there was also another interpretation which maintained that all that had been allowed the steel industry was a reprieve, the Government having committed itself to ultimate nationalization which perhaps might not be postponed for long after the initial ten-year period was completed. Subsequent events have shown that the pessimists or the panic-mongers had been exaggerating although even now it is too early to say that the idea of ultimate nationalization has really been given up. All that has happened is that the review which was promised at the end of the ten-year period was never made in that form. The revised Industrial Policy Statement, which was issued in April, 1956, eight years after the original declaration, restricted itself to placing iron and steel in Schedule A, which included all those industries in the case of which all new units, save where their establishment in the private sector had already been approved, would be set up only by the Government. It was further provided that in the case of industries in Schedule A, the existing privately-owned units would not be debarred from expanding their capacities and it was also envisaged that the State might seek the co-operation of private enterprise in the establishment of new units when the national interest so required. This still remains by and large the official position with regard to the status of the iron and steel industry in our mixed economy. In the implementation of this policy the Government has been liberal to the extent that it has not only allowed but has encouraged and assisted the steel companies in the private sector in expanding their capacities substantially, but at the same time, it has also been illiberal to the extent that it has altogether been allergic to the enlisting of the co-operation of private enterprise in any form in the establishment of new units.

To go back to April, 1948, when the first Industrial Policy Resolution was promulgated, the immediate consequence was the clash of the two widely differing interpretations which had been described earlier and which naturally created a certain amount of confusion and uncertainty. Looking back, some observers have been inclined to attribute to this state of affairs the subsequent slowness in the long-term planning for steel as well as the tardy emergence of essential post-war activity in the private sector steel industry. This perhaps is not a right reading. At the end of the War, the steel plants which had been in operation for more than 30 years and, in part for more than 40 years, had been worn out by continuous operation and required rehabilitation badly. But even this maintenance job could not be undertaken promptly and adequately, first because the industry lacked finance and secondly, in the conditions of the early years of the post-war world, the plant and equipment and the engineering facilities needed for any major job on the steel works was not readily



forthcoming. For the same or similar reasons, it would not be correct to blame either the industry or the Government for the absence of a vigorous pursuit of additional steel capacity through the expansion of existing units or the setting up of new units.

It has been shown retrospectively that India could create substantial additional capacity in the steel industry only with the technical, physical and financial assistance provided by advanced industrial countries with large steel and machine-building industries of their own. The conditions for the emergence of that assistance were not fulfilled for some years after the War. The countries which later came to co-operate with us in this area were themselves confronted with enormous problems of post-war rehabilitation and recovery until the early Fifties. The signing of an agreement with the Krupp-Demag combine for the designing and erection of a 500,000-ton integrated steel plant to be established at Rourkela was the first positive development which made it possible to plan for India's long-term steel development with any degree of pragmatism. The second great impulse in India's steel development came in November, 1954, when a team of Soviet technicians arrived in India and within three months, a preliminary agreement was signed between the Government of India and the Government of the USSR for assistance by the latter in the building up of a second steel plant at Bhilai. This agreement was extremely significant for the effect it had in widening the horizon of our steel planners. The Soviet experts did a great service in discounting timid planning in steel and by pointing out that a half-a-million-ton plant would be pointless and uneconomic in the context of India's long-term steel planning. They thus paved the way for big thinking on steel.

Pioneering Effort

The Bhilai contract itself was for a plant of a million-ton ingot capacity and in the light of this larger notion, the Rourkela scheme had also to be revised and the projected capacity raised to a million tons in the final project report which was accepted in 1956. This project report again had its own original contribution to make to India's widening steel horizon because it was on this occasion that the Minister then responsible, Mr. T. T. Krishnamachari, decided in favour of the adoption at Rourkela of the then novel L-D process for the manufacture of 75 per cent of the steel output of the plant in preference to the conventional stationary open-hearth furnaces which were to produce the remaining 25 per cent. It must be noted here that although the availability of excellent qualities of low-phosphorus pig iron had suggested the suitability of the L-D process, at the time the decision was made in favour of this process, it was being tried only in two steel plants abroad. In retrospect, India seems to have participated in pioneering this major development in steel technology because now the L-D process is becoming the standard technique for new steel making facilities all over the world.

It is curious to note that once West Germany decided to enter India's steel expansion programme, international interests, which till then had been largely academic, quickened very perceptibly. We have already seen how the Soviet Union followed in a big way. It did not take Britain long to realize that with its extensive and established political and economic connections with this country it could not afford to remain an idle spectator. The agreement with the British Consortium in 1956 for a third steel plant, which has since been set up at Durgapur, completed the pattern of foreign collaboration in India's steel development which obtains today.

It may perhaps be said that the four years between 1953 and 1956 were the most important formative period in India's long-term planning for steel, because it was during these years that concrete steps were taken for the setting up of

three entirely new, integrated iron and steel works each with a capacity of one million tons of ingots per year. This would have been a considerable effort for any country anywhere in the world, but for India, with its narrow industrial base and limited resources of capital and know-how, it was a truly tremendous undertaking. The dimensions of the planning effort for steel were further augmented by the modernization and expansion programmes which were being carried out in the existing steel works under the first five-year Plan. At Jamshedpur, the Tata Iron and Steel Company had incurred a capital outlay of over Rs. 34 crores in the five years ended March, 1956 on an expansion and modernization scheme for raising the production capacity to 931,000 tons of saleable steel. During the same period the Indian Iron and Steel Company had incurred a capital outlay of over Rs. 15 crores on an expansion scheme for raising the production of saleable steel and pig iron to 620,000 tons and 500,000 tons by the end of 1957. The third existing producer, the Mysore Iron and Steel Works, a government-owned facility, had also invested in the five years about Rs. 1.4 crores for raising its capacity to 100,000 tons of finished steel.

Considering all the facts of the case — the first obligation of the existing producers to rehabilitate their war-worn equipment and the inability of the steel and machine-building industries in other countries to undertake foreign contracts in the immediate post-war years when their energies were fully engaged in the reconstruction and building of the domestic steel industry —, it must be allowed that, up till the year 1956, the development effort in steel had not been unduly dilatory. The trouble arose later, in the course of the practical implementation of the projects for the three new steel plants in the public sector. In the case of the Bhilai plant, which

was a package deal, the Soviet side had taken command of the situation from the beginning. The Soviet engineers on the spot could talk to their Embassy in New Delhi or even to the Kremlin and when the need arose, Mr. Khrushchev could and would talk to Mr. Nehru. This greatly simplified matters and the Indian side of the administration was in a sense compelled to function to the rigorous schedules which the Soviet side was bent on observing. Advantages of this kind were not to be had at Durgapur or Rourkela.

In Durgapur, however, the situation was largely saved by the fact that the Project Agreement provided for a turn-key job by a British Consortium which co-ordinated both the designing and fabrication of equipment at the workshops of the supplier firms in the U.K. and the construction of the factory and the erection of the plant at the site in India. It is true, however, that in spite of these arrangements, Durgapur had its share of the discomforts and disappointments of its birth and infancy and, on the Indian side, there was a feeling that the faulty designing of the soaking pits suggested that, compared with the high quality of the Soviet collaboration at Bhilai, the British performance at Durgapur could perhaps have been better than it was. The circumstances of the construction at Rourkela, unfortunately, were far less satisfactory. To some extent this was due to the fact that it was the first of the three projects to be initiated and negotiated. Neither side seemed to know exactly what it wanted. The Germans were at a disadvantage that they had no substantial experience of industrial construction in this country. Before the last War, German experience here was confined to the trading field. On the Indian side, the agreement was negotiated by a Secretary of the Ministry concerned who did not possess at that time either the knowledge or the experience which he subsequently seemed to have gained as the Comptroller and Auditor-General and is now freely displaying as a critic of the Government's economic policies. Mr. A. K. Chanda was an administrator with an agile mind and this would have been wholly a virtue had there been over him a Minister who could have exercised some salutary discipline. Unfortunately, Mr. K. C. Reddi is one of the most uninspiring and uninspired persons to have been associated with the various industrial programmes in this country as a Member of the Central Cabinet. The Minister and the Secretary, between themselves, managed to make the Government of India a party to a project agreement under which different sections of the Rourkela plant were to be supplied or erected by different German companies with no one being responsible either on the German side or on ours for the co-ordination and integration of either procurement or construction.

Foor Planning

The disaster inherent in such an arrangement was aggravated by poor auxiliary planning for the linked facilities for the steel plant, such as water, power and raw materials. And the situation was not improved by a certain technical inability of the German personnel in the earlier years to adjust themselves to the social and other aspects of an environment which in many ways they found as puzzling, if not disturbing. It is possible that if Mr. T. T. Krishnamachari, who assumed responsibility for the steel portfolio in June, 1955, had not given up the Steel Ministership in April, 1957 and subsequently in February, 1958 left the Government, there might have been somebody in the Government of India who, in the critical early years of the Rourkela project could have managed to retrieve the difficult situation. Unfortunately, things turned out differently and Mr. Swaran Singh, who was the Minister responsible for steel development in the important years between 1957-62, was certainly not the man who could have been expected to bring to his task that degree of knowledge or drive which were clearly necessary for sustaining the momentum of long-term steel planning which was initiated in the period 1953-56. It is not unfair to say that most of the

prolonged agony of Rourkela and much of the errors in steel development which the country has to reckon with now must be attributed to Mr. Swaran Singh's listless stewardship of the steel portfolio in the period 1957-62.

DEMAND, PRODUCTION, CONSUMPTION AND TARGETS FOR FINISHED STEEL: 1955-56 — 1965-66

(In millions of tons)

Year	Demand	Production	Imports*	Availability
1955-56	.. 2.0	1.3 (1.7)	0.9	2.2
1956-57	.. 4.0	1.3	1.9	3.2
1957-58	.. 4.1	1.3	1.7	3.0
1958-59	.. 4.2	1.3	1.2	2.5
1959-60	.. 4.1	1.9	0.9	2.8
1960-61	.. 5.6	2.4 (4.3)	1.1	3.5
1961-62	.. 6.2	2.9	1.0**	3.9
1962-63	.. 6.8†	4.0	0.8**	4.8
1965-66	.. 7.2††	5.8†† (6.8)	0.6†	6.4

* Relates to calendar year. ** Financial year.

† Our estimate. †† Official estimate.

Note: Figures in brackets are the targets of production for 1955-56, 1960-61 and 1965-66.

Although Mr. Krishnamachari was not left in the position to work out the first and probably the most important phase of the implementation of the steel development pro-

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gramme in the critical years over 1957-62, he was fortunately able, at the idealistic level, to incorporate into this country's long-term steel planning a grand vision of a programme of steel-based industrialisation of the country. As Mr. Krishnamachari himself reminded us earlier this month, it was he who unreservedly affirmed that this country should fix a target of six million tons of steel ingots for its second five-year Plan. Again, it was he who recognised and acted vigorously on the recommendation that the attainment of a steel target of six million tons of ingots by the year 1960-61, could not be achieved without a further substantial expansion on the part of the two major producers in the private sector. Following this appreciation, a total investment of Rs. 115 crores was envisaged in the second Plan for steel development in the private sector with the object of taking up the combined capacity of the Tata Iron and Steel Company and the Indian Iron and Steel Company from about 1.25 million tons of finished steel at the beginning of the second Plan to about 2.3 million tons at its end.

Liberal Interpretation

It would be seen that the Government has been quite liberal in interpreting the revised Industrial Policy Resolution which contemplated expansion of the existing units in the private sector as a part of the development of the steel industry. But, as was pointed out earlier, the Government has not been equally liberal in acting upon another part of the same Resolution which allowed for the possibility of the State securing the co-operation of private enterprise even for the setting up of new steel plants in the public sector. While the Government has no doubt been willing enough to invite and even urge private enterprise in West Germany, U.K., U.S.A. or Japan to share in setting up steel plants in the public sector in this country, it has fought shy of letting private enterprise in our own country also share the burden and responsibilities of constructing new plants. This is surprising seeing that the origins of the Durgapur plant which has blossomed into a fully Government-owned facility, were to be found in the preliminary negotiations undertaken by Indian private enterprise with its counter-part in Britain. It is possible that, along with the errors of implementation of the public sector steel projects in 1957-62, the unwillingness of the Government before, during and since that period to explore constructively the possibilities of co-operation with private Indian enterprise in the setting up of new steel plants has been responsible for steel development proceeding at a slower and lower rate than might otherwise have been possible. As we have noted at the beginning, Mr. Krishnamachari conceded that the Government's critics might have a good case if they were to blame the Government for having proceeded slowly rather than fast with steel development. This precisely is the criticism which we are now making here.

Despite the announcement made by the Government in the later stages of the second Plan that steel entered into the hard core of that Plan, and therefore, qualified for top priority for its development, the expansion of the steel industry — its capacity as well as production — was well below the second Plan targets when the third Plan came to be formulated. Whereas the production target fixed in the second Plan for finished steel was 4.3 million tons (6 million ingots) in 1960-61, the actual production in that year was only 2.4 million tons. We are now in the third year of the third Plan and the annual output of finished steel is only now running at a level of four million tons (or about 5.7 million tons in terms of ingots). In the fixing of the third Plan targets of capacity for steel development at 10.2 million tons of ingots per year, the Government seems, therefore, to have been inspired more by the continuing idealism of Mr. Krishnamachari's declaration eight years ago when he desired that the second Plan should aim at a target of six million tons of ingots in 1960-61 than by the background of actual experience in the second

Plan period. While idealism is undoubtedly a virtue, it is clear that it should not be unduly diluted by a high degree of unrealism. The official estimates themselves do not anticipate actual production in 1965-66 to exceed a level of eight

OUTPUT OF FINISHED STEEL IN INDIA

1955-56 AND 1962-63

(According to main categories)

(In millions of tons)

Category	1955-56		1962-63	
	Quantity	% of Total	Quantity	% of Total
Railway materials (mainly track)	0.14	11.3	0.54	13.7
Structurals	0.21	17.0	0.70	17.8
Bars and rods	0.45	36.3	1.41	35.8
Plates	0.06	4.8	0.31	7.9
Sheets (excluding galvanized sheets)	0.31	10.5	0.29	7.4
Galvanized sheets	0.13	10.6	0.15	3.8
Timplates	0.07	5.6	0.09	2.3
Others	0.05	4.0	0.45	11.3
Total	1.24	100.0	3.94	100.0

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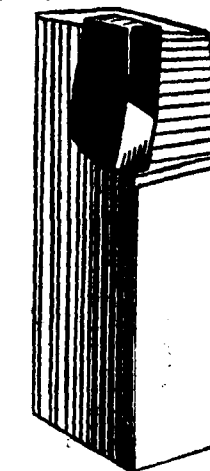
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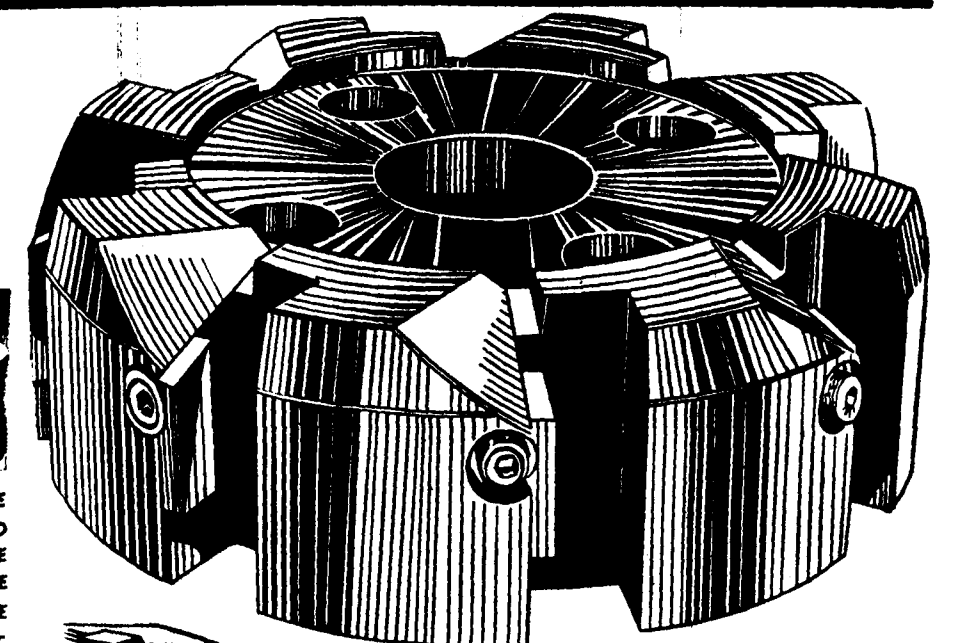
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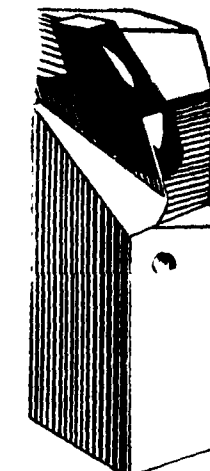


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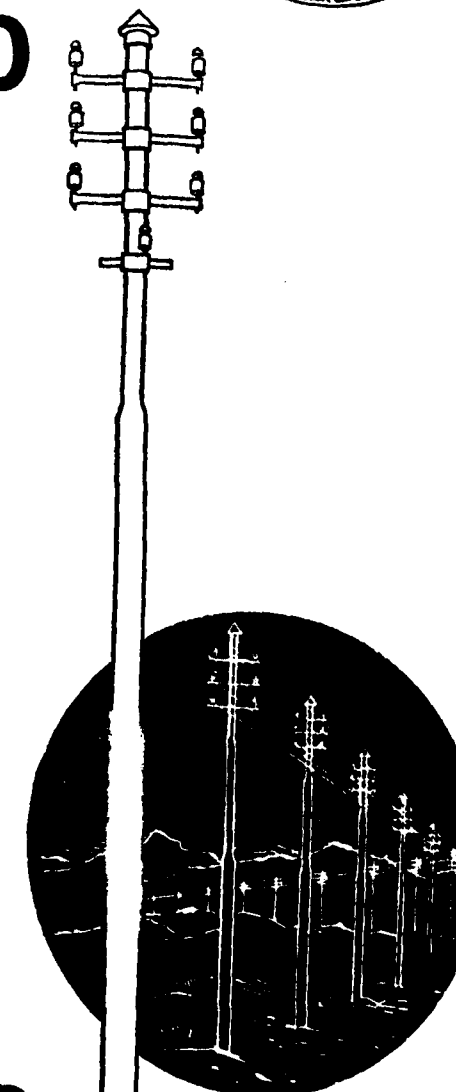
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million tons in terms of ingots (or six million tons in terms of finished steel). In other words, the third Plan has not made up at all for the drag in the second Plan. On the contrary, it is adding to it.

From this point of view, it would largely be an academic exercise to debate the wisdom of the proposed fourth Plan target for steel capacity of 20-21 million tonnes of ingot (18 million tonnes of actual output) in terms of whether so much steel would really be required or whether it is sensible to earmark for the steel sector alone so large an amount of domestic finance or foreign exchange implied in the target. The more pertinent question is whether the Government can, in the context of the accumulating shortfalls in performance in the steel sector in the second and third Plans, truly expect to approach anywhere near the target now being proposed. We would hasten to make it clear here that to pose the issue in this manner is not to fall into the trap set by Mr. Krishnamachari when he twitted the Government's critics with blaming the Government for wanting to produce too much steel instead of blaming it for failing to produce enough steel, particularly flat products as opposed to merchant steel. Our precise criticism here is that, whatever the targets might have been, the Government had failed during the second Plan and is failing in the third Plan to bring sufficiently satisfactory planning and sufficiently vigorous effort to bear on the task of developing steel capacity as fast as possible. It is precisely in terms of this failure that we question the Government's assumption that it will be able to raise the output of steel to 18 million tonnes of ingots by the end of 1970-71. It is wholly and solely in these terms that we would criticize the proposed target for the fourth Plan as unrealistic and misleading.

Question of Financing

It is tentatively proposed to achieve an output of 18 million tonnes of ingots (which would mean an installed capacity of 20-21 million tonnes) by the end of the fourth Plan, partly by the expansion of the capacities of Bhilai, Rourkela and Durgapur plants and those of the Tata Iron and Steel Company and Indian Iron and Steel Company to 3.25 million tonnes, 2.50 million tonnes, three million tonnes, three million tonnes, and two million tonnes, respectively, and partly by setting up three new integrated steel manufacturing units, that is, a plant at Bokaro with an ultimate capacity of four million tonnes and two more units with a capacity of 1.5 million tonnes each to be set up in the Vishakhapatnam-Bailadilla and the Goa-Hospet regions. It is probably true that so far as the expansion projects relating to the three State steel plants are concerned, further collaboration from the respective foreign partners concerned would be forthcoming in sufficient measure. As regard the two private sector plants, again, the concerned companies already seem to have expressed their willingness to undertake the expansion indicated. Whether they will actually be able to carry out these programmes would depend on a satisfactory answer being found to the question of financing.

Internal financing has so far played a considerable part in the expansion of the steel industry in the private sector, but because of the fact that the prices of their products have been strictly controlled throughout with the primary purpose of keeping the costs of various development programmes which use large quantities of steel as low as possible, the steel companies have had to draw heavily on additional capital sources. Here again, since the investment climate has been conditioned by certain Government policies relating to the controlled industries in particular and the economy in general, the steel companies have had to go to the Government rather than to the capital market for finance for expansion. As a result, the Tata Iron and Steel Company and the Indian Iron

and Steel Company have, besides borrowing from the World Bank to the extent of \$107.5 million and \$51.5 million respectively, had also taken loans from the Central Government to the extent of Rs. 10 crores and Rs. 18.7 crores (including a special advance of Rs. 10.8 crores) respectively. While it is true that assistance on these lines might be forthcoming also for further expansion, the recent decision of the Government to take powers to convert its loans to the corporate sector into equity capital if it is considered necessary in the public interest to do so, might possibly be a discouragement to the steel companies to seek loans from the Government. It is not suggested here that such possible difficulties might be found to be too stubborn to be dealt with, but it certainly seems to be the case that prospects for the further expansion of steel capacity in the private sector do not seem to have been improved by recent developments.

INVESTMENTS IN STEEL PROJECTS

(In crores of rupees)

Project	Gross Investments	Utilisation of Foreign
	(As on the 31st March, 1963)	loans and credits (Upto the 31st March, 1963)
Public Sector		
Bhilai ..	224.8	64.7
Rourkela ..	271.4	75.1
Durgapur ..	202.0	35.4
Private Sector		
Tata Iron & Steel	195.9	51.2*
Indian Iron & Steel	85.2	23.2*

*Post-war expansion.

The tentative expansion targets for the five established units would take the aggregate capacity to 13.75 million tonnes of ingots in 1970-71. If the current official estimates are borne out, the combined capacity of these five units at the end of the third Plan i.e., in 1965-66, would be 9.2 million tonnes of ingots. It follows that the additional total capacity to be created in the existing steel units during the fourth Plan would be 4.55 million tons. In terms of the actual growth of the steel industry in this country in recent years, this expansion would appear to be all that might be established on a firm basis in the period of the fourth Plan. The Government, however, has decided otherwise and is planning to proceed immediately with work on the Bokaro project besides planning also for two other new steel plants.

The question whether the Government would be able to implement the steel development programme in the fourth Plan in the manner it intends to would consequently seem to boil down to the more specific question whether the Government will be able to undertake and complete the Bokaro project within the period proposed. Here the only encouraging feature is the Government's own optimism. The failure at least for the time being of the effort to enlist the technical and financial participation of a US steel consortium in the project is only part of the problem. Even if it is to be conceded that other sources such as Japan or France, or even Britain, might carry some of the burden of the external

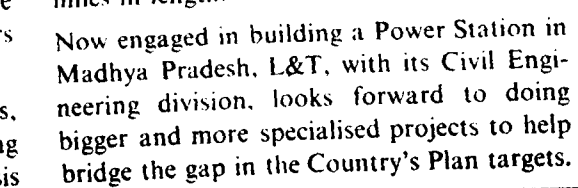
ESTIMATES OF DEMAND AND OUTPUT OF FINISHED STEEL : 1965-66 TO 1970-71

Category	1965-66		1970-71
	Demand	Output	Demand
Railway materials	0.84 (11.5)	0.83 (14.5)	1.33 (10.1)
Structurals	1.00 (13.7)	1.00 (17.5)	2.07 (15.8)
Bars and rods	2.20 (30.1)	1.80 (31.4)	3.91 (29.1)
Plates	0.60 (8.2)	0.40 (7.0)	1.29 (9.8)
Sheets (excluding galvanized sheets)	1.78 (24.3)	1.23 (21.5)	2.34 (17.3)
Galvanized sheets in plates	0.25 (3.4)	0.15 (2.6)	1.15 (8.8)
Others	0.65 (8.9)	0.32 (5.6)	1.14 (8.7)
Total	7.32 (100.0)	5.73 (100.0)	13.13 (100.0)

It has been said that Bokaro could be built with substantial reliance on equipment fabricated in this country, at Ranchi or elsewhere. If there is this kind of fabricating capacity, it could be used as much in the expansion of the existing plants as in the building of a new one. Therefore, the argu-

Meanwhile, there is a great deal to be done as well in other areas closely allied to the main programme of basic steel development. Mr. T. T. Krishnamachari recently pointed out that the Government had erred in not anticipating fully the sharp and fast rise in the demand for flat products, such as plates, sheets, tin-plates and skelp. At the present time, the

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ratio of flat products to other categories of steel in the Indian production picture is about 30 per cent and this ratio may be increased to 40 per cent when the proposed Bokaro plant is built and commissioned. In the interval, the relative shortage of flat products is bound to persist, a fact which any scheme for streamlining the distribution of steels cannot but take into account. It is possible that there could be marginal additions to the proportion of flat products in the total steel output through the more exhaustive exploration of possibilities at Tatas, Indian Iron and particularly, Rourkela, which are the three plants now turning out flat products. For the rest a rationing of consumption of flat products to the benefit of more essential users along the scheme of priorities recommended by the Raj Committee is obviously unavoidable.

Another area of steel demand, where requirements have outgrown official expectations, is in the case of special, alloy and tool steels. The Government had assumed in the second Plan that the demand for those categories would not exceed 50,000 tonnes by 1955-56. It is now being recognized that probably twice that quantity could have been profitably utilized in the expanding engineering sector even in that period. As the domestic output of these varieties is negligible at present, imports allowed on an extremely austere basis have been serving so far only a very limited area of actual or potential demand. Thus, during 1962-63, 68,335 tons of alloy, tools and special steels were imported. The Planning Commission had estimated the demand for special, alloy and tool steels at 389,000 tons by the end of the fourth Plan, but it is now recognized that it will be safer to leave such conservative ideas behind and plan for capacity of the order of about a million tons by the end of the fourth Plan.

Special Steels Project

Mr. C. Subramaniam, Minister for Steel, Mines and Metals and Heavy Engineering, has been quick to realise the importance of speeding up major schemes for meeting this fast-growing demand for special alloy and tool steels. He has shown commendable vigour in processing the project for an alloy steel plant to be built at Durgapur with Japanese collaboration. This plant is expected to yield 48,000 tons a year and it is possible that it may be commissioned towards the close of the third Plan. Another — and quite daring — step taken by the Minister is his important decision to convert the plant at the Mysore Iron and Steel Works from the production of mild steel to the production of special, alloy and tool steels. The collaboration of the well-known West German firm, Demag, has been secured for this scheme and the Mysore plant is expected to produce about 80,000 tons of special steels. It is estimated that the capacities in the Ordnance Factories could provide another 50,000 tons a year. A very recent development was the move made at the Bhilai and the Rourkela steelworks, to produce certain categories of special steels. These sources, it is expected, might yield 200,000 tons a year, rising in due course to 400,000 tons.

The Government's planning in this area provides for the large-scale participation of the private sector and it appears that so far a capacity of 773,000 tons has been licensed in the public and private sectors. Unfortunately, in the private sector many of the parties to whom licences have been issued have not been able, for one reason or the other, to proceed with the schemes. Some of the licensees have found it difficult to secure foreign collaboration, but, at the same time, it seems to be the case that foreign interest is not by any means wholly absent. On the contrary, there seem to be bright possibilities of attracting foreign collaboration from countries such as France. It follows that, apart from revoking licences which are unlikely to be utilised in time, the Government should follow a positive policy of encouraging schemes which are

promising of early fruition. But the issuing of licences is not enough as has been shown in the case of the fertilizer and aluminium industries. It is important to ensure that the licences are, in fact, utilised promptly so that the targets are hit in time. We have no doubt that the Government is aware of the importance of these considerations and that, besides pursuing vigorously with projects in the public sector, it will also pay equally positive attention to the prompt and proper licensing of capacity in the private sector so that special steels, which the national economy urgently needs, are in fact turned out in adequate quantities.

The shortage of pig iron experienced by the foundry industry, again, is a clear indication that the planning of the iron and steel industry has not been matching in the harmony of its details the ambitions of its grand strategy. There has been a consistent disposition on the official side to underestimate the demand for pig iron which is bound to grow fast with the expansion of such industries as plant and machinery, machine tools, automobiles and other heavy engineering products, which are based on cast iron castings. The availability of pig iron for the foundry industry at the present time is of the order of 1.1 million tons, while the demand, officially estimated at 1.5 million tons, is probably actually well over two million tons. In the engineering industry, it is held that provision will have to be made for requirements of the order of four million tons by the end of the fourth Plan period and while this must necessarily involve the planning of further expansion of the various integrated steel works in such a man-



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ner that they are able to spare substantial quantities of pig iron for the foundry industry, there is also need for the Government encouraging the setting up of pig iron capacity in the private sector.

The policy here has been halting. Although in the third Plan it has been proposed that the private sector should produce about 300,000 tons of pig iron by setting up low-shaft blast furnaces, electric smelting of iron ores and/or the more recent processes developed in the United States, for example the Strategic Udey Materials process and the R.N. process, it is now being realised that the limit of 100,000 tons imposed on the capacities of individual pig iron plants has to some extent been responsible for the failure of licensees to go on with their schemes. The Government therefore decided recently to raise the limit on capacity to the less uneconomic level of 300,000 tons. Considering the critical shortage of this basic material for development of the engineering industries, it is desirable to examine further whether, merely for the ideological purpose of ensuring to the State an overwhelming position in the ownership of the iron and steel industry, it is wise to place on the capacities or processes of pig iron plants restrictions which are liable to prejudice their economic operations and are, therefore, likely to act as discouragement to the private sector in the expansion of pig iron capacity. We do not know whether it is the Government's fear that once large pig iron plants are allowed to be set up, their promoters in due course might come forward with proposals for converting and expanding them into integrated iron and steel works. Assuming, however, that this could happen, we do not see why the Government should be frightened of such possibilities. On

the contrary, they should rather welcome them since progress on those lines could possibly help in the expansion of the nation's iron and steel industry over a period of time, perhaps without making unduly excessive or concentrated demands on scarce resources of capital and steel know-how.

To conclude, while we certainly do not quarrel with the idealism of the Government's steel programme, we do plead that it will be all the better for a sufficient degree of pragmatism as well. This is a proposition which the present Minister responsible for steel should be able to appreciate more readily than most. It has taken Mr. C. Subramaniam the best part of his first two years as Cabinet Minister at the Centre to bring some order into the steel programmes of the second and the third Plans and consolidate the working of the three units set up in the State sector. He should surely be in a position to recognise the risks and the ultimate wastefulness of ambitious planning unrelated to the practical circumstances under which that planning has to be put into effect. We are one with the Government in desiring the earliest and the fastest development of the basic iron and steel industry, but we are convinced that there are no short-cuts to this goal. What would really help the Government most is a proper scheme of priorities, a scheme which would give to the expansion of the existing five units in the steel industry, the raising of the proportion of flat products to the total output, the development of capacity for special, alloy and tool steels in the public and private sectors and the setting up of pig iron plants an importance which is adequate in relation to the establishment of new integrated iron and steel plants in Bokaro or elsewhere.

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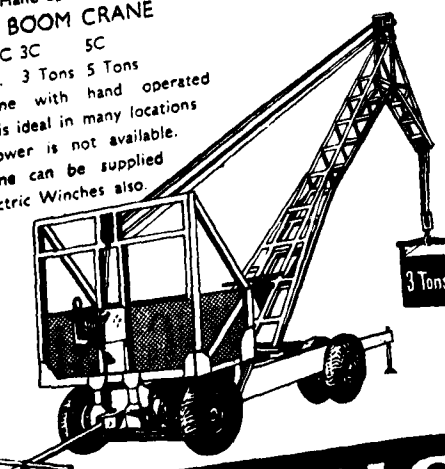
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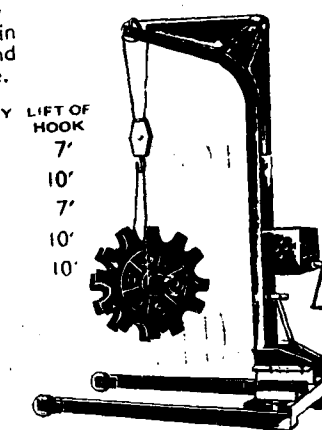
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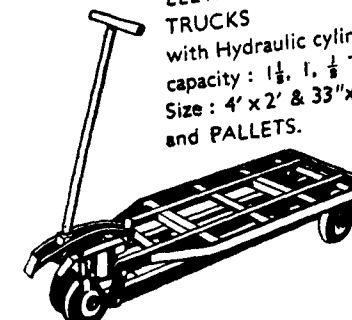
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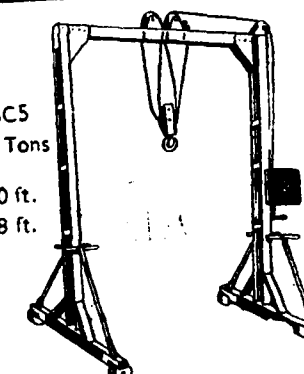
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Cloth: The Cinderella of Planning

IN THE MID-TERM Appraisal of the third Plan, the Planning Commission concedes that an important reason why the pace of industrial expansion has been slow is that the growth of consumer goods industries has been rather poor. This, of course, is not an accident. A certain negative attitude in the minds of our planners which has made them assume that the sufficient capital and other resources could be secured to the development of basic industries only by putting a limit on the growth of the organised consumer goods industries is clearly to be blamed. The mischief was done in the notorious "Tentative Framework" prepared for the second Plan in March, 1955 under the inspiration of Prof. Mahalanobis. It is no doubt true that his thesis that new investment in the organised consumer goods industries in the private sector should be virtually banned was never accepted wholly in theory and has been extensively repudiated in practice. Even so, his advocacy of this freeze, coupled with another negative attitude that the production of consumer goods in the centralized sector could be built up only by discouraging its production in large-scale industries, has certainly had a most undesirable influence on industrial growth generally.

Artificial Restrictions

The prime victim of these restricted ideas has been the cotton textile industry. Under any sound scheme of industrial planning in the circumstances of this country, the expansion of the cotton textile industry would have been assigned a large and important place. The organised cotton textile industry is one of our oldest and most firmly established major industries. It is significant in our economy for the market it offers to the nation's leading cash crop, its employment capacity and potential and its possibilities as a major export industry. Had there been less ideology and more ideas in our industrial planning, the cotton textile industry would have been encouraged and even brought under pressure to raise production, lower costs, increase the range of its products and improve their quality. As it is, through a series of dog-in-the-manger policies, the cotton textile industry has been prevented from growing naturally with the result that, while its production has remained artificially restricted and controlled, its costs have gone up and its efficiency has fallen. Thanks to the various restrictions put from time to time on the number of spindles and looms and the installation of modern equipment, such as automatic looms, in addition to the elaborate system of controls at every point in the industry and a scheme of labour legislation which has put a premium on trade union resistance to modernization and rationalisation, the cotton textile industry today is far less of an asset to the economy than its potentialities warrant.

Fortunately, it is being realized now that a restrictive attitude to the expansion and modernization of this industry would directly conflict with the requirements of economic expansion as well as the demands of social justice in the sense that high-cost cloth must cut into the people's welfare. As a result of this change in attitude, several steps have recently been taken for relaxing restrictions relating to spindles or looms and it is now widely believed that the Government is disposed to look at the problems of the industry in a liberal spirit so that its delayed modernization may at last be carried out and its productivity (and competitive efficiency in the export trade) could be improved. The occasion is, therefore, appropriate for an appraisal of the problems of the cotton textile industry in the historical background and in the perspective of the future demands of planning.

The first and primary problem for the industry is that of building up a regular supply, in adequate quantities, of its raw material, cotton. The latter constitutes the largest single element in the cost of yarn and cloth production. Unfortunately,

despite the importance of the industry and the long period of its growth, the raw material position has been allowed to remain unstable. With the Partition of the country in 1947, fertile lands which gave about a million bales of medium and long staple cotton annually, were lost to Pakistan. This placed the industry in the post-Independence period at an initial disadvantage and created an alarming situation of crucial short supply of raw cotton for the Indian textile industry. The grow-more-food campaigns, finally integrated in the first five-year Plan in 1951-52, intensified the cotton development work. In the 16 years since, there have been creditable achievements, the cotton acreage moving up from 10.66 million acres in 1947-48 to the peak of 20 million acres in 1957-58, and since then the area has been fluctuating between 18 and 20 million acres. The production of raw cotton has also improved from 2.91 million bales in 1950-51 to 5.39 million bales in the year 1960-61; according to the trade estimates, the production in 1962-63 is likely to be even higher than the above figure. This would show that cotton production has been increased by about 87 per cent over the decade of planning, and this normally should be taken to indicate that the raw material position is satisfactory. But, a disconcerting fact is the wide fluctuations in the quantity of raw cotton produced in different areas, as nearly nine-tenth of the crop is being raised under rain-fed conditions and is subject to all the vagaries of the season. We have not yet been able to make any planned approach to the problem of cotton cultivation from the point of view of maintaining stable production levels. However, the emphasis is now being placed on the introduction of cotton in the new irrigation project areas and to provide irrigation facilities for the crop from minor irrigation schemes on as wide a scale as possible. It is hoped that, by this step, the cotton supply would stabilise itself at higher and higher levels and provide the base for further stepping up of production in a systematic manner by harnessing all the known intensive cultivation measures.

Unsatisfactory Yield

The achievement in the improvement in the per acre yields is also not as satisfactory as it should be, when compared to the levels reached in other cotton growing countries. The average yield has increased from 78 lbs. of lint per acre in 1950-51 to 112 lbs. in 1960-61. The yields in the USA, the UAR and the USSR range between 500 to 600 lbs. of lint per acre. Though India has the largest acreage under cotton in the world, it has one of the lowest per acre yields. There is still much leeway to be made up in reaching the levels attained in other advanced countries.

What is more important from the point of view of the development of the textile industry is the cultivation of cotton of the quality that is required by the mills. In this respect, there has undoubtedly been some improvement. India has nearly reached self-sufficiency in the requirements of cotton stapling below 1-1/16th inches; the production of superior cotton with staple 7/8 inches and above which stood at 20 per cent in the period 1947-51 has increased to 41 per cent in 1961-62. Against this, the production of short staple cotton, below 11 and 16 inches has been reduced from 30 per cent to 19 per cent within the same period. This improvement in quality has contributed to the replacement of a good portion of foreign cotton which was hitherto being imported at considerable cost. This has also made it possible to meet the increasing demand for locally produced superior cotton from the textile mills which has grown from 2.52 million bales in 1950-51 to 4.71 million bales in 1961-62. In spite of this improvement we are still deficit in cotton with a spinning value of 50 to 70 counts.

The position has become acute on account of the rise in

the standards of living of the people and the preference for extra long staple cotton for the manufacture of superior varieties. According to the present level of consumption of this cotton in the cotton mills, about 400,000 bales of staple manufacture of 1-3/16th inches and above are required annually for the production of superior fabrics. This cotton is being imported from foreign countries involving an expenditure varying from Rs. 54 to Rs. 81 crores. In the context of the present national emergency can India afford to provide for this large foreign exchange for the import of superior cotton when technological methods are open to it to meet this deficit by increasing internal production? On the raw material side, there is thus this very important problem that is posed, of intensifying the efforts in a determination to achieve self-sufficiency, in the production of such extra long staple cotton. It should also be the endeavour to provide a surplus of this quality for export purposes to other countries. This should not be considered as a long-term problem but one which should be managed by the end of the fourth Plan, at the outside.

Modest Target

The Planning Commission has fixed a target of seven million bales to be achieved by the end of the third Plan period namely, 1.9 million bales or 37 per cent over the production of the base year 1960-61, taking into account the requirements of textile mills, extra factory consumption and exports of raw cotton and cloth. But, apart from achievements, even this target would fall short of the requirements. The present per capita con-

sumption of cloth in India is just 16.04 yards per annum which is lower than that reached in developed countries. There is every need to step up the targets in cotton and achieve them through a higher yield per acre.

The vicissitudes in the expansion of cotton textile industry reveal the impact of Government policy. There was a remarkable rate of growth until 1940, the spindles and looms installed standing at 1,00,06,000 and 2,00,100 respectively in that year. Since then, the growth has been almost stunted, the spindles and looms remaining at 1,08,49,000 and 1,99,800 respectively in 1950, the pre-Plan year. In the Plan period (from 1951), under the policy of reserving about one third of the quantum and certain varieties of textiles for production, exclusively by the handloom and the small power-loom, Government have not been allowing the balancing of new spindles with looms. In 1962, the spindles and looms installed were only 1,31,33,484 and 1,99,427 respectively. The mill industry is thus pegged to an arbitrary level of development.

The third Plan has envisaged expansion in the mill sector by installation of 25,000 automatic looms and increasing of active spindlage to about 16.5 million compared to 12.7 million at the end of the second Plan. The shortfalls are clear according to the Mid-term Appraisal of the third Plan and even the limited expansion permitted for the mill sector may not be fulfilled. The procurement of necessary machinery, indigenous or foreign, has become increasingly difficult and involves considerable delay. Indigenous machinery is not available within

GROWTH OF COTTON TEXTILE INDUSTRY IN INDIA

As on 1st January	Spinning Mills		Composite Mills			Total	
	Number of Mills	Spindles installed	Number of Mills	Spindles installed	Looms* installed	Auto- matic loom	Number of Mills
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1948	..	..	..	..	..	..	..
1949	..	..	..	..	..	..	..
1950	..	..	..	..	..	..	..
1951	..	..	..	..	..	..	..
1952	..	..	..	..	..	..	..
1953	..	..	..	..	..	..	..
1954	..	..	..	..	..	..	..
1955	..	..	..	..	..	..	..
1956	..	..	..	..	..	..	..
1957	..	..	..	..	..	..	..
1958	..	..	..	..	..	..	..
1959	..	..	..	..	..	..	..
1960	..	..	..	..	..	..	..
1961	..	..	..	..	..	..	..
1962	..	..	..	..	..	..	..
1963**	..	..	..	..	..	..	..
1965-66 (Target)	..	..	..	..	..	..	..
	88	1,566	268	8,502	193	N.A.	356
	95	1,777	267	8,589	192	N.A.	362
	94	1,860	268	8,695	191	N.A.	362
	103	1,843	275	9,156	195	N.A.	378
	107	1,911	276	9,341	196	N.A.	383
	113	1,947	282	9,476	198	N.A.	395
	114	2,097	286	9,554	202	N.A.	400
	116	1,768	292	10,190	203	N.A.	408
	121	1,857	291	10,194	203	12	412
	144	2,195	292	10,297	201	13	436
	175	2,557	295	10,497	201	13	470
	188	2,807	294	10,599	201†	15	482
	186	2,931	293	10,619	200†	16	479
	192	3,056	287	10,607	199†	16	479
	196	3,118	285	10,645	199†	18	481
	211	3,342	287	10,694	200†	20	498
	..	..	..	..	..	(25)	..
	..	..	..	..	..	..	(17,000)

**Provisional.

†Exclude tape looms.

*Including automatic looms.

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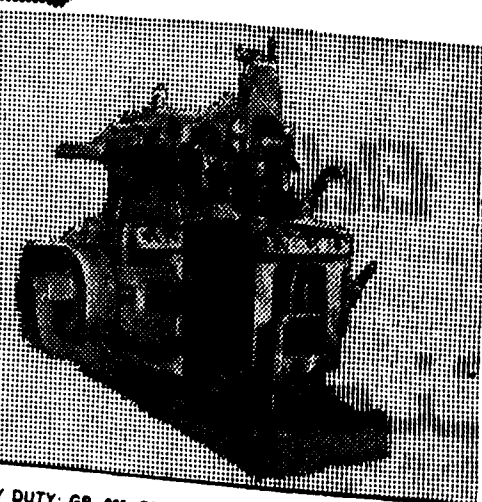
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the period of delivery considered necessary; the prospect for import of machinery under the present restrictions, is not bright and if possible, implies additional foreign exchange and even if this is made available actual arrivals take a considerable time. Further, the problems in respect of additional space, availability of financial resources etc., have emerged in the most recent period. For all these reasons the expansion in the mill sector cannot conform to the time schedule of the Plan as laid down. These impediments will have to be fully examined and provided for, before Government and industry could agree and set targets for expansion, over the next Plan period. The prospect for expansion appears bleak, if the present policy is not replaced by a positive approach to readjust the organised mill industry to the pressing needs of a technological change and modernisation.

The production of cotton mill piecegoods has varied within small margins in the second Plan period. Production rose from 4,080 million yards in 1951 to 5,304 million yards in 1958. Since then, it has remained at about the same level or has declined, the estimate for 1962 being 4,975 million yards. The production of cotton yarn by mills has also suffered a setback in the period, being 1898 million lbs. against the

peak of 1901 million lbs. in 1961. The third Plan has set a target of 9,300 million yards for cotton textiles, of which the share of the decentralised sector (handloom, powerloom and Khadi) is 3,500 million yards. The mill sector will thus have to increase production by 800 million yards from the present level of output and the effective capacity of about 5,000 million yards. The Mid-term Appraisal shows that the production of textiles would be only 4,921 million yards in 1962-63 and the achievement for the third Plan period is not expected to exceed 5,550 million yards. The pressure of demand on the low production levels would obviously exert its influence on the prices of the materials.

The pattern of production in the industry, in yarn and in cloth, has changed significantly in the Plan period. The production of coarse and medium varieties has declined and that of fine and super-fine counts has registered a rise. This is attributed mainly to three factors: (1) the production of short staple cotton and therefore, yarn-spun of 1 to 20 counts has gone down; (2) the use in a larger quantity by mills of US cotton suitable mostly for fine counts and higher medium counts and (3) the shift in consumer preference to cloth made from higher counts, and for bleached and dyed, mercerized

INSTALLED CAPACITY IN COTTON TEXTILE INDUSTRY (STATE-WISE) (As on January 1, 1963)

State	Spindles installed (in '000s)			Total looms (in numbers)
	Spinning Mills	Composite Mills	Total	
Andhra Pradesh	159.4	60.6	220.0	1,228
Assam	3.1	..	3.1	..
Bihar	..	35.4	35.4	816
Gujarat	163.5	2,835.2	2,998.7	57,307
(a) Ahmedabad City	57.2	2,111.4	2,168.6	43,008
(b) Rest of Gujarat	106.3	723.8	830.1	14,299
Kerala	145.8	68.4	214.2	1,541
Madhya Pradesh	15.3	492.8	508.1	12,398
Madras	2,128.9	1,159.8	3,288.7	7,689
Maharashtra	151.6	3,967.0	4,118.6	79,275
(a) Bombay City	88.2	3,117.8	3,204.0	61,343
(b) Rest of Maharashtra	65.4	849.2	914.6	17,932
Mysore	167.1	321.2	488.2	4,823
Orissa	14.8	47.7	62.5	866
Punjab	54.9	93.6	148.5	2,064
Rajasthan	37.3	149.2	186.5	2,560
Uttar Pradesh	120.2	707.6	827.8	13,631
(a) Kanpur	..	524.2	524.2	11,086
(b) Rest of Uttar Pradesh	120.2	183.4	303.6	2,545
West Bengal	180.5	496.4	676.9	9,688
Delhi	..	173.2	173.2	3,720
Pondicherry	..	85.6	85.6	2,281
Total	3,342.3	10,693.8	14,036.0	199,887

Note:—The figures given above relate to 211 spinning and 287 composite mills.

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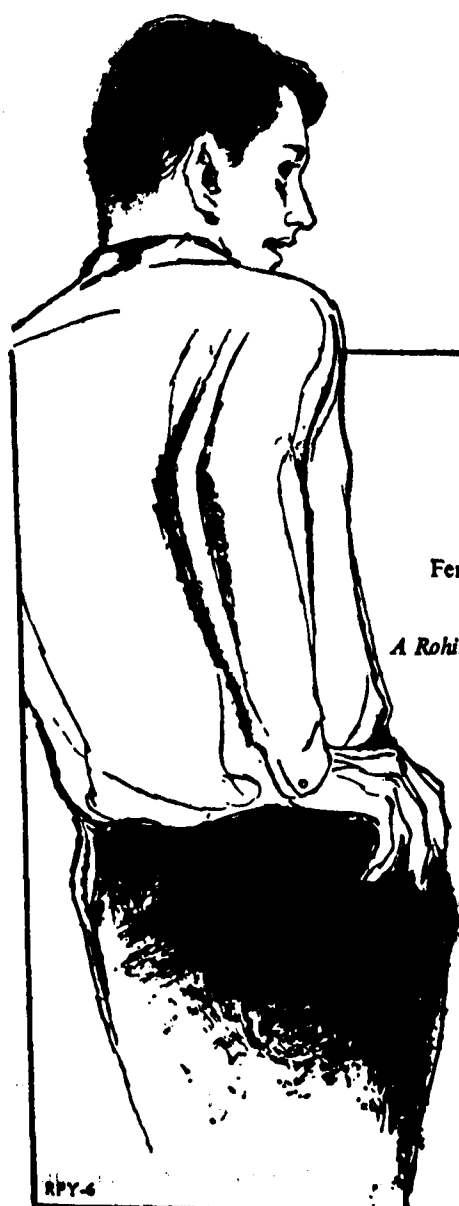
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and printed cloth. Naturally, the mill production had to respond to the influence of these factors.

The trends in production pose two major problems: How to increase production within the capacity permitted? And, how to meet the changes in the pattern of production? In answering these questions, the position regarding stock accumulation and per capita availability should also be taken into account. Many factors, particularly the operation of the controls on prices and distribution of cloth and yarn, the fluctuations on production trends, the restrictions in the varieties of cloth produced, the increases in excise duties etc. have a bearing on the accumulation of cloth and yarn from year to year. Such a changing situation is directly responsible for the fluctuations in prices of the textile goods. The per capita availability of cotton textiles has increased very tardily from 14.3 yards in 1952 to 15.9 yards in 1956 and has significantly gone down in 1960 to 15.2 yards. The per capita availability thus depends on the lifting of cloth from mills and in turn on the accumulation of supply. This position should be examined in detail so that an advance method of adjusting supply to existing demand and the expected increase in demand could be devised in a more realistic manner. Only such an integration in the method of distribution could enforce the maintenance of prices at levels considered reasonable and necessary from the point of view of the producer and the consumer. The scope for manipulation in this process should be avoided through the building up of buffer stocks of Indian cotton and yarn.

On the basis of the per capita availability of cloth, it becomes essential to achieve a level of production in the mill sector that would meet the requirement of increasing the per capita availability to over 17 yards by the end of the third

Plan. In fact, the calculation of the per capita consumption of cloth is not quite real in the face of the actual production levels obtaining in the mill sector. If, as already indicated, there cannot be a substantial expansion in the installing of looms, the only alternative is to utilise the existing capacity in a fuller measure. In this connection, the suggestion made is to enforce three shift working by textile mills; the average number of spindles worked in the first shift is about 88 per cent and in the second shift is also of the order of about 85 to 86 per cent, but in the third shift, the percentage has increased in the Plan period only from about 24 to 45. It is estimated that even on a liberal estimate, the under-utilisation of capacity in the third shift exceeds 13 per cent. The difficulties of starting or extending of three shift working are that it adds only 6½ hours to the working time with the payment of the wages as for 8 hours. The wage cost appears to go up by 23 per cent and since the wages constitute 25 to 33 per cent of the cost of cloth and 21 to 23 per cent of the cost of yarn, the net increase in cost would amount to from six to eight per cent for cloth and about five per cent for yarn.

Technical Problems

Besides, on experience, it is found that efficiency in the third shift is lower. There is deterioration in the quality and waste, greater breakage of machinery parts and less attention to machines, all these having repercussions on the production of day shifts also. There are thus cost and technical problems which should be fully examined before this suggestion is implemented. However, on an appraisal of the position, if it is considered that the third shift could be worked to a higher extent even with less efficiency, this would yield at least six

MACHINE ACTIVITY IN TEXTILE MILLS

Spindles

Period	No. of spindles installed as on 1st January (in '000s)	Daily average number of spindles worked in			Percentage of machine Activity		
		First Shift (in '000s)	Second Shift (in '000s)	Third Shift (in '000s)	First Shift	Second Shift	Third Shift
1951	10,999	8,793	2,606	2,606	90.29	79.94	23.69
1956	12,051	10,634	10,205	4,908	88.23	84.68	40.73
1960	13,550	11,781	11,561	6,067	86.95	85.33	44.78
1961	13,663	12,090	11,889	7,324	88.48	87.01	53.60
1962	13,833	12,372	12,200	7,981	89.43	88.20	57.69
1963 (Jan.-June)	14,036	12,433	12,237	8,137	88.58	87.18	57.97

Looms

Period	No. of looms installed as on 1st January (in '000s)	looms worked in			Percentage of machine activity		
		First Shift (in '000s)	Second Shift (in '000s)	Third Shift (in '000s)	First Shift	Second Shift	Third Shift
1951	195	179	154	21	92.00	79.15	10.79
1956	203	184	172	51	90.73	84.92	25.03
1960	200	179	173	43	89.37	86.39	21.34
1961	199	182	176	51	91.43	88.72	25.79
1962	199	180	175	52	90.47	87.76	26.03
1963 (Jan.-June)	200	177	172	49	88.63	85.79	24.36

seven per cent extra spindles with the resultant increase in the output of yarn and thus meet the immediate objective of stepping up production of cloth. It may not be quite feasible to exhort the looms to step up cloth output without an increase in yarn spindlage. If cloth production has to be increased without a corresponding increase in yarn output, it can be only at the expense of choking the yarn supply to the handloom and powerloom units. This may not be practicable under the existing policy. It is, therefore, necessary to place emphasis on the increase in yarn output which alone could ensure a large consumption of indigenous cotton, at the same time imparting stability of cotton prices eliminating the policy of rigid price support. The balanced growth of the mill and the decentralised sector would also call for such a realistic approach in utilising the existing capacity to the fullest measure possible, consistent with efficiency and stepping up production of yarn. In the long run, the problem of expansion in the textile industry should be viewed from the point of view of increasing the per capita availability of cloth and the effective steps necessary to expand the loomage capacity. The industry cannot grow under a deliberate policy of restraining its expansion.

Regarding the second problem of adjustment to the change in the pattern of production, it should be considered an advantage if staple fibre and other man-made fibres could be substituted for imported cotton to diversify the production according to the shifts in consumer preference. There is a trend of an increase in consumption of mixed fabrics and processed goods and the textile industry will have necessarily to cater to the changing pattern of demand by re-adjusting its production varieties. So long as the industry has to depend on the import of foreign cotton for the manufacture of

superior varieties, it would be difficult to bring about a re-adjustment; the method of substitution as indicated needs therefore to be seriously considered.

Indian textiles have always had a prominent share in our exports. However, it is common knowledge that, due to external factors and the uncertainties pertaining to the development of the industry within, India is being gradually priced out of international markets; exports are fast going down. The annual shipments in 1962, against the third Plan target of 800 million yards, totalled not more than 500 million yards compared to 574 million yards in 1961, 695 million yards in 1960 and 815 million yards in 1959. The export of yarn also was shorter than in the preceding year by nearly 10,000 bales. Indian textiles have lost ground in quite a number of traditional markets, especially the UK, Saudi Arabia, Sudan, British East Africa, Ethiopia, Aden, Burma and Malaya. In all these and several other markets, Japan has continued to steal a march over India. The decline in exports is accounted for in all the varieties. This has naturally affected the contribution of the textile industry to the building up of our external resources. The factors which have accounted for this decline in exports are, the continued increase in cost of production, largely due to the steep rise in cotton prices, labour cost, cost of stores and fuel etc. These have seriously impaired the competitive capacity of India abroad. Besides, external factors such as credit squeezes, import restrictions and foreign exchange curbs in a number of markets have operated to restrict our exports. Since the application of the UK to join the ECM in 1962, the prospect for Indian textile exports has further receded.

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also to expand our export capacity have yielded only modest results. The cotton mill industry has, no doubt, taken upon itself voluntarily a scheme of obligatory export, in terms of which every mill is required to earn by export foreign exchange equal to 12½ per cent of its turn-over in cloth and three per cent of its turn-over in yarn. Failure to fulfil this obligation would entail payment of penalty to the Export Promotion Fund of the industry. The utility of this scheme is being disputed both within the industry and outside. While it is necessary for the industry to make every effort to earn foreign exchange, even at considerable sacrifice, the mills, particularly the new-comers, in the field of export, are at a distinct disadvantage and would need some time to build up their organisation and export connections. For instance, in the Eastern zone, the units have neither automatic looms nor equipment to produce specialities which alone have a market outside. In the alternative, it would be a considerable loss for them to pay the penalty prescribed under the obligatory export scheme. Besides, other internal problems of the industry such as the burden of increasing costs and taxation should be examined before anticipating a higher target of export performance from the mill sector. This does not however minimise the important need for concentrated effort to boost textile exports. The decision of the industry to establish a consortium of mills for stimulating exports of textiles to West Europe is a step in the right direction and may result in favourable results. However, if the industry is to rise to the occasion and achieve the export target of Rs. 65 crores set for it in the third Plan, the financial operations of the industry should also be placed on a profit-yielding basis.

An analysis by the Reserve Bank of India of the financial results of the major industries shows that the profitability in the cotton mill industry was comparatively lower. The gross

profit, as percentages of gross sales at 9.2 in 1960, was much less than for several other industries, 22.4 for silk and woollen textiles, 34 for rubber plantations, 28.4 for coffee plantations, 18 for mineral oils, 12.5 for paper, 19.8 for basic industrial chemicals and 22.7 for electricity. Similarly, the gross profit as percentage of total capital employed was 11.8 for textiles, as against 18.8, 17.2, 13.0, 14.0, 9.5, 11.3, and 7.4 respectively for the aforesaid industries. The industry has not been able to make profits at a level which would enable it to build up the funds for even a modest programme of modernisation. It was estimated that an amount of Rs. 180 crores, at 1958-59 prices, will be required in the period ending 31-3-1966 for the programme of modernisation and it is assessed that the industry may be in a position to mobilise about Rs. 60 crores only against this; the balance will have to be found by external loans from institutional agencies. In fact, the Working Group for the cotton textile industry has recommended that 'all authorities who deal with questions relating to mill finance, profit margins, etc. should adopt a liberal and realistic attitude in regard to the performance of the industry and the service it renders to the national economy at large'. There is no doubt, that, if there should be a speedy modernisation in the industry, the high cost structure should be lowered; the industry should be allowed a return which will attract capital and will enable the average unit to distribute a reasonable dividend after paying interest on loans taken for modernisation. Provision will also have to be made for enabling the mills to repay the loans. All these would involve an examination of the sources of funds available to the industry such as the Industrial Finance Corporation, the State Finance Corporations etc.

It is not easy to come to a conclusion on the fair prices for cotton textiles without a detailed probe into the elements

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of cost and the present rate of return which is found inadequate. The Tariff Commission, which is engaged in an inquiry into this problem, will have a very onerous task in getting at the true facts of the case. It must, however, take note that the unit labour costs in the industry have been pushed up following the implementation of the Wage Board Award, in spite of the fact that there has not been much progress in the direction of rationalisation of work loads. The import policy relating to the industry is also frequently changed resulting in dislocation of production. The import duties are rather high and the prices of indigenous products used in industry compare unfavourably with those of imported ones and this affects the quality of the materials. In considering the production costs that should be allowed for the industry, it would be also necessary to examine the normal practice of the Tariff Commission in allowing depreciation at income tax rates. The suggestion of the industry that the grant of depreciation should not be on the original cost, but on the replacement basis spread over the residual useful life of the machinery, if the machinery still has economic life left, should be considered on merits, and if that would help the industry, it should be accepted. There is a basic difference in fixing the prices for commodities like steel and cement and that of cotton textiles. The fortunes of the latter fluctuate very widely with periods of depression alternating with the periods of prosperity, depending upon a number of factors. This apart, the consumer preference plays a large part in the demand for cotton textiles and even in the best of times, some varieties have to be sold at loss, or at nominal profits. A range of prices, instead of a single price as for any other commodity, or an upper and lower limit with permissible deviation from the fair price line, may have to be examined in the case of textiles.

The decision on fair prices must naturally take into account the impact of taxation on the industry. If production, even within the present capacity, should increase and the per-

formance under exports should be satisfactory, the taxation limits should be such as not to disturb and distort the cost structure and therefore the price level. On the other hand, in the case of this industry, every encouragement should be given to implement the scheme of utilising fully the capacity and target for exports. The excise duties, basic and addition-

INDIGENOUS PRODUCTION, EXPORTS AND IMPORTS OF TEXTILE MACHINERY

(Rs. crores)

Year	Value of Textile machinery made in India	Exports	Imports
1957	N.A.	0.08	24.45
1958	7.06	0.10	13.55
1959	8.85	0.17	13.30
1960	11.08	0.02*	23.16*
1961	12.94	0.29	26.48
1962	14.02	0.20	27.33
1963 (Jan.-June)	8.71	0.05	12.03

Note: Above figures relate to machinery for Cotton, Rayon, Silk and Woollen industries.

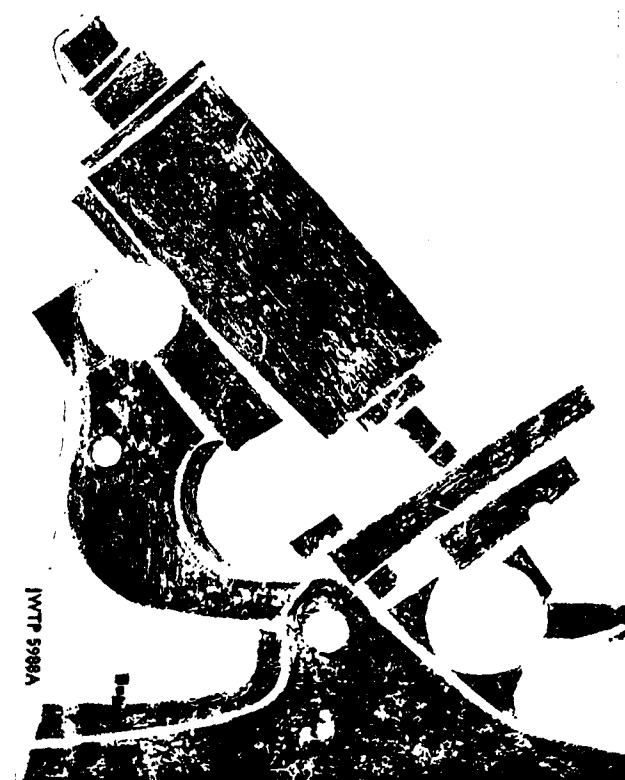
* Relates to 1960-61.

al, (imposed since 1958-59), have reached a limit when they are operating as an adverse factor in the promotion of the interests of the industry. The total excise duties have increased from Rs. 9.28 crores in 1950-51 to over Rs. 70 crores. Any further proposed levies at the Central, State or local levels should take note of the impact of this burden and should not be proceeded with or in the alternative suitable provision should be made for grant of a drawback on an ad

MAJOR ITEMS OF TEXTILE MACHINERY MANUFACTURED IN INDIA: 1951-63

(In numbers)

	1951	1955	1960	1961	1962	1962 (Jan.-June)
Spinning and Weaving Machinery						
Carding Engines	—	649	1,075	1,358	1,498	848
Ring Frames	276	863	1,127	1,340	1,571	972
Looms (Plain)	2,508	2,717	4,803	7,534	5,360	1,204
Looms (Automatic)	—	70	374	67	498	1,714
Processing Machinery						
Kier and heater	—	—	24	32	39	15
Washing machines	—	—	28	27	37	16
Water mangle	—	—	50	35	28	19
Dyeing jiggers	—	—	174	184	197	98
Cloth printing machine	—	—	10	4	19	5
Stentering machine	—	—	5	13	16	10
Drying cylinders	—	—	120	117	73	93
Soapers	—	—	9	3	7	3



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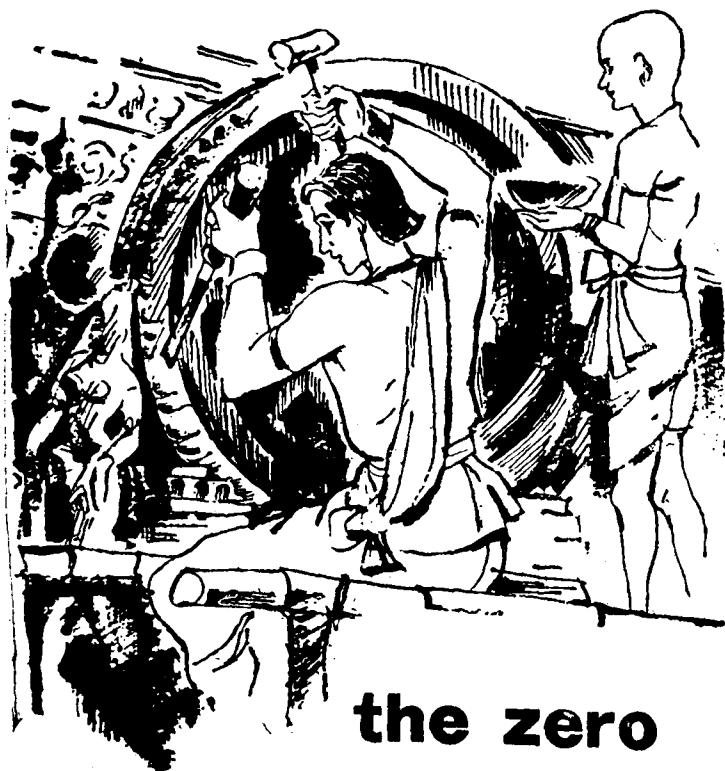
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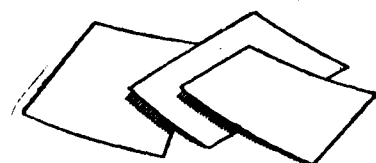
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hoc basis representing the element of tax in the price of goods, entering into the export market. The super-profits tax is expected to result in the payment of tax at 70 to 80 per cent of the profits for some of the textile companies. It is feared that the measure will put a premium on inefficiency and malpractices. It may also dry up the resources of the companies leaving no other alternative except to effect drastic cuts in dividends, with the result that the corporate sector would find it very difficult to raise the risk capital. When the dividend rate of as much as nine to 10 per cent is offered to attract preference capital, it would be obviously impossible to induce risk capital for textile industry on the basis of a return of 6 per cent. The effect of taxation on textile industry should be viewed in the light of the present organisation and problems of the industry.

Other Problems

The other major problem faced by the textile industry in our country is the want of adequate and unfailing supply of power. The periodic power cuts and failures have prevented the textile units from performing to the level of their maximum efficiency. Similarly, the inadequacy of coal supplies has also affected the progress of the industry, particularly in Western India and the South where there is a greater concentration of the units. The question of use of oil as a substitute for coal has not been sufficiently examined for its feasibility on account of the price factor. The difficulties of the industry in respect of overhead facilities in the process of development are not often given the attention that they deserve.

The survey of the problems of the textile industry in perspective would not be complete without examining the policy governing the decentralised sector. The powerloom sector is a source of competition for the mills because the latter operates under distinct advantages of lower wage costs, substantially lower excise duties and also not being governed by the

INDIA'S EXPORTS OF COTTON PIECEGOODS

Year	Quantity (In Mil. yds.)		Value (Rs. crores)	
	Mill-made	Handloom	Mill-made	Handloom
1950 ..	1078	41	90.3	6.6
1951 ..	734	44	72.6	10.4
1952 ..	548	54	55.6	9.3
1953 ..	594	63	46.4	10.0
1954 ..	810	57	58.6	8.4
1955 ..	692	60	49.3	8.4
1956 ..	684	60	48.3	8.7
1957 ..	840	38	58.9	5.6
1958 ..	582	35	40.3	5.2
1959 ..	815	36	54.7	6.6
1960 ..	695	29	54.7	5.0
1961-62	535	29	43.4	5.0
1962-63	523	31	39.9	6.7

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OUT
TO TOMORROW

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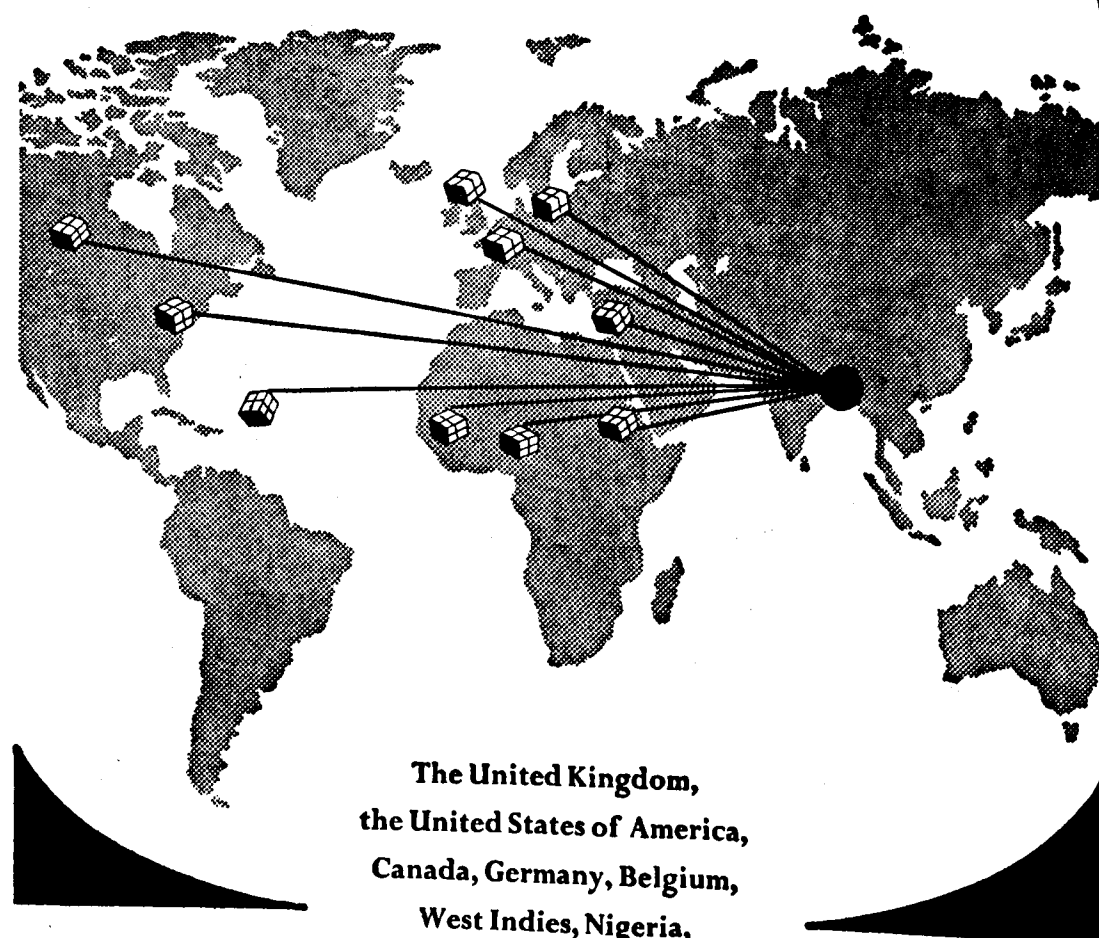
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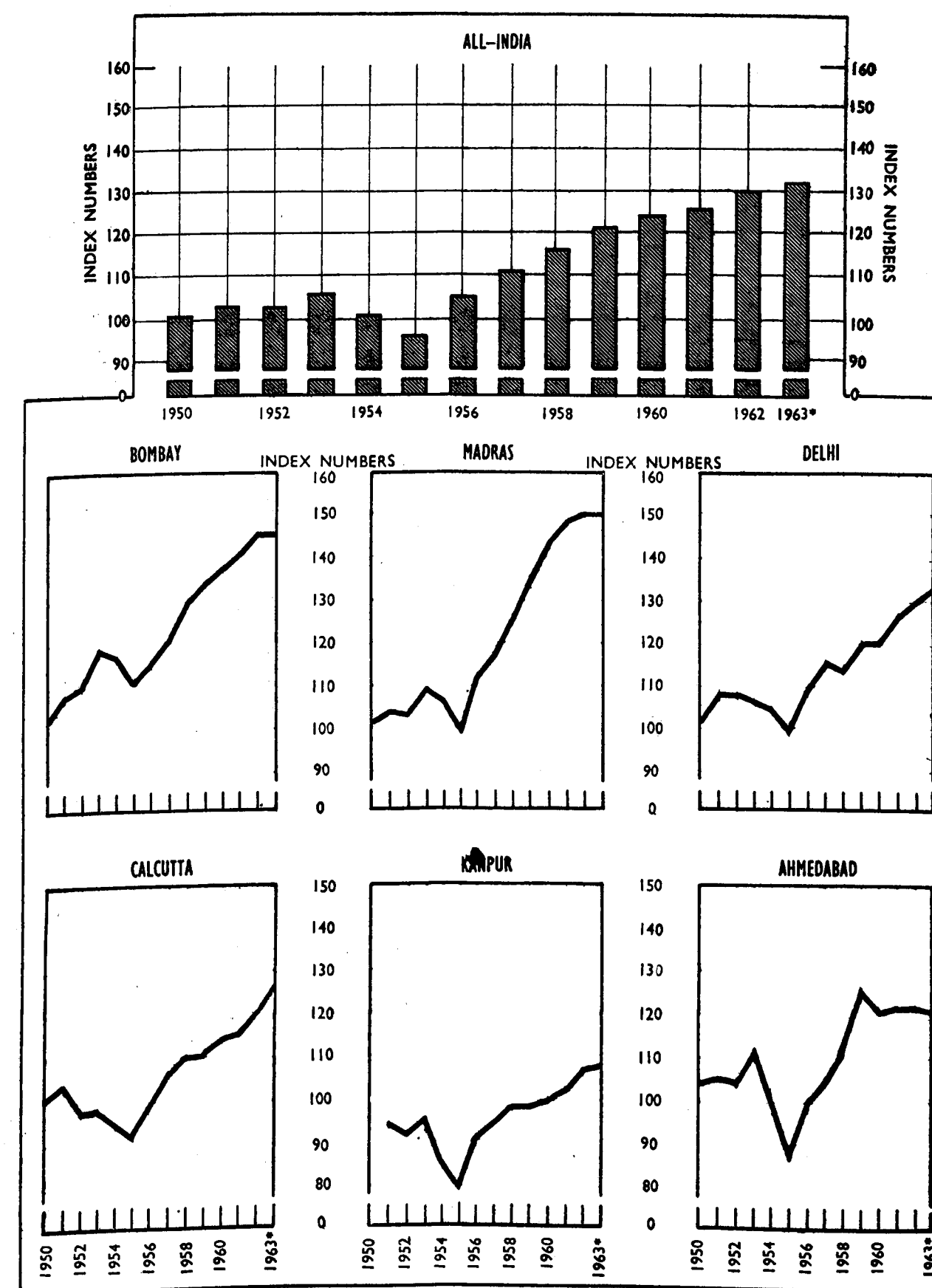


The United Kingdom,
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Canada, Germany, Belgium,
West Indies, Nigeria,
Sierra Leone, Cyprus
and Sudan, amongst others,
have purchased from January
to December 1962,
3,706,700 pairs of footwear

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* Estimated.

factory legislation and other restrictions applicable to the mill industry. While the policy objective of Government should be to encourage the powerloom sector, it should be the endeavour to ensure that in implementation of this policy, the organised sector is not placed in a serious disadvantage. Only a special study of the extent of the nature of competition and the factors that give rise to it can throw more light on this problem. However, in principle, every step should be taken by Government to remove unfair competition arising from differential treatment in respect of taxation or other legislation consistent with the structure and organisation of the powerloom sector. The handloom sector is having its own distinct place in the economy and apart from the high employment potential which it offers, it is of great economic value in earning foreign exchange and meeting approximately one-third of the clothing requirements of India's population.

INDIA'S SHARE IN WORLD EXPORTS OF COTTON TEXTILES

(In million sq. yds.)

Year	World Exports	Export from India	Percentage of (2) to (1)
1953	4,821	654	13.6
1954	5,463	863	15.8
1955	5,157	751	14.6
1956	5,434	747	13.7
1957	5,972	881	14.8
1958	5,338	622	11.7
1959	5,991	850	14.2
1960	6,759*	723	10.7
1961	5,610*	603	10.7
1962	5,300*	530*	10.0

* Estimated.

The co-ordination of the mill sector with the decentralised sector and particularly the handlooms should also be viewed in the wider perspective of increasing production of cloth and expanding the mill sector, without prejudice to the maintenance of the handlooms at the level at which their capacity can sustain them.

It is needless to review the number of controls under which the textile industry is operating. It is the most extensively controlled sector right from the control of the raw material to that of production, distribution and prices of the textiles. While all these controls may be necessary in the interests of the consumer and also for a healthy development of the industry, there should be no rigidity in adhering to these controls. They should be kept flexible and modified according to the changing trends of the industry and conditions which affect their operation.

In conclusion, the cotton mill industry comprising over 500 mills spread throughout the country, has the proud privilege of being the biggest producer in the organised sector, the value of its production being over Rs. 500 crores per year. Its contribution directly to the national and State exchequers is over Rs. 100 crores a year. It distributes to a labour force of about 800,000 over Rs. 125 crores per annum. By consuming the bulk of India's cotton, the mills provide a secure means of livelihood to a large section of our farming population and thus are a direct stimulant to agricultural growth in the economy. Apart from the vast number of people employed in producing cotton in the fields and its processing at the ginning and pressing factories, there are over 25 lakh workers in the handloom and powerloom sectors. Besides, by providing a demand, increasing and continuous, the industry also opens up avenues of livelihood to a large number of men engaged in cotton, yarn

and cloth trades and in the transport services and is the mainstay of many big and small enterprises manufacturing and selling textile machinery, mill stores, chemicals and other supplies whose annual consumption runs to nearly Rs. 80 crores. In earning foreign exchange of over Rs. 60 crores annually, the industry is next only to tea and jute.

LEADING EXPORTERS OF COTTON TEXTILES

Country	Unit	1962 (Estimated)	1961
Japan	Mil. sq. yds.	1,420	1,412
India	Mil. yds.	520	603
U.S.A.	Mil. sq. yds.	400	472
France	'000 quintals	450	484
Hong Kong	Mil. sq. yds.	290	376
Holland	'000 quintals	288	307
W. Germany	'000 quintals	243	288
U.K.	Mil. sq. yds.	217	287
Belgium	'000 quintals	280	267

Note: 1,000 quintals is approximately equal to one million square yards.

Thus, from all points of view, the cotton textile industry occupies a dominant position. The maintenance of the continued progress and prosperity of cotton textiles are of determining importance for national growth. The crying need of the cotton textile industry is modernization of plant and diversification of production. This has to be achieved by assuring adequate finances for the industry through the maintenance of conditions that would enable them to build up internal resources and also by adopting a liberal policy for providing finances through the existing institutional agencies established for the purpose.

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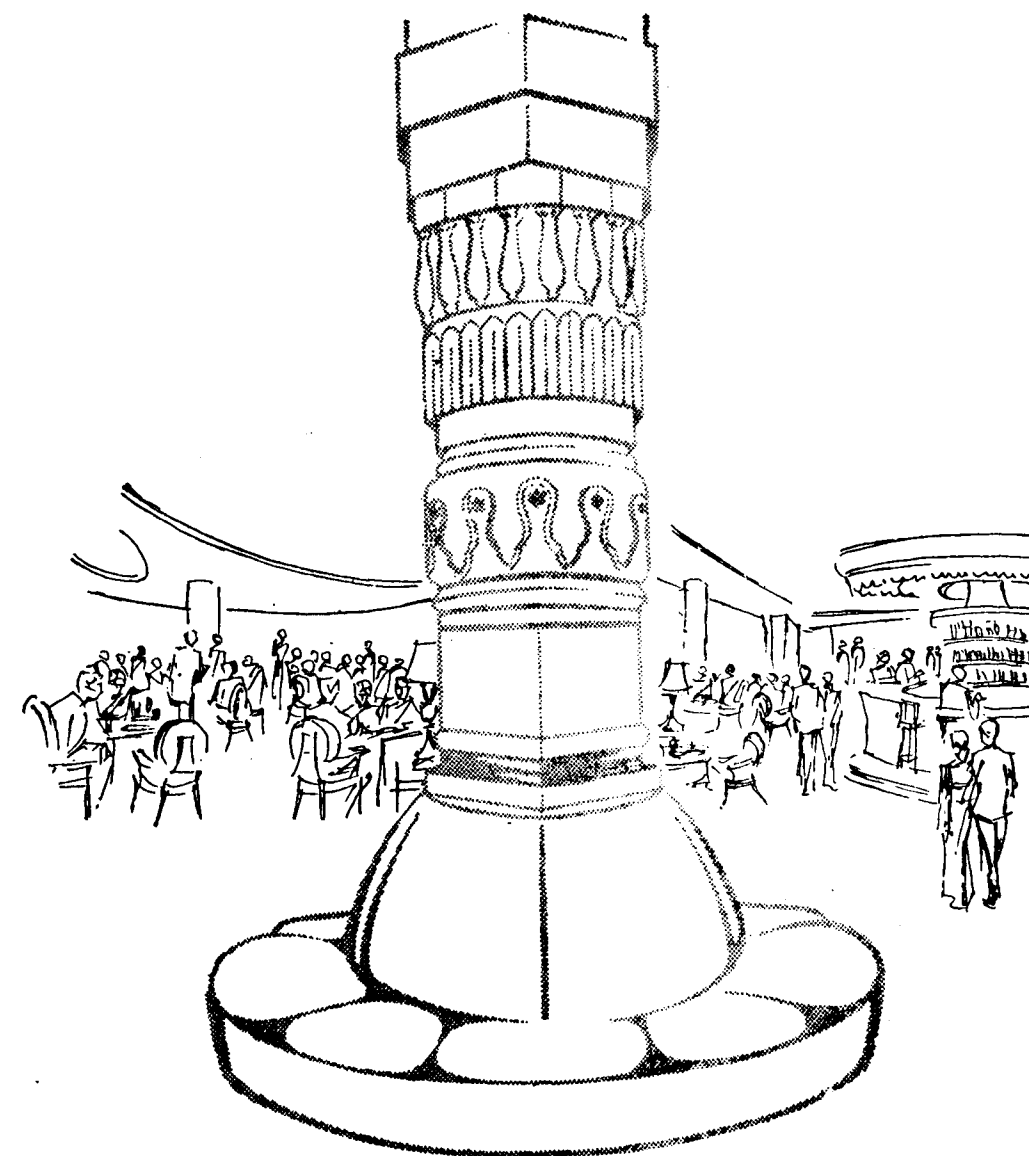
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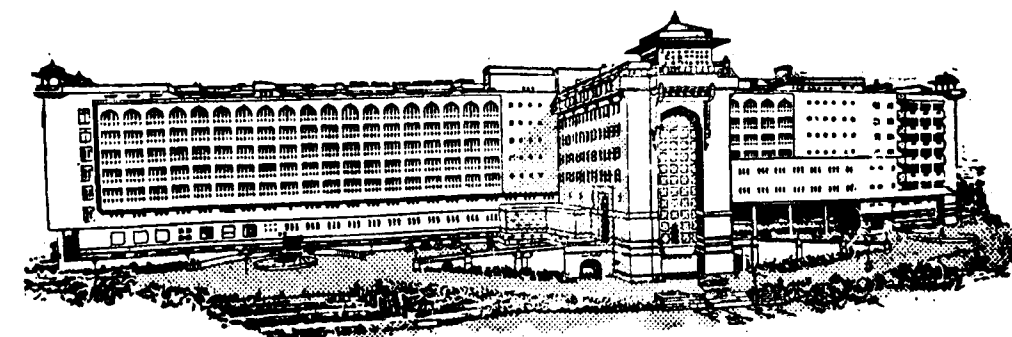
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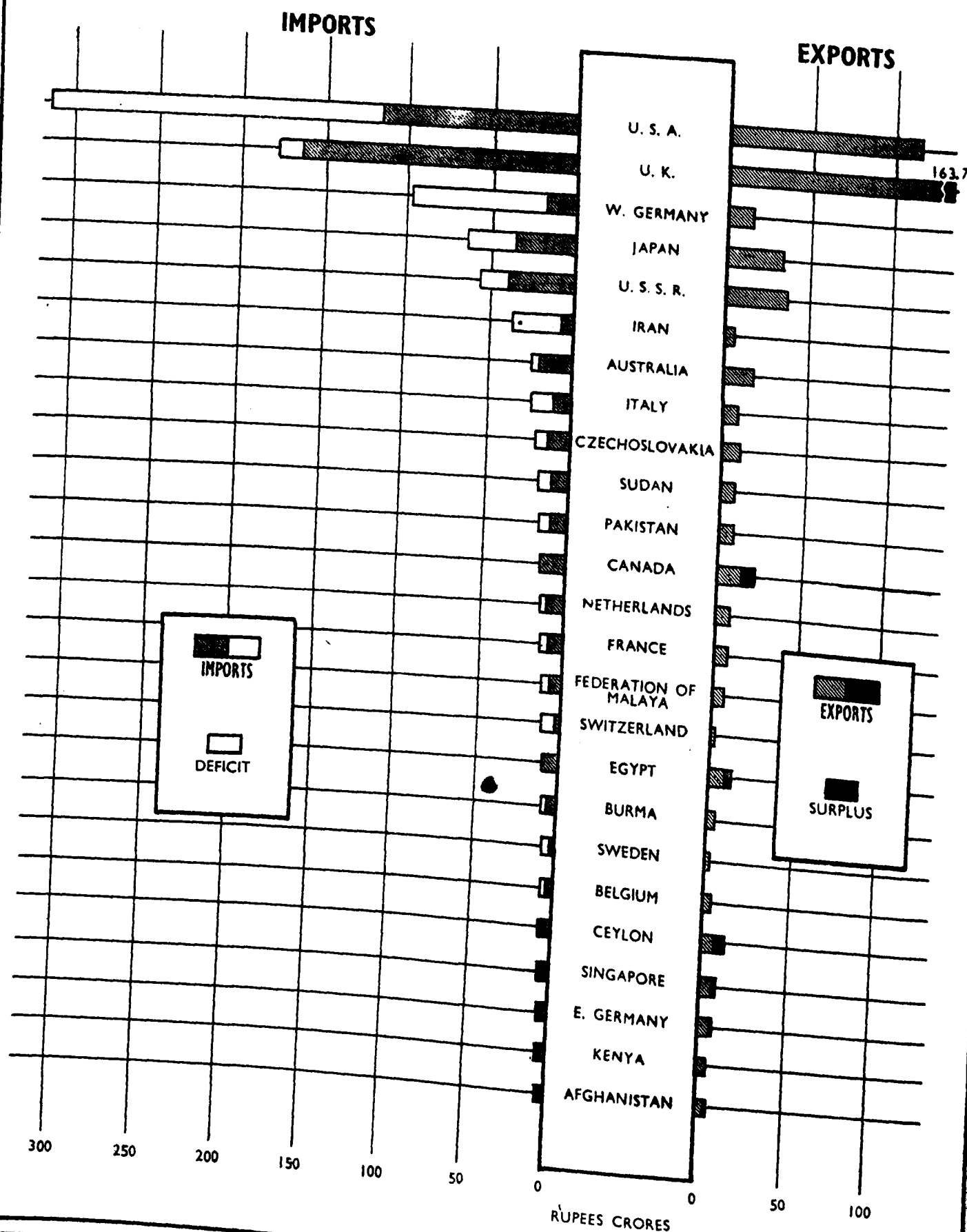
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OUR TRADING PARTNERS : 1962-63



Cement: Achievement Lags Behind Ambition

WHEN, IN the second Plan, the target for the cement industry was set at six million tons in terms of capacity and 13 million tons in terms of production, it was probably more a gesture than a programme. At the beginning of the first Plan, the capacity of the cement industry was only 3.28 million tons while its output was 2.69 million tons. By the end of the first Plan, there were 27 units in the industry with an aggregate capacity of 4.94 million tons. Consequently, what the second Plan professed to aim at was something like the trebling of the dimensions of this industry.

In retrospect, the second Plan programme for cement could be seen to have been both unrealistic and unnecessarily expansive. The demand for cement is a derived demand—derived, that is, from a number of other demands over a wide area of industrial and constructional activities. A target of 16 million tons of cement in the second Plan period implied an enormous expansion in constructional projects of all kinds — dams, roads, public buildings, factory buildings, housing. That kind of expansion just did not happen in that period. In addition the delay in the implementation of the steel expansion programmes naturally reacted on the demand for cement since steel and cement are complementary requirements in construction. As a result of all these factors, cement development in the second Plan was modest and uninspiring. By the end of that period the number of units had risen to 34 with a total installed capacity of about 9.16 million tons. The seven new units contributed part of the expansion in capacity. The rest came from the extension of facilities at 16 of the existing plants. The level of output rose from 4.59 million tons to 7.8 million tons in the course of the second Plan. It is interesting to note that the Planning Commission had realized in the course of the second Plan that the target had been fixed too high. Resulting from this knowledge was the revision of the target downward to what was called a "working" level of 11 million tons of installed capacity, which also turned out to be more than what could actually be secured.

The targets for the third Plan have been more cautiously conceived. The capacity aimed at is fixed at 15 million tons from which an annual production of 13 million tons is expected by the end of the Plan. Unfortunately, while the targets have been modest, the effort made for their achievement has proved to be even more modest. In the Mid-Term Appraisal of the third Plan, the Planning Commission states that a shortfall of about one million tons in the output target is likely, which means that instead of 15 million tons of installed capacity, there may be

only 14 million tons. There will be a corresponding shortfall in the production aimed at, the expectation now being that the annual output available at the end of third Plan will be only some 12 million tons instead of 13 million tons. Superficially, it might seem that this is not a serious failure. Actually the case is different. Whereas in the second Plan period the demand potential was over-estimated, in the third Plan it seems to have been under-estimated.

During the years from 1961-62 to 1965-66 the output of cement had been rising at a rate of 14 per cent (simple) per annum. Although demand was not keeping pace with this increase for the greater part of that period, there were certainly indications towards the end of the second Plan that the long-awaited increase in demand for cement was at last around the corner. In fact, early in the third Plan there was clear evidence that demand was fast out-running supply. In 1959-60 indents for cement had amounted to 7.9 million tons as against production at that time of 7.2 million tons, but in the following years demand grew rapidly. This was due to a variety of circumstances, such as increased availability of steel, some quickening of the pace of construction, particularly factory and housing and the various relaxations effected in respect of controls on distribution and consumption. With the proclamation of the emergency in 1962, the demand for cement increased further. At the present time there seems to be some aggregate shortage of supply which is accompanied by more acute local deficiencies. To some extent the difficulties experienced by the public generally in obtaining supplies of cement for purposes such as housebuilding seem to be due to the fact that more cement than is currently used is being reserved for Government departments or other high priority users. Thus we see a situation where, while there are reports that Government or other public agencies are not lifting the cement quota sanctioned to them, there are also complaints from ordinary consumers all over the country that cement has to be bought in the blackmarket for housebuilding or even for the construction of factories.

A study of the licensing of new capacity discloses an interesting situation. It appears that 18 schemes with a total installed capacity of around three million tons are likely to go into production before the expiry of the third Plan. But there are, however, 37 other schemes which have been approved but many of which may be completed only in the early years of the fourth Plan or later. Given the shortage of cement in the country and the fact that essential industrial and social schemes may be held up for want of this material, it is obviously desirable that the Government should speed up the implementation of all the

CEMENT: STATE-WISE DISTRIBUTION OF CAPACITY

S T A T E	(1950-51, 1955-56 and 1960-61)					
	1950-51		1955-56		1960-61	
	No. of units	Installed capacity ('000 tons)	No. of units	Installed capacity ('000 tons)	No. of units	Installed capacity ('000 tons)
Andhra Pradesh	..	..	2	189	5	946
Maharashtra - Gujarat	..	337	4	692	5	1,092
Bihar	..	5	6	1,116	7	1,714
Kerala	..	1	1	50	1	50
Madhya Pradesh	..	2	2	410	3	881
Madras	..	6*	3	635	4	1,214
Mysore	..	1	3	560	3	863
Orissa	..	..	1	165	1	365
Punjab	..	2	2	370	2	635
Rajasthan	..	1	2	525	2	1,166
Uttar Pradesh	..	..	1	231	1	231
Total	..	21	27	4,943	34	9,157**

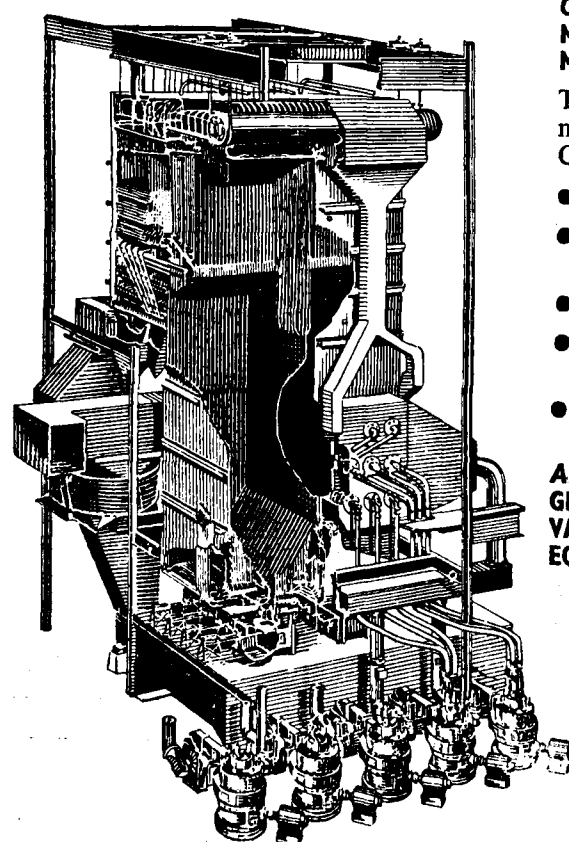
* Including Andhra Pradesh.

** Includes additional capacity achieved as a result of rationalisation and improved efficiency by cement factories at

Chaibasa, Bihar : 10,000 tons,
Sahabad, Mysore : 20,000 tons,
Kymore, M.P. : 10,000 tons.

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schemes which have been licensed for the purpose of the target of the third Plan. One of the principal difficulties in the setting up of new cement capacity seems to be the problem of procuring cement machinery. In view of the foreign exchange shortage, the Government is understandably keen on imports of machinery being kept as low as possible. There is also another equally valid reason for this approach. It is part of our planning to encourage development of capital goods industries in this country. It is therefore the general policy of the Government to tie up expansion schemes in the various industries with the installation of domestically manufactured machinery.

In accordance with this policy, the Government has been insisting on new cement facilities being put up with machinery fabricated by Indian manufacturers. There are at present six firms in this field, but only two of them have started production of machinery (see appendix). Apart from the fact that they are in a position to meet only a part of the demand for cement machinery, there is a general complaint that the cement machinery manufacturers, partly for reasons beyond their control, are generally unable to guarantee delivery schedules or performance of plants supplied by them. Whatever may be the substance in this complaint, it is certainly true that many prospective

cement manufacturers have to deal with special problems regarding quality of limestone which can be solved only by installing special cement machinery the manufacture of which has not yet been undertaken in this country. Finally, as happens with every infant industry, the cost of the domestic cement machinery seems to be higher than the prices of imported machinery. As a result, the cement industry has been agitating for greater freedom in the procurement of machinery since cement plant could be imported from some East European countries on rupee payment basis. It has been frequently represented to the Government that import of cement machinery could be liberalized.

There is, however, no denying the fact that it is not easy for the Government to take a decision in this matter. It has to be conceded that, if the cement machinery manufacturing industry is to be established in this country, the initial concession of a guaranteed home market has to be extended to it. At the same time, the Government has to make up its mind what relative priorities it is prepared to extend to the manufacture of cement and the manufacture of cement machinery. If the demand for more cement is urgent, as it seems to be the case, it follows that the country will have to reconcile itself to a somewhat slower pace of development of the cement machinery industry. The

DETAILS OF APPROVED/LICENSED SCHEMES WHICH ARE YET TO BE TIED UP WITH INDIGENOUS MACHINERY MANUFACTURERS

Name of Party	Location	New or SE	Annual Capacity (tonnes)
Dr. Raja Muthia Chettiar, Madras	Karur (Madras)	New	400,000
Shri M. L. Nopany, Calcutta	Akaltara (M.P.)	New	167,620
Surrendra (Overseas) Private Ltd.	Near Pathankot	New	101,590
Shri V. T. Magadi, Hubli	Nagargali (Mysore)	New	167,620
Jaipur Udyog Ltd.	Abu Road (Rajasthan)	New	167,620
Jaipur Spinning and Weaving Mills Ltd. (Jaipur)	Nimka Thana (Rajasthan)	New	203,180
Sahu Jain Ltd.	Jhalda (West Bengal)	New	203,180
Shri P. R. Ramasubramanian Raja, Rajapalayam	Rameshwaram (Madras)	New	203,180
Shri Bagin S. Shah, Bombay	Bhanpura (M.P.)	New	203,180
Shrimati Vivedita Sabnis, Bombay	Hadaspar (Maharashtra)	New	101,590
Shri Babubhai M. Chinai, Bombay	Poshina (Gujarat)	New	203,180
Shri P. V. Krishna Reddy, Gudur	Yerragutla (A.P.)	New	203,180
Shri P. L. Jhunjhunwala, Bombay	Rajur (Maharashtra)	New	203,180
J. and K. Minerals Ltd., Srinagar	Riasi (Jammu and Kashmir)	New	203,180
Andhra Pradesh Mining Corporation Ltd., Hyderabad	Ponakalu (Andhra Pradesh)	New	198,000
Orissa Cement Ltd.	Rajgangpur Expansion (Orissa)	Expansion	365,710
Durgapur Cement Ltd.	Durgapur (West Bengal)	New Unit	243,810
Chorwad Cement Factory, Veraval	Veraval (Gujarat)	New Unit	50,290
Associated Companies Ltd., Madukarai	Madukarai (Madras)	Expansion	121,910
Associated Cement Companies Ltd.,	Kymore (M.P.)	Expansion	179,810
Master Cement Mfg. Co. Ltd.	Bhavnagar (Gujarat)	New Unit	50,790
Birla Jute Mfg. Co. Ltd.	Chitorgarh (Rajasthan)	New Unit	167,620
Bharat Cement Works Private Ltd., Bombay	Port Albert Victor (Gujarat)	New Unit	167,620
Gujarat Cement Ltd., Bombay	Baroda (Gujarat)	New Unit	101,590
Sone Valley Portland Cement Co. Ltd.	Jalpa (Bihar)	Expansion	172,700
Rohtas Industries Ltd.	Dalmianagar (Bihar)	Expansion	223,490
	Birara Pipar Road (Rajasthan)	New Unit	198,000
	Birimtrapur (Orissa)	New Unit	198,000
	Near Bhilai (M.P.)	New Unit	198,000
			(slag cement)
	Raipur (M.P.)	New Unit	330,000
			(slag cement)
Shri G. G. Rao, Bombay	Kinwat (Maharashtra)	New Unit	99,000
U. P. Government*	Chopan (U.P.)	New Unit	400,000
India Cements Ltd., Madras	Alwaye (Kerala)	New Unit	99,000
M. L. Dahanukar & Co. Ltd., Bombay	Rajpur (Maharashtra)	New Unit	198,000
Industrial Minerals Enterprisers, Hyderabad	Gandur (Andhra Pradesh)	New Unit	198,000
India Cements Ltd., Madras	Sankaridrug (Madras)	Expansion	198,000
Assam Electricity Board	Garampani (Assam)	New Unit	99,000
		TOTAL:	6,989,820

* Being considered for imported plant.

issue is the reconciliation of two interests which clash with each other in the short period, both of which are important but one of which seems to be rather more urgent than the other. It must be said to the credit of the Minister concerned, Mr. C. Subramaniam, that he seems to have adopted a pragmatic approach to this difficult problem. As a result, the Government is now following the principle of allowing persons who hold licences for cement schemes to import some parts of machinery from abroad on the basis of a scrutiny of individual applications. The procedure is to ensure that such parts of the plant as could be fabricated by the licensee himself or by those with whom he could make arrangements to that end are procured within the country and that only the balance is imported. Where imports of portions of cement plants are allowed, foreign exchange is sanctioned on the basis of a limit of Rs. 45 lakhs for a plant with a capacity of 600 tons per day. As a result of this policy, about half a dozen licensees have so far been able to proceed with their

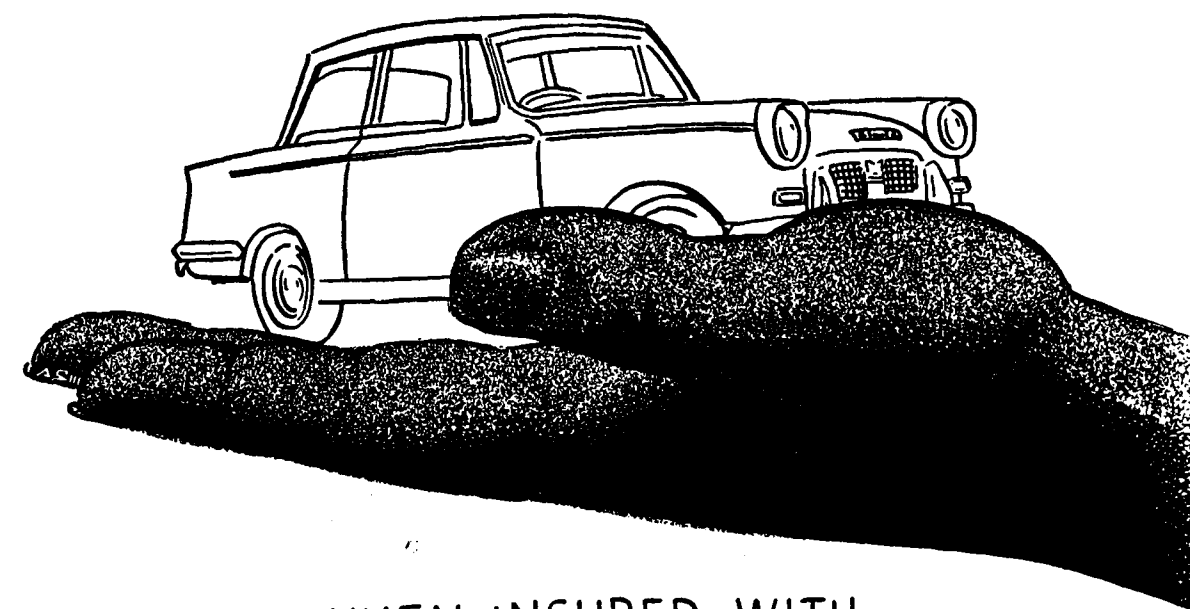
schemes for the setting up of cement plants. It is also to be assumed that the Government will watch the situation, and if necessary, liberalize further the foreign exchange allocations for cement plants consistent with the developing capacity of domestic manufacturers for fabricating cement machinery of acceptable quality and guaranteeing timely deliveries.

At the beginning of this year (1963-64), there were 35 units in the cement industry with a combined installed capacity of about 9.7 million tons and an annual production of 8.8 million tons. The capacity and output are expected to increase to 10.4 million tons and 9.3 million tons respectively in the course of the year. Incidentally, most of the cement industry is in the private sector. At present there are two in the public sector, the Uttar Pradesh Government's cement factory at Churk with a capacity of 234,670 tons and the cement factory at the Mysore Iron and Steel Works, which has a capacity of 99,560 tons. Five new factories are pro-

EXISTING CEMENT FACTORIES (As on 1-1-1963)

Name of Firm	Location	Annual Capacity (tonnes)	Name of Firm	Location	Annual Capacity (tonnes)
Andhra Pradesh			Madras		
Andhra Cement Co. Ltd., Vijayawada	Vijayawada	201,140	Dalmia Cement (Bharat) Ltd., New Delhi	Dalmiapuram	419,050
K.C.P. Ltd., Madras	Macherla	253,970	India Cements Ltd., Madras	Talaiyuthu	462,630
Associated Cement Companies Ltd., Bombay	Kistna	259,050	Associated Cement Companies Ltd., Bombay	Madukariai	284,440
-do-	Mancherla	335,240	Madras Cements Ltd., Rajapalayam	Tulukappatti	67,050
Panyam Cements and Mineral Industries Ltd., Kurnool	Cement Nagar	63,650	Mysore		
Bihar			Mysore Iron and Steel Ltd. Bhadravati	Bhadravati	99,560
Associated Cement Companies Ltd., Bombay	Chaibasa	487,620	Bagalkot Cement Co. Ltd., Bombay	Bagalkot	203,180
-do-	Sindri	304,760	Associated Cement Companies Ltd., Bombay	Shahabad	573,970
-do-	Khalari	101,590	Mysore Cements Ltd., Bangalore	Ammasandra	101,590
Rohtas Industries Ltd., Dalmianagar	Dalmianagar	335,240	Orissa		
Ashoka Cement Ltd., Dalmianagar	Dalmianagar	284,440	Orissa Cements Ltd., New Delhi	Rajgangpur	370,800
Kalyanpur Lime and Cement Works Ltd., Calcutta	Banjari	146,290	Punjab		
Gujarat			Associated Cement Companies Ltd., Bombay	Surajpur	406,360
Sone Valley Portland Cement Co. Ltd., Calcutta	Japla	253,970	Dalmia Dadri Cement Co. Ltd., New Delhi	Dalmia Dadri	238,730
Shri Digvijay Cement Co. Ltd., Bombay	Sikha	436,830	Rajasthan		
Associated Cement Companies Ltd., Bombay	Dwarka	223,490	Associated Cement Companies Ltd. Bombay	Lakheri	365,710
-do-	Porbandar	42,670	Jaipur Udyog Ltd., Sawai Madhopur	Sawai Madhopur	818,800
-do-	Savalia	203,180	Uttar Pradesh		
Saurashtra Cement and Chemical Industries Ltd., Ranavav	Ranavav	203,180	U.P. Government Cement Factory, Churk	Churk	234,670
Kerala			TOTAL:		9,728,110
Travancore Cement Ltd., Kottayam	Kottayam	50,790			
Madhya Pradesh					
Associated Cement Company, Ltd., Bombay	Kymore	582,090			
-do-	Banmore	60,950			
Birla Jute Mfg. Co. Ltd., Satna	Satna	251,430			

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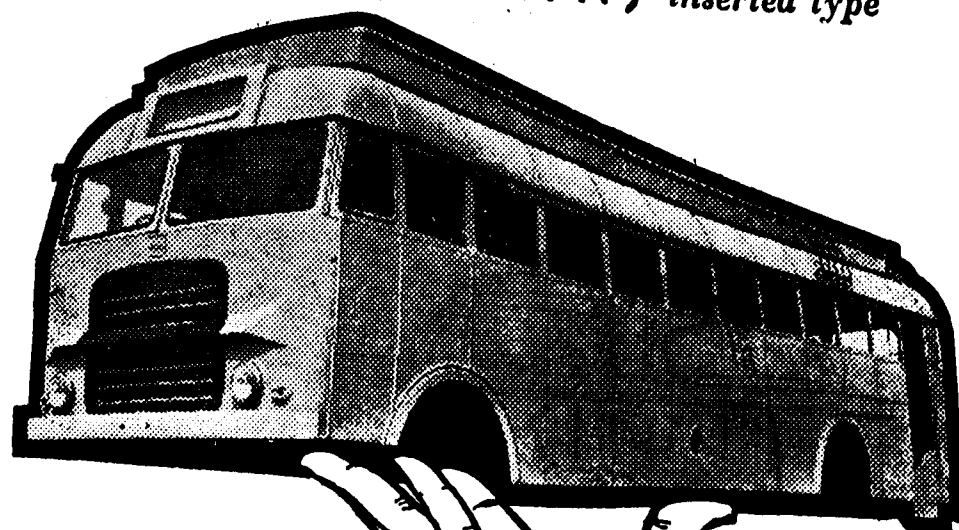
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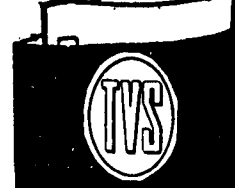
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Indian Patent No. 72655

Patentees:

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Manufacturers:

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posed to be set up in the public sector and with their installation the total capacity of all the public sector plants will be of the order of 1.6 million tons.

We had suggested that the problem of availability of cement machinery is highly relevant to the rapid expansion of the industry. The price factor also seems to have a bearing on cement expansion. At the present time, the distribution of cement is being handled by the State Trading Corporation, but the marketing of cement is done by cement producers acting as agents of the S.T.C. for a commission. Whether the State Trading Corporation should at all have been brought into the picture is a question on which there can certainly be two opinions. If the object is to avoid a grey or blackmarket in cement, it is evident that this purpose has not been achieved. Perhaps the question of cement distribution needs to be examined anew even as the problem of steel distribution is currently under scrutiny. In the case of cement as in the case of steel, the best course would certainly be to secure supplies to certain clearly warranted priority users and allow the balance of output to be sold freely in the market. To the extent that this leads to a higher level of cement prices during the period when the industry is expanding to catch up with demand, the increasing prices will serve as a useful purpose in restraining consumption while stimulating the industry's expansion. So far the Government has chosen to be rather unduly circumspect in responding to the industry's demand for more remunerative prices.

The increase in the selling price of unpacked cement by Rs. 3.75 per ton and manufacturers' retention prices by Rs. 2.25 per ton under the incentive scheme in November 1961 did not meet with the demands of the industry. The manufacturers represented to the Government early in June, 1963, that the cost of production had increased by 66 nP. to Rs. 4.73 per tonne in the case of different units, without including the extra burden caused by the Emergency Risks Insurance Premium. The new increase compensated the industry only partially and did considerable additional injustice to the industry since it was not given retrospective effect. For the 19 months preceding the sanction of the increase in selling prices, the industry suffered losses for which it was not at all compensated. In the case of high-cost marginal producers, even the sanctioned increase is not likely to cover manufacturing costs.

Lower Profits

A Reserve Bank study has confirmed that profitability in this industry is lower than the average for the corporate sector. In 1961 15 cement factories the balance sheets of which were analysed by the Reserve Bank showed the average gross profits at 8.7 per cent of the capital employed as against the average of 10 per cent for 1,333 companies belonging to all the major industries. Dividend as a percentage of the paid-up capital averaged 9.8 per cent as against the average of 10.9 per cent for the corporate sector. Even after distributing 88 per cent of the profits after tax, the dividends as a percentage of net worth were no more than 6.9 per cent. Because the funds ploughed back are not even one-eighth of the profits after tax,

PROPOSALS FOR NEW CEMENT UNITS IN THE PUBLIC SECTOR

Party	Location	Capacity (tonnes)	Remarks
Industrial Development Corporation of Orissa Ltd., (Government of Orissa)	Sambalpur District (Orissa)	396,000	Industrial licence granted.
U.P. Government Cement Factory	Chopan (U.P.)	400,000	A letter of approval has been issued.
Andhra Pradesh Mining Corporation Ltd. (Govt. of Andhra Pradesh)	Bonakalu (A.P.)	198,000	
Jammu and Kashmir Minerals Ltd., (Government of Jammu and Kashmir)	Riasi (Jammu & Kashmir)	203,180	Scheme agreed to in principle.
Assam State Electricity Board (Govt. of Assam)	Garampani (Assam)	100,000	

LICENSED SCHEMES WHICH ARE COVERED BY IMPORT OF MACHINERY AND CONSIDERED LIKELY TO GO INTO PRODUCTION BEFORE THE END OF 1965-66.

Name of Party	Location	New or Expansion	Annual Capacity (tonnes)
J. & K. Minerals Ltd., Srinagar	(Jammu & Kashmir) Wuyan	New Unit	20,300
U.P. Government Cement Factory, Churk	Churk U.P.	Expansion	234,670
Madras Cements Ltd., Rajapalayam	Talukkapatti (Madras)	Expansion	134,100
India Cements Ltd., Madras	Sankaridrug (Madras)	New Unit	167,620
Assam Cements Ltd., Shillong	Cherrapunji (Assam)	New Unit	83,810
Shri Digvijay Cement Co. Ltd., Bombay	Sikka (Gujarat)	Expansion	203,180
Birla Jute Mfg. Co. Ltd., Satna	Satna (Madhya Pradesh)	Expansion	274,290
A. K. Cements, Hyderabad	Bhongir (Andhra Pradesh)	New Unit	167,620
Associated Cement Cos. Ltd., Bombay	Kymore (Madhya Pradesh)	Expansion	25,400
-do-	Forbandar (Gujarat)	Expansion	(White Cement) 124,950
-do-	Dwarka (Gujarat)	Expansion	116,830
Associated Cement Cos. Ltd., Bombay	Jamul (Madhya Pradesh)	New Unit	253,650
India Cements Ltd., Madras	Vizianagaram (Andhra Pradesh)	New Unit	203,180
Kalyanpur Lime and Cement Works Ltd.	Banjari (Bihar)	Expansion	100,570
Mysore Cement Ltd., Bangalore	Ammasandra (Mysore)	Expansion	101,590
Panyam Cements & Mineral Industries Ltd.,	Cementnagar (Andhra Pradesh)	Expansion	134,100
Associated Cement Cos. Ltd., Bombay	Jamu (Madhya Pradesh)	Expansion	290,000
Industrial Development Corporation of Orissa Ltd., Bhubaneswar	Sambalpur (Orissa)	New Unit	396,000
TOTAL:			3,031,860

the internal resources of the industry are clearly inadequate for rapid, large-scale expansion. The responsibility for this state of affairs falls squarely on the Government's price policy. The cement industry has been recognized as a strategic industry and its expansion has got to be accelerated in view of the needs of defence and development. It is clearly desirable that the Government should deal with the problems of this industry in such a manner that a favourable climate is created for the speedy implementation of all the licensed schemes.

APPENDIX

Manufacture of Machinery

There are six approved cement machinery manufacturers in India. Three other concerns which have either been manufacturing heavy engineering machinery or sugar machinery or coal washeries, have shown interest in the manufacture of cement machinery. Messrs. A.V.B. have an integrated shop for the production of boilers and "cement and mining machinery" at Durgapur. The Government has approved the proposal of this firm to collaborate with Messrs. Fullers of the U.S.A. Negotiations for collaboration have also been going on between Messrs. A. V. B. and Messrs. Hamboldt of West Germany; on completion of these negotiations, this firm will also be in a position to fabricate cement plants for dry process.

Messrs. A.C.C. have their machine and fabrication shops at Shahabad in Mysore. The new foundry and the shops went into production in the third quarter of 1963. The grey iron foundry will be completed, according to present indications, in the first quarter of 1964. Technical collaboration with Messrs. Hitachi Limited of Japan is being sought to enlarge the scope of the engineering activity at Shahabad by including new lines of manufacture. The shop capacities of A.V.B. and A.C.C. are complementary to one another. The plants which have already been taken up for execution are the Jamul Main plant, the Dwarka Works expansion, the Kymore White Cement plant and the Panyam Cement expansion; the combined capacity of all these four projects is deemed equivalent to three standard plants of 600 tons a day capacity. A.C.C. has its own schemes; included in them are the New Porbandar Works, the Jamul duplication project, the Madhukarai expansion project and the expansion of Jamul plant. The total capacity of these four is equivalent to three plants of 600 tons a day capacity. A.C.C., over and above these projects, has capacity to accept orders for three to four standard plants (of 600 tons a day

capacity).

Messrs. K.C.P. Limited have their workshop at Thiruvottiyor near Madras. Capacity exists for the manufacture of both sugar and cement machinery. The firm has collaboration agreement with Messrs. Fives Lille Cail of France. Two complete 600 tons a day capacity cement plants will be fabricated in the workshop. The Government have already released the necessary foreign exchange in respect of both these plants. The firm has shown willingness to accept orders for two more plants for delivery before the end of the third Plan. There is a proposal to set up a steel foundry and forge in collaboration with Messrs. Fives Lille Cail. If and when this proposal materialises, this firm will have capacity to fabricate steel castings for the cement plants which are currently being imported. The firm also possesses capacity to manufacture large gears. The Government have granted the necessary foreign exchange to raise their capacity for gear cutting.

In collaboration with Messrs. F. L. Smidth of Denmark, Messrs. Sahu Jain Limited have a proposal to establish a workshop for fabricating cement machinery. Government have already approved the necessary foreign exchange for that purpose. Since there are slender chances of the workshop being established before the end of the third Plan, there is a move to arrange collaboration with Messrs. Walchandnagar Industries, who have also been permitted to manufacture cement machinery.

At Walchandnagar near Poona, Messrs. Walchandnagar Industries possess machinery worth nearly Rs. 1.5 crores for manufacturing sugar machinery and boilers. The firm has capacity to manufacture heavy gears. Collaboration agreement is being finalised with Messrs. F. L. Smidth for their gear putting project. Messrs. Larsen and Toubro have an engineering shop at Bombay. They also have facilities in their engineering shops in Orissa for the manufacture of cement machinery. The firm is reported to have capacity to deliver four plants before the end of the third Plan.

Three other firms are interested in the manufacture of cement machinery. They are finalising arrangements with their collaborators. Their names are: Messrs. Indian Sugar and General Engineering Corporation Ltd., Messrs. Buckau Wolf New India Engineers Works and Messrs. McNally Bird and Company Ltd. The licence which has been granted to Messrs. Tendulkar Industries Ltd. for the manufacture of cement machinery has been revoked.

LICENCES APPROVED IN 1963

Licensee	Location	Capacity (tonnes)	Date of Approval
M/s. Dalmia Dadri Cement Ltd., Delhi			February 9, 1963
Saurashtra Cement & Chemical Industries Ltd.	Ranavar (Gujarat)	2,00,000	April 20, 1963
Chettinad Cement Corporation Ltd.	Karur, Thiruchirappalli District	4,00,000	June 22, 1963
Surrendra (Overseas) Pvt. Ltd., Kalyanpur Lime & Cement Works Ltd., India Cements Ltd., Dhun Building, 175/1, Mount Road, Madras-2.	Samloti, Kangra Dist., Punjab	1,00,000	August 30, 1963
	Banjan, Bihar	2,00,000	September 28, 1963
	Sankaridrug, Salem Dist., Madras	2,00,000	October 26, 1963

LICENCES REVOKED IN 1963

Licensee	Date of Revocation
M/s. Saurashtra Cement & Chemical Industries Ltd., Ranavar	January 5, 1963
M/s. Sone Valley Portland Cement Co. Ltd., Calcutta	February 16, 1963
M/s. North Gujarat Cement Manufacturing Co-operative Society Ltd., Congress Bhavan, Mohsana	June 1, 1963
Shri Ramniklal Bhogilal Shah, M/s. Master Cement Manufacturing Co., Ltd., Bhavnagar.	August 17, 1963

December 27, 1963

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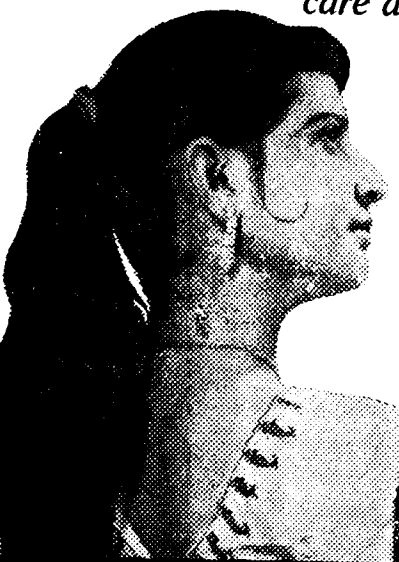
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Targets for Paper Are 'Paper Targets'

THE PAPER INDUSTRY, one of the nation's major consumer goods industries, is located predominantly in the private sector. Expansion programmes for the industry were accorded high priority in the third Plan which fixed the target for capacity at 820,000 tons as against an installed capacity of 410,000 tons existing in 1961-62. But progress has been inadequate. According to current estimates by the Planning Commission, not more than 680,000 tons in all can be produced over the remaining two years of the Plan. Even this expectation is probably optimistic. The Government's pricing policy, more than any other factor, has hampered expansion. Although it has endorsed the need for early expansion, it will not allow the economic level of prices necessary for that expansion. Price has been a crucial factor in the failure of the industry to achieve the desired rates of progress, and this has added to the series of shortfalls in the third Plan targets for Industry.

The total output of paper in this country in 1962 was 387,680 tonnes as against 196,509 tonnes in 1956. Production has thus doubled over six years, rising at the (simple) rate of about 16 per cent per annum. The production figures for all varieties of paper and board relating to the first seven months of 1963 are set out in Table I. The seven-month total of 256,320 tonnes yields an increment rate of 15.9 per cent over the previous year. Production of writing and printing paper increased by 19.5 per cent and paper board by 12.9 per cent, while that of wrapping paper rose only by 8.1 per cent; production of special varieties actually fell by 9.1 per cent. Assuming that these rates will hold, the production of paper for 1963 is likely to be about 450,000 tonnes.

Lagging Production

The capacity and output of 33 mills which commenced production in 1962 were 474,900 tonnes and 387,680 tonnes respectively; the proportion of production to installed capacity was thus 82 per cent on an average, although production exceeded capacity in individual cases. The contribution of other new units which came into being only in the latter part of 1962 was naturally negligible. Three more units started production in 1963 increasing the installed capacity to 483,000 tonnes. Details of the licensed expansion by the 15 units already in existence is set out in Table III; precise details are actually available about only 10 of them. Of these, Delhi Pulp Industries has already gone into production, while seven others are likely to begin in 1964. The expansion of Titaghur Mills will be completed in December, 1965 and that of West Coast Mills in March, 1966. Rohtas expansion project, designed to increase production by 37,500 tonnes, may not fructify during the third Plan. The Sirpur Paper Mills is to have a new tissue mill which will start manufacturing "speciality" and other light-weight papers by 1965. The expansion programme of the Mandya National Paper Mills should be fulfilled by the third quarter of 1965, while that of Rohit Pulp and Paper Mills may not materialize before the third quarter of 1964. As against the increase in production of 158,560 tonnes sought to be achieved through the expansion of the existing units, the actual figures might not exceed 100,000 metric tonnes.

The Licensing Committee of the Ministry of Commerce and Industry has already approved proposal for 15 new large paper mills with a combined capacity of 364,200 metric tonnes. (Table IV). Only two projects, at Amlai and at Dharbhanga, have started going up and they hope to start production in 1964. The remaining 13 have not progressed beyond the stage of preliminary enquiries. Two licences have lapsed. All of them are likely to spill over into the fourth Plan at this rate.

Of the 39 licences issued for small-scale paper mills, for a

combined capacity of 97,480 tonnes, 11 are expected to be taken up toward the end of 1963, seven of them in 1964 and the remaining only in 1965. By the end of the third Plan, installed capacity will very likely have increased to 683,900 tonnes, made of the following: (a) the capacity existing in 1962, 436,900 tonnes; (b) addition in 1963, 46,100 tonnes; (c) subsequent expansion, 95,260 tonnes; (d) fresh large-scale units, 63,000 tonnes; and (e) fresh small-scale units, 42,640 tonnes. Assuming that production will reach 82 per cent of installed capacity, it will be of the order of 560,000 tonnes at the end of the third Plan. The latest official estimates, however, put the figure at 580,000 tonnes.

The Joint Committee of the Paper Industry submitted a memorandum on paper prices to the Government in June 1963, spelling out details in regard to the fresh burdens imposed on the industry. The incidence of State and Central levies was set out item by item. Here are the details:

Central Levies

(a) **Railway Freight:** A 5 per cent surcharge on railway freight was imposed with effect from 1st April, 1960; again in November, 1960, there was a further increase in railway freight as a result of alterations in the minimum weight-conditions for transport of bamboo and other raw materials. From 1st July, 1962, the basic rate charged for goods traffic was further enhanced by 50 nP. per tonne carried up to 50 kilometres and by Re. 1 per tonne in the case of traffic carried beyond 80 kilometres. There was a further increase of 5 per cent in the surcharge on freight from 1st April, 1963.

(b) **Coal Price:** The pit-head prices of Grade I steam coal (non-coking) was revised upwards six times between June, 1962 and June, 1963. The increase was by Rs. 2.25 per tonne or by 11 per cent.

(c) **Excise Duties:** The industry's costs were pushed up either by the levy of fresh excise duties or increase in the existing rate of levy on different raw materials and chemicals used in the manufacture of paper. Fresh levies at the rates of Rs. 20 and Rs. 40 per tonne were imposed on soda ash and caustic soda respectively from 1st March, 1961. So also chlorine, an important chemical used in the production of bleached varieties of paper and board, which was subjected to a fresh levy of excise duty of 10 per cent 'ad valorem' from the 1st March, 1962. Jute goods which are used for packing paper manufactures were similarly subjected to excise duty from the 1st of March, 1962 at the rate of Rs. 250 per tonne for hessian and Rs. 125 per tonne for other jute manufactures. The levy of excise duty on tyres, petrol, diesel and other motor accessories with effect from 1st March, 1963 increased the road transport costs, particularly on transportation of bamboo and other raw materials.

(d) **Import Duties:** Government also increased duties on imports of various items of spares, from 35 per cent to 50 per cent and on machineries from 5 per cent to 15 per cent ad valorem from 1st April, 1960 and levied a surcharge of 10 per cent from 1st April, 1962. A further surcharge of 10 per cent was levied on all import duties with effect from 1st March, 1963.

(e) **Central Sales Tax:** The rate of Central Sales Tax was raised to 2 per cent from 1 per cent from the 1st of April, 1963.

(f) **Emergency Risks Insurance:** With effect from 1st March, 1963, Government introduced Emergency Risks Insurance scheme under which mills were required to pay premium at the rate of 25 nP, 15 nP. and 11.25 nP. per Rs. 100

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on the value of their production during the first, second and third quarters of 1963 respectively.

State Levies

Apart from the Central Levies, a number of States have either increased or imposed fresh taxes which went to push up production costs. An examination of the budget proposals of the various State Governments for the last 3 years shows that almost all the States have increased the rates on electricity, the rate of sales-tax and have also imposed new duties on transport of goods by road.

(a) **Electricity Duty:** The Government of Mysore increased electricity duty from 1 nP. to 2 nP. per unit from 1st April, 1961 on own generation and from .07 nP. to 1.5 nP. on purchased electricity. The State Government of Maharashtra increased the rate of electricity duty from .8 nP. to 1 nP. per unit with effect from 1st March, 1963 while the Government of Punjab increased the duty from previous slabs to uniform rate of 40 per cent on consumption from 1-3-63. The Government of West Bengal also increased the rates of duty on industrial consumption of electricity from 1st March, 1963. The Government of Madras introduced tax on consumption of electricity with effect from 1st March, 1962. The Government of Rajasthan imposed electricity duty at 3 nP. per unit on power with effect from 1st March, 1962.

(b) **Sales Tax:** In the matter of sales tax also, State Governments have not lagged behind. For instance, the Government of Punjab enhanced the rate of general sales tax from 4 per cent to 5 per cent from 1st March, 1961. Again the rate of tax was revised to 6 per cent from 1st March, 1963. Similarly, the Government of Rajasthan increased the general sales tax on goods from 4 per cent to 5 per cent from 1st August, 1961.

The rates were further raised to 6 per cent from 1st March, 1963. The Governments of Gujarat, Kerala and Andhra Pradesh made upward revision in the rates of sales tax from 1st March, 1963.

(c) **Road Tax:** In respect of transport of goods by road, there has been a regular increase in tax by the State Governments. The Government of Orissa introduced a new tax on freight on transportation of goods by public carrier from 1st March, 1961, while the Government of Rajasthan increased rates of tax on goods carried by motor vehicles from 8-1/3 per cent to 10 per cent with effect from 1st March, 1961. In the following year, the Government of Maharashtra introduced a tax on carriage of goods by road at 3 per cent of the freight actually charged while the Government of Madras doubled the tax on goods freight from 3 nP. with effect from 1st March, 1962. Similarly, Governments of Punjab and Gujarat levied a tax on goods carried by motor vehicles at the rate of 3 per cent on gross freight with effect from 1st March, 1962. In addition, the Governments of Maharashtra, Rajasthan, Gujarat and Assam either levied or enhanced tax on petrol, which went to increase the transport costs.

While forecasting demand for paper and paper-board, it is usually assumed that the major factor making for rapid increase of demand is the growth of literacy. This has, however, not been true of India during the last twelve years. Admittedly, the demand for printing and writing paper has been rising fairly rapidly, but the greatest acceleration has been in wrapping paper which has scored over all other varieties. Table II shows that, while the total production of paper rose by 266.9 per cent between 1950 and 1962-63, that of wrapping paper rose by 700.0 per cent and printing and writing paper only by 246.7 per cent. It is not as if the 1950 base for wrapping paper was a small one; in fact, it constituted 13.4 per cent of the total output of paper and



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(Lead me from darkness unto light—Upanishad)

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Economic Disparities Between Rich and Poor Nations

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The Annual is being published along with the issue of CAPITAL dated 19th December, 1963, and will be available at Rs. 5 a copy (postage extra). Registered subscribers will receive their copies free, but others should write for their copies immediately to the Commercial Manager, CAPITAL, 5, Mission Row, Calcutta-1. Please place your order early. No copies can be sent by V.P. Post.

December 27, 1963

ANNUAL NUMBER 1704

1323

paper-boards in 1950. By 1962-63, its share had more than doubled to 29.3 per cent of the total production. This pointed unmistakably to a greater industrial use of paper, and it can be safely asserted that, during the next decade also, the consumption of wrapping paper will rise faster than that of printing and writing papers. Exhaustive market surveys of the probable demand of wrapping paper during 1970-71 appear to be necessary.

TABLE II

THE CHANGING PATTERN OF PAPER AND PAPERBOARD PRODUCTION

Variety of Paper	(In tonnes)		
	1950	1962-63	Percentage change of (2) over (1)
	(1)	(2)	(3)
Printing and Writing			
Paper	71,274 (64.4)	247,125 (60.9)	+246.7
Wrapping	14,850 (13.4)	118,801 (29.3)	+700.0
Special Varieties	5,279 (4.8)	8,044 (1.9)	+ 52.4
Boards	19,251 (17.4)	32,074 (7.9)	+ 66.6
Total	110,654 (100.0)	406,044 (100.0)	+266.9

Note: Figures in brackets are percentages to total.

Apparent consumption of paper in India in 1962 was estimated at 406,000 tonnes of which 388,000 tonnes were produced in this country and 19,554 tonnes were imported; of Indian paper, 1,624 tonnes, mostly cigarette paper and white tissue paper, were exported. (Table V). Packing paper especially kraft paper, followed by printing, writing and other miscellaneous varieties of paper, accounted for the bulk of the imports. Printing paper (135,000 tonnes) accounts for the bulk of indigenous production. The internal demand for

TABLE III
EXPANSION SCHEDULE OF EXISTING MILLS

	Expansion (Tonnes/Year)	Expected Start up
1. Andhra Paper Mills	.. 15,000	Dec. '64
2. Bengal Paper Mills	.. 11,400	Jan. '64
3. Ballarpur Paper & Straw Board Mills	.. 27,000	June '64
4. Gujarat Paper Mills	.. 3,600	?
5. Mysore Paper Mills	.. 10,000	March '64
6. Mandya National Paper Mills	.. 10,800	?
7. Fudumjee Paper Mills	.. 3,900	Dec. '64
8. Punalur Paper Mills	.. 3,000	March '64
9. Rohtas Industries	.. 37,500	?
10. Sirpur Paper Mills	.. 11,400	?
11. Titaghur Paper Mills	.. 6,000	Dec. '65
12. Tribeni Tissues	.. 2,400	Octr. '64
13. West Coast Paper Mills	.. 12,000	March '66
14. Delhi Pulp Industries	.. 1,560	June '63
15. Rohit Pulp & Paper Mills	.. 3,000	?
Total	.. 158,560	

printing as well as writing paper will continue to exceed 15 per cent per annum as against a provision in the third Plan of 12.5 per cent, of all kinds of paper. For, despite a steady increase in annual production of over 15 per cent, supply lags significantly behind demand.

A paper prepared for the fifteenth meeting of the Central Advisory Council of Industries held in New Delhi on September 24, 1962, computed per capita consumption in India, of paper including newsprint at a little over 3.5 lb. as against the 440 lb. in the USA and 210 lb. in the UK. Per capita consumption has nearly doubled since 1955-56, when it was 2 lb. That the production of paper had not kept pace with the rise in demand was acknowledged by Mr. Nityanand Kanungo, the Minister of Industry. In reply to a question in the Lok Sabha on September 20, 1963, he, however, denied that there was an acute shortage of some varieties of paper in the country. Among the measures taken to improve the situation, he men-

TABLE I

PRODUCTION FIGURES FOR ALL VARIETIES OF PAPER AND BOARD JANUARY-JULY 1962-63

	('000 Quintals)									
	Printing and Writing		Wrapping		Special Varieties		Boards		Total	
	1962	1963	1962	1963	1962	1963	1962	1963	1962	1963
January	.. 196.8	222.8	61.7	67.0	6.7	11.4	55.1	54.2	320.4	355.4
February	.. 183.9	207.7	49.7	66.9	5.4	2.9	54.1	64.8	293.0	342.3
March	.. 197.5	228.4	61.4	66.4	9.0	11.9	57.2	70.2	325.2	376.9
April	.. 183.3	227.4	66.9	58.3	11.5	5.4	53.5	68.0	315.2	359.1
May	.. 194.0	221.6	64.6	78.2	6.7	5.5	56.7	68.6	321.9	373.9
June	.. 192.4	238.7	54.5	58.2	5.6	3.7	56.4	63.0	309.0	363.7
July	.. 191.5	253.8	66.3	64.7	7.0	6.4	61.8	67.0	326.6	391.9
TOTAL:	.. 1,339.4	1,600.4	425.1	459.7	51.9	47.2	394.8	455.8	2,211.3	2,563.2
Percentage change		+19.5		+8.1		-9.1		+12.9		+15.9

1 Quintal = 100 Kgs.

tioned the rationalization scheme for distribution, based on the 1961 level of supplies and an 'ad hoc' committee associating manufacturers, traders, consumers and government departments, which periodically reviewed demand and supply. The Government continued to license new units as well as the expansion of existing ones. He estimated the shortfall in supply in 1966 at about 120,000 tonnes. The Government, he revealed, was drawing up a scheme to increase production in the existing plants by 60,000 tonnes through suitable adjustments in equipment.

Why are entrepreneurs so slow in implementing the licensing schemes? The official paper ascribed this to Chinese aggression and the shyness of the capital market. There are other reasons besides which the paper did not discuss. The return on capital in the paper industry, since 1958, compared unfavourably with returns in other industries, thanks to the Government's unrealistic pricing policies. Following repeated representations made to the Government, a meagre rise of 6 nP. per kg. was allowed in June last year, but this did not even remotely cover increased costs. Unless the Government can be persuaded to take a more realistic view, it will be futile to expect a speedy attainment of third Plan targets. Further representations made by the industry in regard to the price aspect are under examination by the Government. These protracted examinations militate against the industry's interest and considerably retard its growth.

The costs of production have risen substantially since the Tariff Commission fixed prices for paper in 1958. According to the industry's own estimates, current costs exceed the Tariff Commission prices of 1958 by about 26 nP. per kilo. This is what Mr. D. C. B. Pilkington, Chairman of Titagur Paper Mills Ltd., had to say in his last address to the share-

holders: "Sir Walter Michelmore 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. . . . Further, increase in freights as well as increase in the 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. . . ."

Lower Dividends

An analysis made by the Reserve Bank of the affairs of 21 paper companies for 1960-61 and published in its June, 1963 Bulletin shows that their dividends, computed as a percentage of net worth, were lower than in 19 industries out of the 25 under study. Table VI below shows that the dividends distributed by the 1,333 companies studied by the Reserve Bank of India fetched 6.3 as against 5.5 per cent in the paper industry. It is thus low return on capital that has stood in the way of its further expansion, and capital is bound to be shy.

The "per capita" consumption of newsprint in India at 0.2 kg. is, perhaps, the lowest in the world after Pakistan which consumes only 0.1 kg. of paper per head. Burma's 0.5 kg. is nearly two-and-a-half times the figure for India. The

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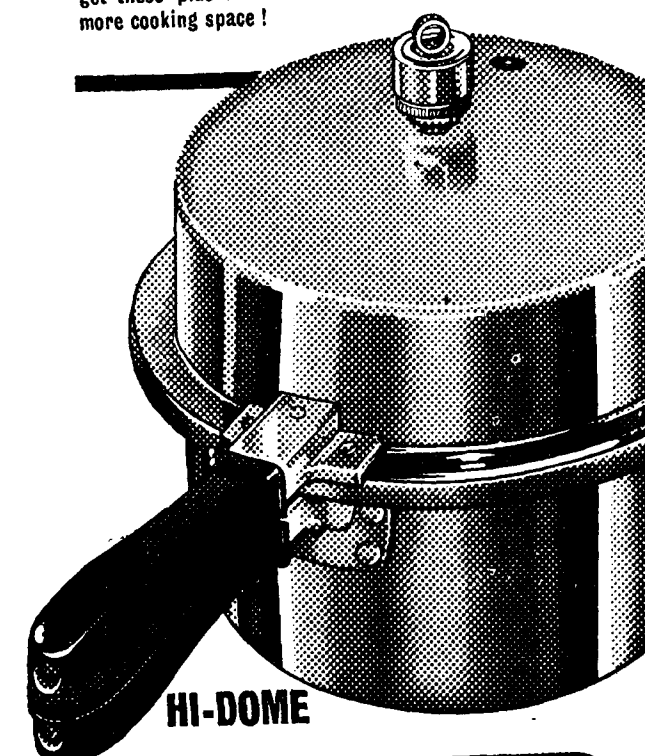
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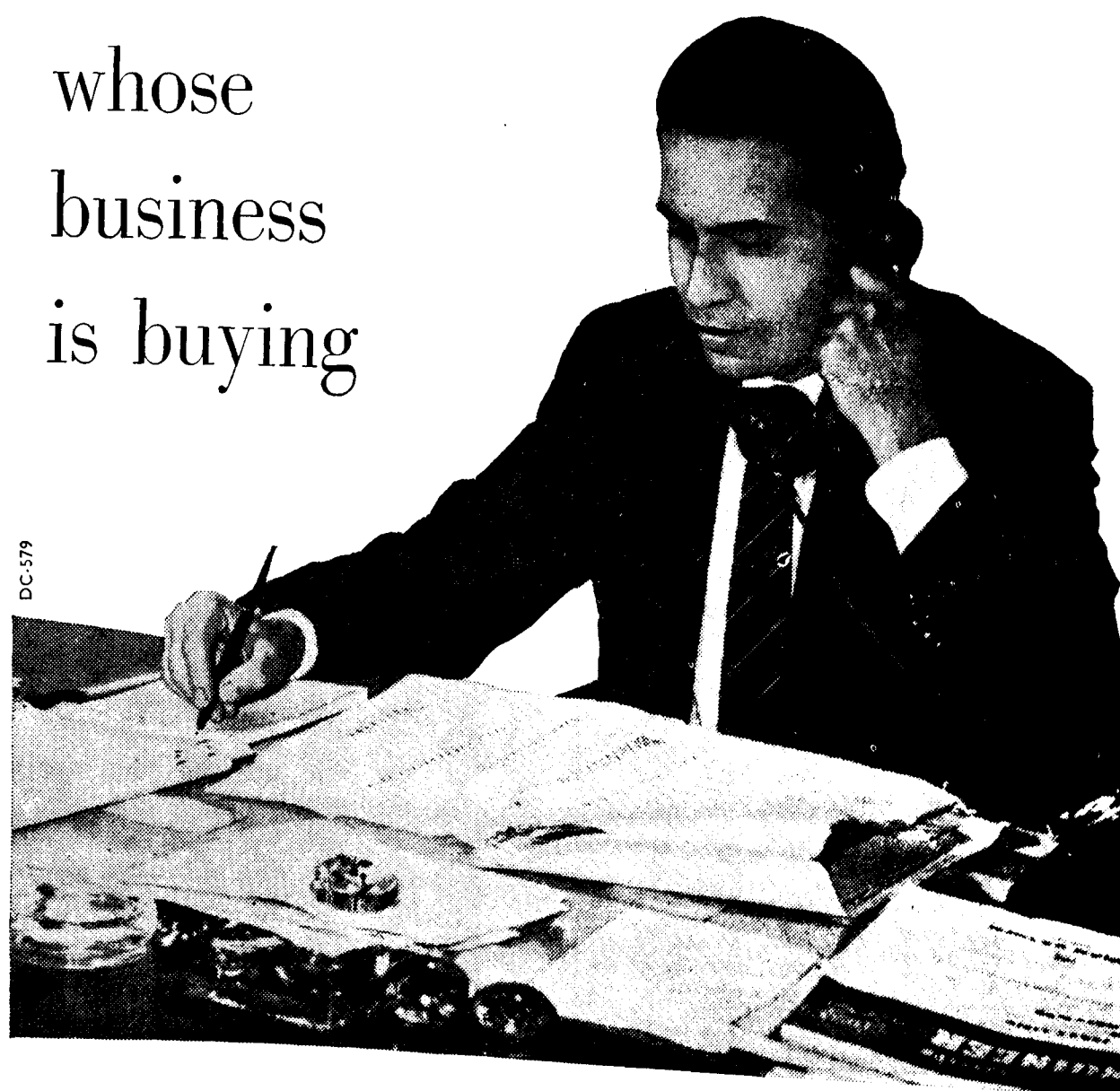
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average Russian consumption is eight times and the American—USA's 36.6 kg. per head is incidentally the highest in the world — nearly 183 times the corresponding Indian figure. Japan does better than Italy, the USSR, UAR (Egypt) and Yugoslavia by a wide margin. Even though the official estimates in India assume a 10 per cent increase in consumption, the demand is bound to be explosive if the literacy targets of the third and the fourth Plans are fulfilled.

PER CAPITA NEWSPRINT CONSUMPTION: 1960
(In kilograms)

India	0.2 (1959)	Japan	7.7 (1960)
Burma	0.5 (1959)	Pakistan	1.1 (1959)
Canada	27.9 (1960)	Thailand	0.7 (1960)
Ceylon	1.0 (1959)	USSR	1.6 (1959)
France	10.4 (1960)	UAR (Egypt)	1.3 (1960)
W Germany	9.6 (1960)	UK	24.9 (1960)
Indonesia	0.2 (1960)	USA	36.6 (1960)
Italy	5.3 (1960)	Yugoslavia	2.3 (1960)

The third Plan assumes a newsprint demand of about 150,000 tonnes for 1965-66. The maximum supplies of newsprint were planned for so as to keep imports to the minimum. The Plan envisaged the establishment of three newsprint mills and the extension of capacity at the National Newsprint and Paper Mills Ltd., (Nepa) a public sector project, by 30,000 tonnes. While the Nepanagar project is coming along, three other projects which have been proposed in the third Plan are nowhere within sight. One of the licensees is still surveying the suitability and sustained availability of raw materials as well as extraction methods. Another has proposed a revised scheme for doubling the licensed capacity among other things. Present indications suggest that the third is unlikely to go ahead with his project. The first will go into production, if at all, only during the fourth Plan period. In the circumstances, the Government is considering the further extension of Nepa's capacity by 75,000 tonnes of newsprint.

Discussions are now being held with a view to setting up a newsprint mill in Maharashtra with the co-operation of the sugar mills from four districts in the State. Newspapers are also being persuaded to set up a newsprint mill on a co-operative basis. These plans cannot, however, fructify unless the pulping process for producing quality newsprint from bagasse is demonstrably feasible. Soft coniferous woods are known to be the ideal raw materials for newsprint and the Government is contemplating the use of Himalayan soft woods for the purpose. The Governing Council of the U.N. Special Fund is reported to have approved a grant of Rs. 42 lakhs for an Indian project which seeks to survey coniferous and hard-

TABLE IV
NEW MILLS APPROVED BY LICENSING COMMITTEE

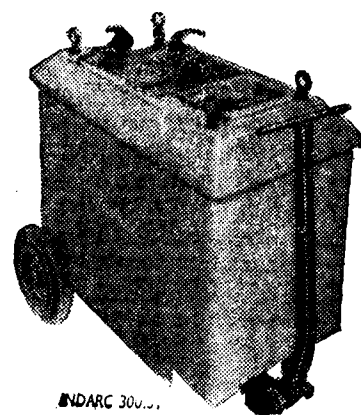
Mills.	Location	Products	Capacity (tonnes)
Madhya Pradesh			
1. Orient Paper Mills Ltd.	Amlai (Shadol)	Printing, Writing & Boards	48,000
2. Madhya Pradesh Paper & Pulp Mills Ltd.	Balaghat	Printing, Writing & Wrapping	18,000
Mysore			
3. Krishna Flour Mills	Munirabad	Printing & Writing	15,000
4. Gopalan & Co.	Kampli	Printing & Writing	12,000
Bihar			
5. Ashok Paper Mills Ltd.	Darbhangha	Printing & Writing	15,000
Madras			
6. Papanasam Paper Mills Ltd	Papanasam	Printing & Writing	9,000
U. P.			
7. Northern India Paper Mills Ltd.	Meerut	Printing, Writing & Wrapping	27,000
8. Uttar Pradesh Pulp & Paper Mills Ltd.	Jansath, Muzaffarnagar	" " "	21,000
9. Somani Pulp & Paper Mills Ltd.	Near Gorakhpur	" " "	15,000
10. Delhi Cloth & General Mills Ltd.	Durala, Dist. Meerut	" " "	36,000
Assam			
11. Meghna Mills Co. Ltd.	Silchar (Cachar)	" " "	30,000
Maharashtra			
12. Jolly Bros. (P) Ltd.	Bhusawal	Corrugated and Liner	9,000
13. Shri Sohan Lal	Rahuri	Printing & Writing	42,000
14. K. L. Gupta & Co.	Nasik	Printing & Writing	37,200
Punjab			
15. Bedi & Co. (P) Ltd.	Panipat	Printing & Writing	30,000
			364,200

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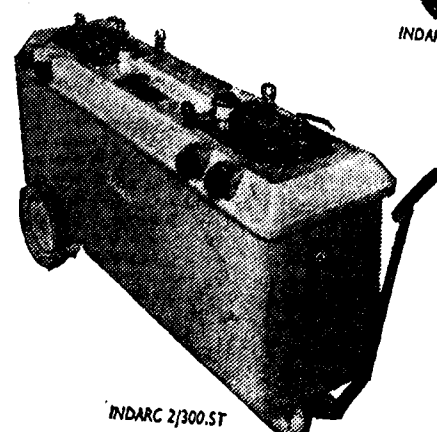
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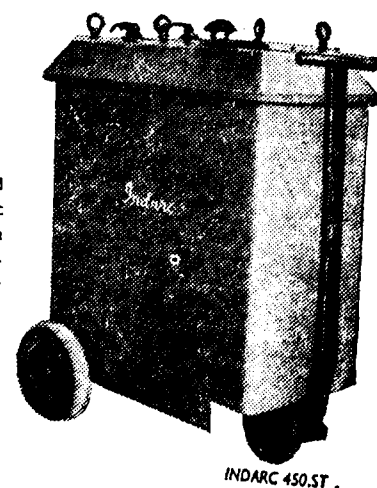
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wood forests. India's matching contributions will be about Rs. 95 lakhs.

The import of 1,13,678 tonnes of newsprint cost India Rs. 8.5 crores of foreign exchange in 1962. The demand for newsprint — constrained by controls — increased at 7.5 per cent per annum, during the first Plan and at 10 per cent during the second.

Composite Plants

Some paper mills in the country do not have pulping sections, and imports of pulp cost Rs. 7 crores each year. In recent times, the Government has encouraged the erection of composite plants which make their own pulp as well as others which produce only the pulp. The present output of pulp is estimated at 300,000 tons as against the 375,000 tons required; but it is expected to rise to 450,000 tons by 1965-66.

Bamboo and grass — the supplies of which are limited have so far provided the raw materials for paper. The Government is devising a long-term programme for the development of plantations of fast-growing species which are required for industries based on forest produce. Also, the Forest Research Institute at Dehra Dun has been experimenting on substitute raw materials, such as bagasse.

In 1962, 13 units were manufacturing paper machinery valued at Rs. 47.30 lakhs, but their output constituted only a very small fraction of the total demand for paper machinery. The Government has therefore issued licences to 23 firms (including the 13 above) to produce about Rs. 30 crores worth of machinery. The target for 1965-66 has been fixed at Rs. 6.5 crores. At the present rate of progress, production will not exceed Rs. 20-22 crores at the end of the fourth Plan and can at best increase to Rs. 30 crores some time during the fifth. If paper targets for the third and the fourth Plan are to be achieved, considerable amounts of paper-making machinery will have to be imported.

Looking Ahead

Capacity for the production of 970,000 tons of paper including newsprint by 1965-66 has been planned for. This entails an increase of 120.5 per cent over five years, that is, a simple growth rate of 20 per cent per annum. The actual production target of 820,000 tons entails an increase of 123 per cent over five years. The foregoing arguments have been designed to show that there will be substantial shortfalls in output. The fourth Plan target of 1.74 million tons of capacity and 1.5 million tons of production will mean a much greater rise in percentage terms than the 79.4 per cent for capacity and 82.9 per cent for production mentioned in recent papers of the Perspective Planning Division of the Planning Commission. Assuming that the 1.5 million-ton target would be achieved by 1970-71, per capita consumption of all paper would still not rise beyond three kgs. A substantial gap between demand and supply would remain unless timely measures are taken to attract capital into this vital industry. At the existing rate, the indigenous fabrication of paper machinery will also be inadequate. Incentives must also be provided for foreign participation by making the industry more remunerative. An immediate revision of prices is clearly called for, but that will only be the first step.

To conclude the story, the supply of paper and paper products over the last several years has been trailing demand. Official sources acknowledge reluctance among entrepreneurs to invest in the paper industry because of poor prices but the Government has done precious little to encourage investment. The case of newsprint is even worse. The new mills already licensed show no signs even of sprouting. At the

TABLE V
PRODUCTION, IMPORTS AND EXPORTS OF PAPER AND BOARD IN 1962

Variety	Production	Imports	(Metric tons)	
			Exports	Apparent Consumption
Printing				
1. Art Paper	2,996.15	1,559.15	..	4,555.30
2. Chromo Paper	1,613.39	..	..	1,613.39
3. Cartridge	1,050.57	37.01	..	1,087.58
4. Col. Printing	5,722.30	0.73	..	5,723.03
5. Duplicating	5,483.64	8.74	0.43	5,491.95
6. Imitation Art	532.71	6.55	..	539.26
7. Litho & Offset	19,000.59	30.84	..	19,031.43
8. M. G. Poster	12,561.19	121.48	..	12,682.67
9. M. G. Pressing	234.72	51.05	..	285.77
10. White Printing	65,368.85	177.95	..	65,546.80
11. Other Sorts	20,199.71	1,376.70	..	21,576.41
Total:	134,753.82	3,370.20	0.43	138,133.59
Writing Paper				
12. Account Book	3,706.32	33.24	..	3,739.56
13. Air Mail	124.49	94.82	..	219.31
14. Azurelaid/Wove	9,524.20	6.70	..	9,530.90
15. Bank/Bond	7,417.24	1,499.34	..	8,917.08
16. Cheque Paper	722.24	23.82	..	746.6
17. Creamlaid/Wove	69,940.49	0.45	..	69,940.94
18. Drawing				
Cartridge	2,728.58	331.37	0.03	3,079.92
19. Typewriting	1,715.75	..	..	1,715.75
20. Manifold Paper	1,094.61	22.75	..	1,117.36
21. Other Sorts	2,653.13	274.28	2.03	2,925.38
Total:	99,627.55	2,286.77	2.06	101,912.26
Packing				
22. Kraft	56,657.56	3,568.93	71.81	60,154.68
23. Growns	9,050.93	7.51	—	9,058.44
24. M. G. Pressings	330.68	0.73	0.74	330.67
25. Manila	2,084.60	752.16	..	2,836.76
26. Match	6,668.97	2.54	0.02	6,671.49
27. Tissue — Col.	..	683.83	6.47	677.36
28. " — White	2,181.91	329.02	289.14	2,221.79
29. Greaseproof	634.89	1,813.53	0.07	2,448.35
30. Glassine	..	683.50	0.05	683.45
31. Veg. Parchment	Incl. in 15	252.02	..	252.02
32. Other Sorts	..	1,000.15	9.47	990.68
Total:	77,609.54	9,093.92	377.77	86,325.69
Misc. Varieties				
33. Cigarette Paper	3,129.30	65.32	1,213.16	2,001.46
34. Blotting Paper	347.54	17.54	..	365.08
35. Filter Paper	..	43.46	..	43.46
36. Tracing Base	..	119.51	..	119.51
37. Unsens, Ferro				
Brassiate	1,836.53	..	..	1,836.53
38. Cal. M's. Paper	36.43	..	..	36.43
39. Telegraph Paper	98.24	..	..	98.24
40. Other kinds	..	3,172.77	3.76	3,169.01
Total:	5,448.09	3,438.60	1,216.92	7,669.77
Paper Boards				
41. Art Board	2,211.34	49.23	0.55	2,260.02
42. Chromo Board	3,330.15	2.18	..	3,332.33
43. Grey Unbleached	3,933.72	..	..	3,933.72
44. Dup/Trip/Ticket	38,946.36	119.03	0.18	39,065.21
45. Mill Board	5,823.38	127.62	..	5,951.00
46. Pulp Board	11,862.83	94.61	..	11,957.44
47. Press Pahn	..	189.06	..	189.00
48. V. F. Sheet	289.00	..	..	189.00
49. Other Sorts	3,792.25	782.55	26.51	4,548.29
Total:	70,189.03	1,346.28	27.24	71,526.07
Grand Total:	387,638.03	19,553.77	1,624.42	405,567.38

end of the fifth Plan, India will still not be self-sufficient either in paper or in newsprint. Meanwhile, the growth of both population and literacy adds to demand each year while the expansion plans of the industry are defeated through indecision or concessions grudgingly given at the best.

TARGETS OF PRODUCTION: 1970-71

Paper and Paper - Board (Including Newsprint)

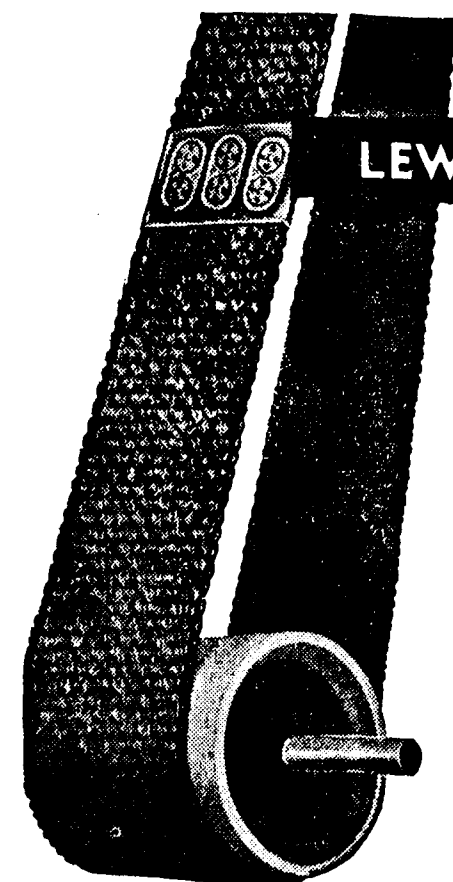
(In thousands of tons)

Year	Capacity	Percent- age change	Produc- tion	Percent- age change
1960-61	.. 440	..	368	
1965-66	.. 970	120.5	820	123.0
1970-71	.. 1740	79.4	1500	82.9

Perhaps the year 1963 is ending for the paper industry more hopefully than it began. The Finance Minister, who announced the abolition of price controls on 16 industrial goods in the Lok Sabha on December 16, 1963, however, restricted the concession to paper-board only. It is to be hoped that this liberalization will be eventually extended to a wider field of industrial manufactures to the advantage not only of the paper industry but of others as well.

TABLE VI
RESERVE BANK ANALYSIS OF 21 PAPER
COMPANIES: 1960 AND 1961
(Dividends distributed as a percentage of net worth)

	1960	1961
A. Paper and paper products ..	5.8	5.5
B. Industries for which ratio was higher in 1961		
(1) Tea Plantations ..	7.1	5.9
(2) Rubber Plantations ..	7.8	6.9
(3) Sugar ..	7.5	6.4
(4) Tobacco ..	6.5	6.2
(5) Cotton Textiles ..	6.3	6.1
(6) Silk and Rayon Textiles ..	6.6	5.6
(7) Woollen Textiles ..	9.1	7.8
(8) Iron and Steel ..	6.4	6.1
(9) Transport equipment ..	7.7	7.1
(10) Electrical Machinery, ap- paratus, appliances, etc ..	8.3	8.0
(11) Machinery (other than trans- port and electrical) ..	6.7	6.8
(12) Foundries and other engi- neering workshops ..	6.6	6.1
(13) Ferrous and non-ferrous metal products ..	7.1	8.7
(14) Basic industrial chemicals ..	6.8	7.1
(15) Medicines and pharmaceuti- cal preparations ..	10.0	8.9
(16) Other chemical products ..	7.4	9.1
(17) Matches ..	9.8	9.7
(18) Mineral Oils ..	7.2	8.0
(19) Cement ..	6.9	6.9
(20) Trading ..	9.9	9.1
Total (including others) ..	6.6	6.3



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- Lantee Brand Leather Belting.
- India Sterling Rubber Transmission Belting.
- India Super Rubber Transmission Belting.
- India Super Vee Belts.



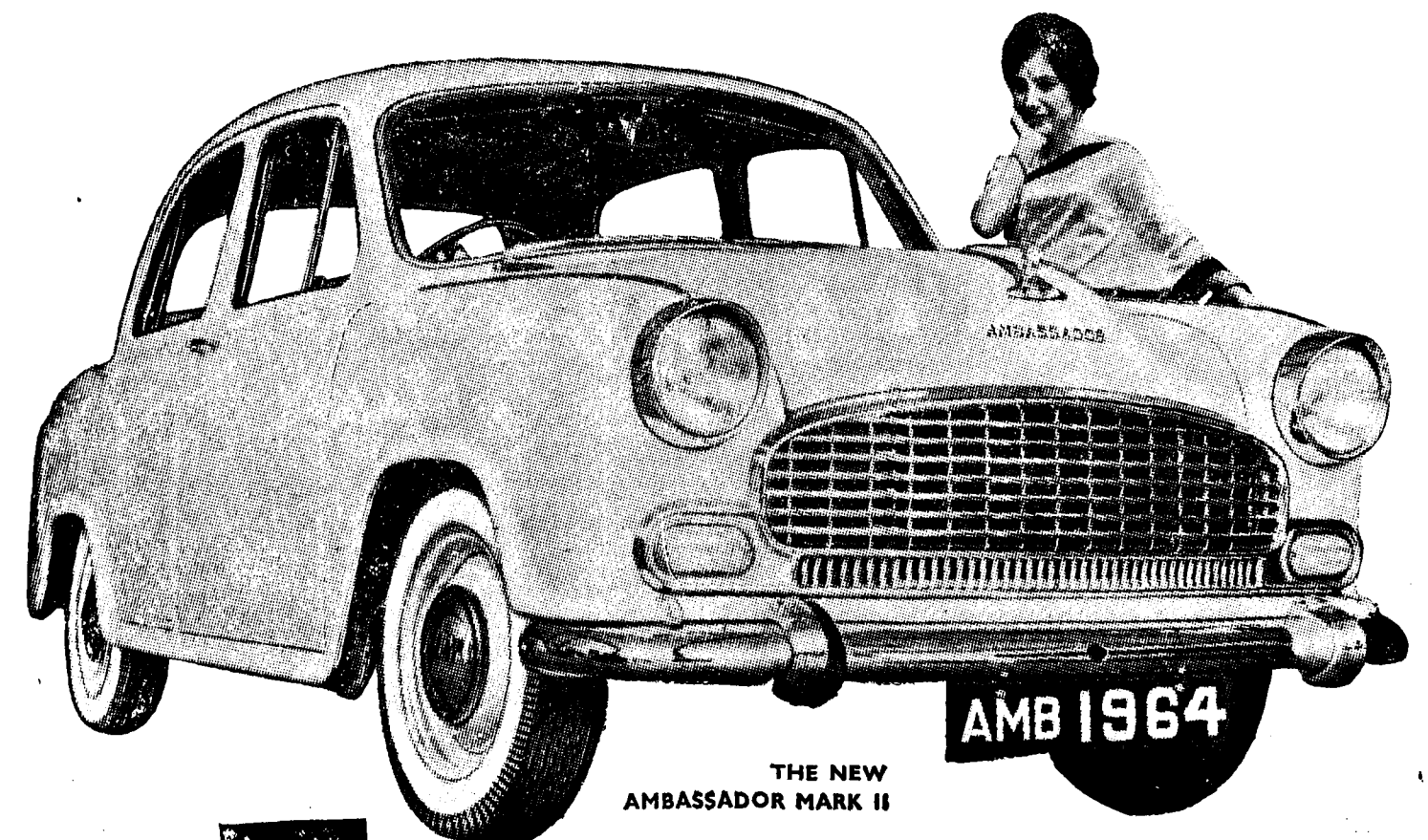
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GOVERNMENT OF INDIA NEW PREMIUM PRIZE BONDS SCHEME

BONDS AVAILABLE FOR SALE IN DENOMINATIONS OF RS. 100/- AND RS. 5/- FROM 1ST JANUARY 1964.

ISSUE: THE PREMIUM PRIZE BONDS, 1964 WILL BE ON SALE WITH EFFECT FROM
1ST JANUARY 1964 AT

(i) Offices of the Reserve Bank of India at Bombay (Fort and Byculla), Calcutta, New Delhi, Madras, Bangalore and Nagpur;

(ii) All Branches, within India, of the State Bank of India and its subsidiary Banks;

(iii) Treasuries and sub-Treasuries other than those in the State of Jammu and Kashmir, the cash business of which is not conducted by the Reserve Bank of India, the State Bank of India or its subsidiary Banks; and

(iv) Head Post Offices and Departmental sub-Post Offices.

FORM AND DENOMINATION: The Bonds will be issued in two denominations of Rs. 100/- and Rs. 5/- and will be in the form of bearer bonds. No application will be required for their purchase.

REDEMPTION VALUE AND PRIZES: The Bonds will be repaid with premium of 50 nP. and Rs. 10 for every bond of Rs. 5/- and Rs. 100/- respectively five years after the date of their sale. In addition to the premium, every bond sold will be eligible for participation in two draws for prizes to be held in 1965 on such dates as may be announced by the Government of India.

For every one crore of rupees of Bonds sold of each denomination, prizes as under, will be awarded in each of the two draws:

Rs. 100/- denomination		
1 Prize of Rs. 50,000	Rs. 50,000	
2 Prizes of Rs. 25,000 each	Rs. 50,000	
5 Prizes of Rs. 10,000 each	Rs. 50,000	
10 Prizes of Rs. 5,000 each	Rs. 50,000	
75 Prizes of Rs. 2,000 each	Rs. 1,50,000	
150 Prizes of Rs. 1,000 each	Rs. 1,50,000	
Total	243	Rs. 5,00,000
Rs. 5/- denomination		
1 Prize of Rs. 15,000/-	Rs. 15,000	
2 Prizes of Rs. 10,000 each	Rs. 20,000	
10 Prizes of Rs. 5,000 each	Rs. 50,000	
25 Prizes of Rs. 2,000 each	Rs. 50,000	
200 Prizes of Rs. 1,000 each	Rs. 2,00,000	
330 Prizes of Rs. 500 each	Rs. 1,65,000	
Total	568	Rs. 5,00,000

In respect of the sale proceeds in excess of round crores of Rupees, the Prize-money will be increased proportionately and distributed in suitable number of additional prizes. Thus, the amount and number of prizes are not limited but will increase with every increase in the sale of Bonds.

The draws for prizes will be held under the supervision of the Government of India and only sold bonds will be eligible for prizes. No bond will, however, be eligible for more than one prize in each draw. If an unsold Bond draws a prize, a fresh number will be drawn for that prize and if that number also pertains to an unsold Bond, the process will be continued till a sold Bond draws that prize.

PUBLICATION OF WINNING-NUMBERS: The particulars of the prize-winning Bonds will be published in the Gazette of India and the press as soon as possible after the date of the relative draw.

TAX FREE CONCESSION: The prize-money and the premium on the Bonds will not be liable to tax under the Income-tax Act, 1961.

SUPPLEMENTARY PROVISIONS: The Bonds will be on sale upto 31st December 1964 but the sale may, at the option of Government, be discontinued earlier.

For further details including the procedure for the payment of prizes, a reference may be made to the Government of India Notification No. 34(1) NS/63 dated 16th December, 1963 copies of which are being exhibited at the Selling Offices.

TABLE VII
MILL AND VARIETYWISE PAPER PRODUCTION IN 1962-63

(Metric tons)

Name of the Mill	Writing and Printing	Kraft	Browns	Duplex and Triplex	Pulp Boards	Misc. Boards	Special Varieties	Total
1. Titaghur Paper (Bengal)	38,616.02	228.93	976.29	419.09	6,710.75	133.50	770.22	47,854.80
2. India Paper Pulp	14,952.50	—	181.10	—	465.90	5.60	35.00	15,640.10
3. Bengal Paper Mills	17,150.85	—	122.81	—	532.25	2,180.94	2,032.51	22,019.36
4. Wimco Paper Mills	—	—	5,710.57	—	—	—	—	5,710.57
5. Tribeni Tissues	—	—	394.40	—	—	—	4,431.40	4,825.80
6. Star Paper Mills	7,725.25	14,612.72	341.26	—	—	—	—	22,679.23
7. Upper India Paper	2,788.25	—	467.00	—	—	222.50	13.00	3,490.75
8. Rohas Industries	15,613.00	2,892.00	5,092.00	21,124.00	1,532.00	6,356.00	18.00	52,627.00
9. Orient Paper Mills	20,511.44	28,226.39	633.54	12,069.70	711.00	3,223.16	—	65,375.23
10. Titaghur Paper (No. 3)	6,838.64	1,027.33	294.02	—	384.71	—	—	8,544.50
11. J. K. Paper Mills	4,682.10	—	127.34	—	—	—	—	4,809.44
12. Shree Gopal Paper	34,786.79	—	407.46	—	—	44.16	628.83	35,867.24
13. Delhi Pulp Industries	2,734.60	—	151.09	—	—	—	—	2,885.69
14. Murari Paper Mills	—	—	316.15	—	—	—	—	316.15
15. Straw Products	—	—	22.52	1,332.27	—	4,791.50	—	6,146.29
16. Gujarat Paper Mills	1,501.17	—	660.28	622.27	1,818.23	—	115.37	4,717.97
17. Rohit Pulp & Paper	1,383.81	—	30.16	—	—	—	—	1,413.97
18. Jayant Paper Mills	—	75.70	42.70	—	84.20	465.30	—	667.90
19. Deccan Paper Mills	2,508.82	175.55	190.06	—	19.07	—	—	2,893.50
20. Pudumjee (Bombay)	198.67	—	611.39	—	671.74	59.20	—	1,541.00
21. Paper & Pulp Conversions	—	—	472.00	4,829.00	—	676.00	—	6,225.00
22. Pudumjee (Khopoli)	—	—	621.96	—	—	—	—	621.96
23. Ballarpur Paper Mills	13,345.47	—	—	—	—	—	—	13,345.47
24. Providence Paper Mills	139.29	—	—	—	—	—	—	139.29
25. Kondivita Paper Mills	22.55	—	56.35	—	—	—	—	78.91
26. Premier Paper Mills	334.83	—	27.86	—	—	—	—	362.69
27. Oriental Timber Tdg.	—	—	—	—	—	—	—	—
28. Sirpur Paper Mills	22,820.86	—	129.96	—	—	—	—	22,950.82
29. Andhra Paper Mills	1,276.61	698.23	113.31	—	—	—	—	2,088.15
30. Mysore Paper Mills	8,141.00	—	—	—	—	—	—	8,141.00
31. West Coast Paper Mills	18,918.13	8,082.38	160.61	—	—	—	—	27,161.12
32. South India Paper Mills	1,368.60	3.21	101.28	—	—	—	—	1,473.09
33. Mandya National Paper	4,332.06	—	58.56	—	—	—	—	4,390.62
34. Punalur Paper Mills	2,679.25	2,246.00	1,577.57	—	171.75	814.25	—	7,489.00
35. Seshasayee Paper and Boards	1,506.56	—	44.87	—	—	—	—	1,551.43
Total	247,125.19	58,268.44	20,136.66	40,396.33	13,101.60	18,972.11	8,044.33	406,044.66



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Oil Plus Ideology

AT SOME POINT in the course of the Indo-American dialogue over Bokaro, Mr. C. Subramaniam happened to say that the Government of India would execute the project with U.S. assistance, if possible, without it if necessary. That was a perfectly respectable proposition. But the attitude of Mr. K. D. Malaviya, the former Minister for Oil, to the development of the oil industry in this country was rather different and less sensible. He appeared to proceed on the basis that he would develop this industry without the assistance of the international oil companies if possible and with their assistance only if necessary. In consequence, his tenure, remarkable as it was for his personal brilliance, was patchy in terms of achievement. Undoubtedly, he showed much perseverance and firmness in wringing valuable concessions from unwilling international oil companies. But even more notable was his success in enlisting Soviet and Rumanian support for the development of India's oil, especially that of the former in the exploration and exploitation of the country's oil deposits.

When allowance has been made for these gains, the reproach still seems merited that Mr. Malaviya's tactics were clever but his strategy was short-sighted. Had he been more objective and farseeing, he should have been able to secure the active co-operation of the international oil companies at least to the extent promised by those who have evinced an interest since. However, by sticking to a dogmatic refusal to consider any reasonable basis for the expansion of the existing refineries, Mr. Malaviya lost for this country valuable time and resources not only in oil but in the ancillary field of petro-chemicals. The pace of progress in these vital sectors would, therefore, seem to depend on the capacity of Mr. Malaviya's successor to the Oil portfolio to develop new and flexible attitudes which would yield constructive and useful results for the speedy development of a comprehensive oil industry in this country including not only exploration and refining but a full-fledged petro-chemical industry as well. Whether Mr. Humayun Kabir is going to be the architect of this policy remains to be seen, but he at least starts off with the advantage of having an able Secretary who has had considerable experience of the nation's oil industry during troubled but exciting years.

Elephantine Effort

Contrary to the impression possibly engendered by propaganda of a certain kind, the oil wealth of India was not Mr. K. D. Malaviya's discovery. The credit should properly go to an elephant in the employ of the Assam Railways and Trading Company Limited in the remote year of 1889. The Assam Railways and Trading Company Limited was engaged in the exploitation of coal in the vicinity of Marghirata and in its transportation south-west. The elephant — so the legend goes — returned to camp one memorable evening with traces of oil on its feet. In the excitement that followed, the company's engineers recalled earlier stories about oil in this region. Then were told tales of crude oil noticed near the Dihang, the Nampong, the Namchuck rivers in 1828, 1837 and 1865. (We must here remind ourselves that the world's first well for production of oil from sale to the public was drilled in Pennsylvania, U.S.A., by Colonel Drake, in 1859, and that not many years later — between 1866 and 1868 — several wells were bored in Upper Assam. A tea-pot refinery was, in fact, set up at Marghirata in 1883. But these pioneering attempts seem to have had a short run and were not pursued in right earnest until that celebrated elephant of the Assam Railways and Trading Company took a hand — or rather a large foot — at things some years later). Thanks to these elephantine efforts,

a small oilfield was discovered, and the Assam Oil Company, formed in 1898, built a refinery at Digboi in 1900.

Thus India had the rudiments of an oil industry when it entered the 20th century. But, further development during the fifty years that ensued was negligible and the country was all but waiting for Mr. K. D. Malaviya. Meanwhile, the capacity of the Digboi refinery had increased to 400,000 tons, while the sporadic search for oil which was undertaken during the 'twenties in Upper Assam through using geophysical methods at deeper levels, resulted in the location of a possible horizon near Nahorkatiya. There were other minor successes too, such as the discovery of a shallow oil-depth at Badarpur, near Silchar, but it dried up after yielding 300,000 tons of oil of poor quality. Indications of oil were also found in the Jorhat area. The Assam Oil Company had carried out seismic work in these regions during the late 'thirties, but the War intervened, changing much else besides the course of Indian oil history. At the conclusion of the War and during the early years of Independence, the Government of India rightly decided to concentrate on the setting up of refining capacity based on imported crude in order to meet the rapidly expanding demand for petroleum products. In those less controversial days, it was possible to act quickly on State intention with the help of the international oil companies which were already distributing imported petroleum in the Indian market. Thus, three new oil-refining units were set up between 1954 and 1957: Burmah Shell and then Standard Vacuum set up refineries at Trombay with capacities of 2 million and 1.2 million tons respectively, while Caltex built the third at Visakhapatnam with an annual output of 680,000 tons. This raised the total refining capacity in the country to 4.3 million tons. Earlier, in 1953, following up the pre-War exploration of the Nahorkatiya area, the Assam Oil Company had succeeded in striking oil in the region and this was soon followed by success in the adjacent Moran area.

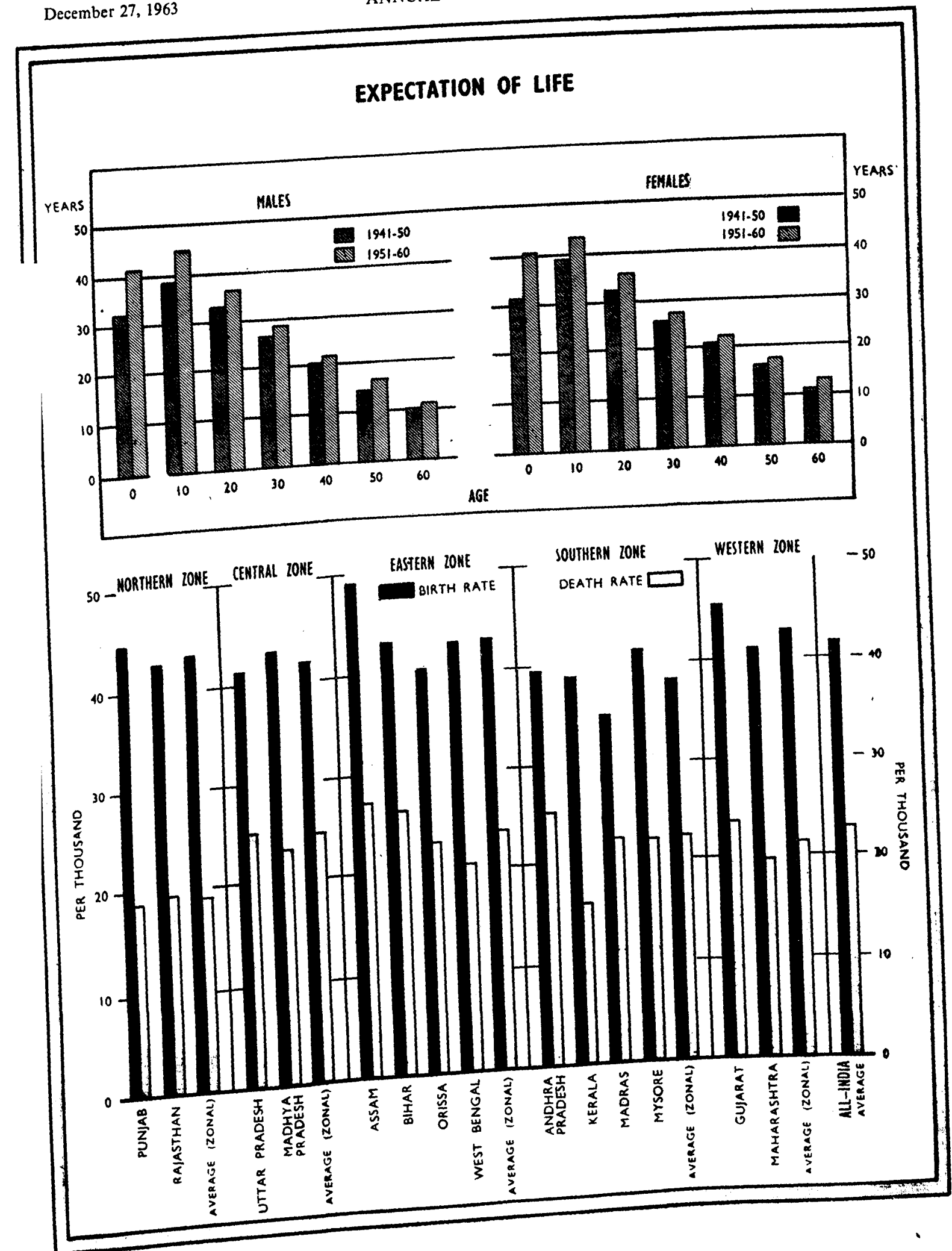
Industrial Policy Resolution

These oil reserves, however, could not be developed and exploited expeditiously due to changes in the Government's Industrial Policy in 1956. Under the revised policy, mineral oils were included in Schedule A to the Industrial Policy Resolution (1956) which made the State responsible for further growth of the oil industry. The existing privately-owned units, of course, could expand. The State also could secure the co-operation of private enterprise in the establishment of new units when national interest so required. In 1959 Oil-India Limited was established as a joint venture between the Burmah Oil Company, the Assam Oil Company and the Government of India which contributed a third of the equity capital. Subsequently, however, Oil-India was converted into a 50:50 partnership between the Burmah Oil Company and the Union Government. It is now engaged in developing the Nahorkatiya and Moran oilfields, having established oil reserves of the order of 45 million tonnes in that region.

The last six years have witnessed a good deal of intensified activity in the oil industry. The four private sector refineries have progressively stepped up their throughput to 7.75 million tonnes — Burmah Shell to 3.75 million tonnes, Standard Vacuum (now ESSO Standard Eastern) to 2.5 million tonnes, Caltex to 1.05 million tonnes and Assam Oil Company to 0.45 million tonnes. Two Government-owned refineries have been based on the Nahorkatiya-Moran reserves of crude — one at Noonmati with a capacity of 0.75 million tonnes and the other at Barauni with a throughput of two million tonnes. The Noonmati Refinery went on stream on January 1, 1962. The Barauni Refinery is to be commissioned

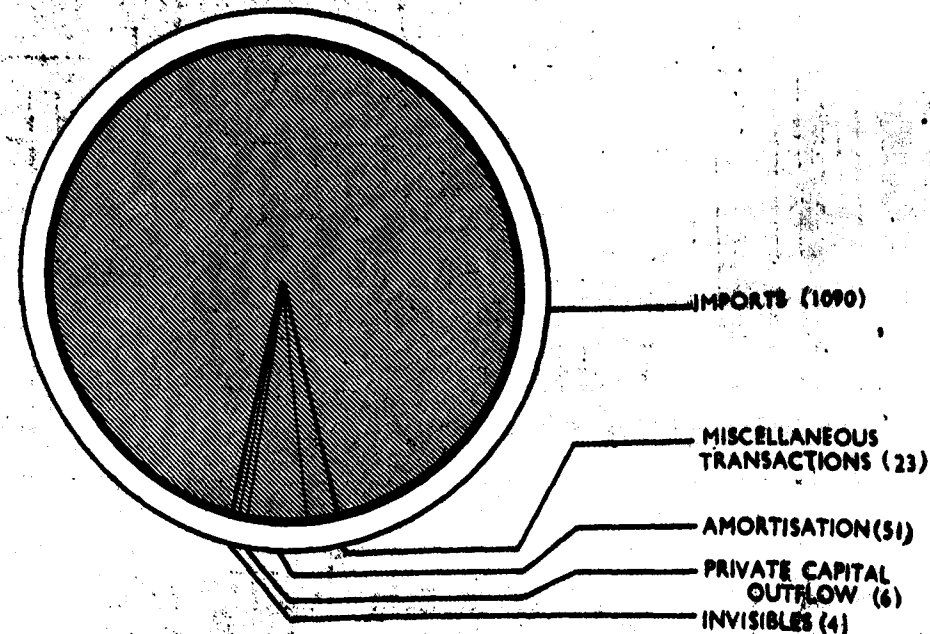
December 27, 1963

ANNUAL NUMBER 1964

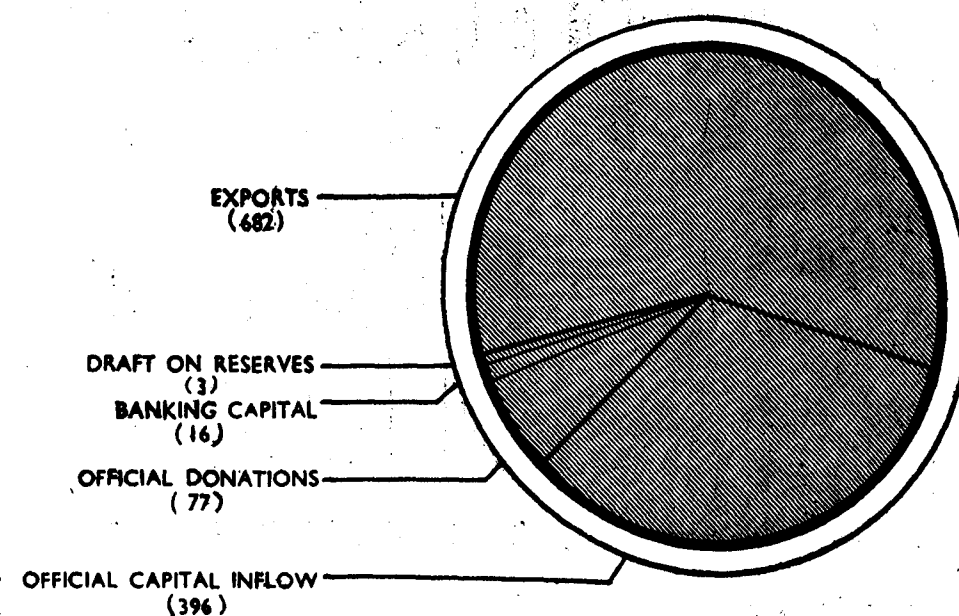


THE PATTERN OF BALANCE OF PAYMENTS : 1962-63 (RUPEES CRORES)

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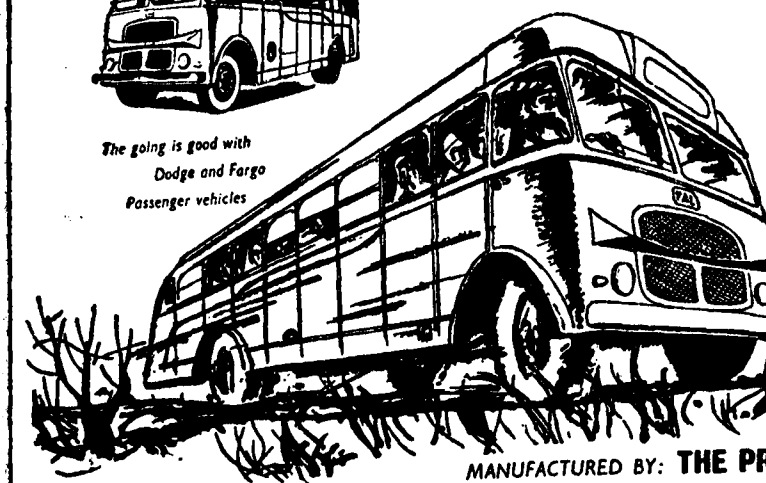
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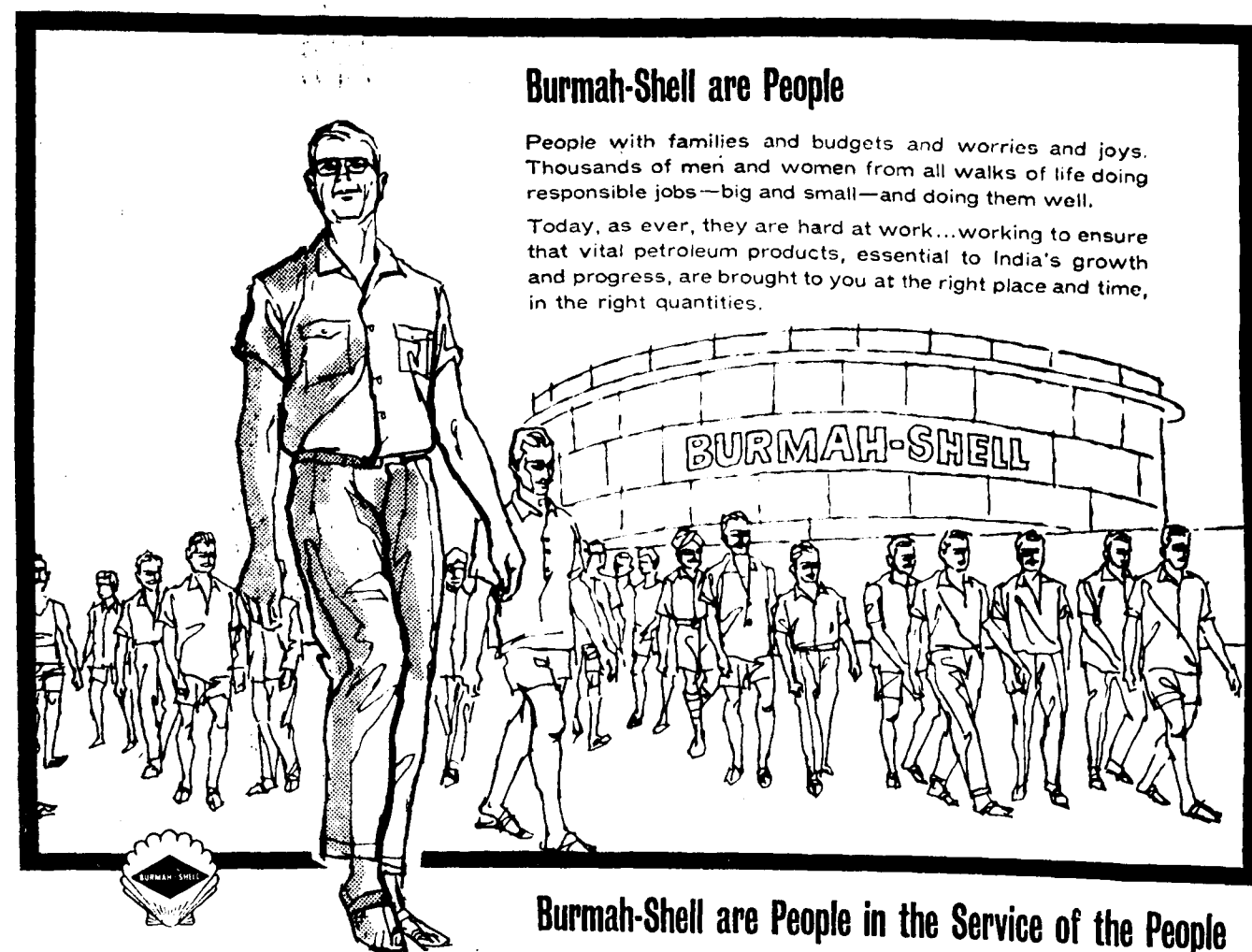


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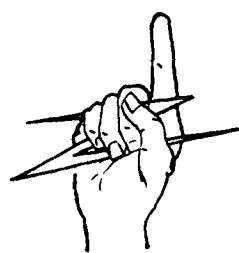


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in two stages: the first million tonnes capacity by June next and the second a few months later. These two refineries are to be further expanded during the current Plan: Noonmati to 1.25 million tonnes and Barauni to three million tonnes. Two more refineries have also been planned. The first of these will be wholly in the public sector and is to be located at Koyali with an initial capacity of two million tonnes, which will later be expanded to three million tonnes according to the following schedule: the first one million-tonne capacity by October, 1964; the second million-tonne capacity by January, 1965; and final expansion to three million tonnes by January, 1964. The second is a joint venture with the Government contributing 51 per cent of the share capital, Phillips Petroleum of the USA 25 per cent and their Indian associates, Duncan Brothers of Calcutta, two per cent; the rest is to be subscribed by the Indian public and other parties of the Government's choice. It is to be set up at Ambalamukal near Cochin and will have an initial capacity of 2.35 million tonnes to be raised to about 3.5 million tonnes after two to three years of continuous operation. Expectations are that it will go on stream by October, 1965. The Koyali Refinery will process crude from Ankleshwar and Kalol and that at Cochin will import supplies; these are later to be supplemented or wholly replaced if oil is forthcoming from the Cavary Basin.

Exploration and prospecting too has been stepped up in various parts of the country. Oil-India has been granted another concession for this purpose over an area of 1,291 sq. miles in the neighbourhood of its Nahorkatiya and Moran oil

fields. The survey over, deep exploration wells are being drilled here at Tinali and Bogapani.

The Oil and Natural Gas Commission, a public sector undertaking, is engaged in oil exploration at a number of places in the country, besides developing the Cambay-Ankleshwar-Kalol oil and gas fields in Gujarat where its efforts were crowned with notable success some years ago. Extensive geological and geophysical explorations are being carried out by it presently in the Ganges and Cavary Basins, in the foot-hills of the Himalayas and in the Rajasthan desert. Exploration in the Himalayan foot-hills has not yet yielded any positive results apart from some shows of gas at Jawalamukhi. Drilling in the extensive Ganges Basin has been in progress for some time; a deep well is being bored fairly rapidly at Raxaul. In the Cavary Basin, drilling was undertaken a few months ago at Pattukottai in order to obtain structural information. Exploration here is to be intensified after an exploratory well has been drilled at Karaikal. Exploratory drilling will commence in Jaiselmer area of Rajasthan when the results of the geophysical survey now being conducted are known. Drilling is being continued in Sibsagar area in Assam, an ONGC concession where some initial success has been achieved.

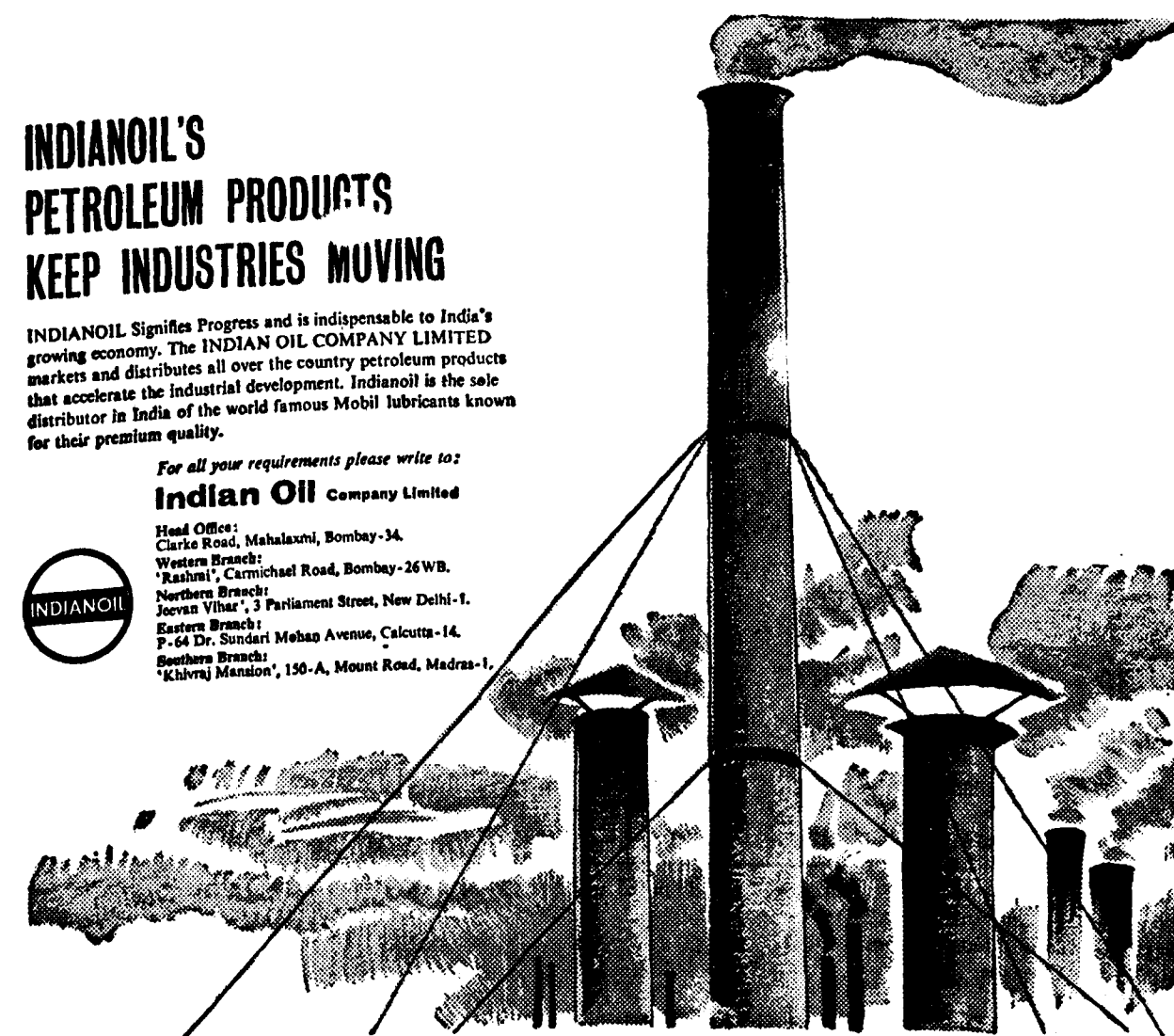
Standard Vacuum abandoned its search for crude oil in West Bengal and Orissa in 1959. The ONGC is, however, considering a further geophysical survey of this region. Although oil in the Cambay structure in Gujarat is believed to be limited in quantity, it can yield 25 million cu. ft.

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of gas per day. The oil reserves of Ankleshwar have been established at about 45 million tonnes. Also the Kalol area in this region holds promise of becoming commercially exploitable.

India, thus, has made good progress indeed on the oil front. Refining capacity has been increased from a bare 0.4 million tonnes to as much as 8.50 million tonnes. A further capacity of 8.85 million tonnes is being built up and is due to be commissioned by 1965-66 or so. The total will further increase by a million tonnes or so when the Cochin Refinery is able to increase its throughput to 3.5 million tonnes. Two more refineries are to be set up at Madras and Haldia, each with a capacity of two million tonnes, but the proposals are still under consideration. Oil deposits, estimated at 90 million tonnes, have also been located in Upper Assam and Gujarat areas. In 1951, India had only one small oilfield at Digboi which too was nearing exhaustion. In the new oilfields, efforts are being made to develop an annual production potential of 6 million tonnes of crude by 1965-66. A potential of about 2.75 million tonnes per annum is already available in the Nahorkatiya and Moran areas and about 0.7 million tonnes in Ankleshwar-Kalol area. Noonmati and Digboi Refineries draw their supplies from the former (Digboi has its own oilfield in addition) while the Burmah-Shell and ESSO refineries at Trombay utilize the latter, making up the deficit in crude from the Middle-East. The Caltex Refinery at Visakhapatnam gets its supplies from Indonesia.

Apart from the pioneering work done by the British and American oil interests, the rapid growth of the Indian oil industry during the second Plan has been in no small measure due to valuable Soviet and Rumanian assistance. They have helped

to lay the foundations of the public-sector in Indian oil, for which a dominant role was envisaged by the Industrial Policy Resolution of 1956. The Russian and Rumanian collaboration has been available both for oil exploration and refining. While the Rumanians have assisted with exploration equipment and in the setting up of the Noonmati Refinery, the plant for which they also supplied, the Russians have actively helped the ONGC in exploration and prospecting. The USSR is also helping in the erection of refineries at Barauni and Koyali, the equipment for both of which they are supplying. Furthermore, the ENI, an Italian oil combine, is assisting in oil exploration at Raxaul and the French Institute of Petroleum in the Jaiselmer area. ENI is also constructing five oil/gas pipelines in the Cambay-Ankleshwar-Kalol area for the ONGC and a product-pipeline from Gauhati to Siliguri for the Indian Refineries.

The Indian oil industry, in spite of its rapid growth over the last 12 years, has been unable to catch up with the needs of the economy (Tables I and II). The country not only imports crude to augment indigenous supplies but large quantities of refined petroleum products as well (Table III). Much of the foreign exchange spent on the import of petroleum products after 1958, could have been saved if changes in the Industrial Policy had not hindered the expeditious exploitation of the Nahorkatiya oil reserves. The Government entered into negotiations with the Burmah and Assam Oil Companies about the setting up of refineries to exploit this crude. The decision to locate the new refineries at Noonmati and Barauni was in disregard of the Vashist Committee's recommendation, and it entailed much unprofitable expenditure. What was worse, the construction schemes for the two refineries could not be fulfilled either. The Noonmati Refinery, started pro-

TABLE I

INDIGENEOUS PRODUCTION OF CRUDE PETROLEUM AND PETROLEUM PRODUCTS

(Thousand tonnes)

Year	Crude Petroleum	Petroleum Products							Total
		Light Distillates (a)	Kerosenes (b)	Diesels (c)	Lubricants (d)	Bitumens (e)	Heavy ends (f)	Other Products (g)	
1951	260.4	51.0	52.2	43.7	23.5	4.1	17.0	57.7	249.2
1955	261.6	797.2	449.2	592.1	16.7	85.4	1008.0	75.5	3024.1
1956	295.2	963.7	545.6	711.7	17.1	164.7	1416.7	70.8	3890.3
1957	267.6	1041.1	617.9	927.0	16.9	176.4	1,599.0	69.0	4447.3
1958	202.8	986.4	642.6	1191.4	18.6	226.5	1649.1	57.5	4772.1
1959	412.8	948.8	734.6	1416.1	21.5	289.9	1679.3	61.9	5152.1
1960	451.2	1043.9	929.0	1595.8	21.6	399.2	1692.2	65.6	5747.3
1961	507.6	1065.6	1015.2	1664.4	25.2	438.0	1810.6	70.8	6090.0
1962	1021.2	1161.6	1167.6	1791.6	25.2	368.4	1954.8	128.4	6597.6

(a) Aviation, gasoline|Motor Spirit|Solvent Oil|Liquid petroleum gas|JP-4|JP-5.

(b) Kerosene (superior and inferior|ATE)

(c) High Speed, Low and Medium Diesel Oils.

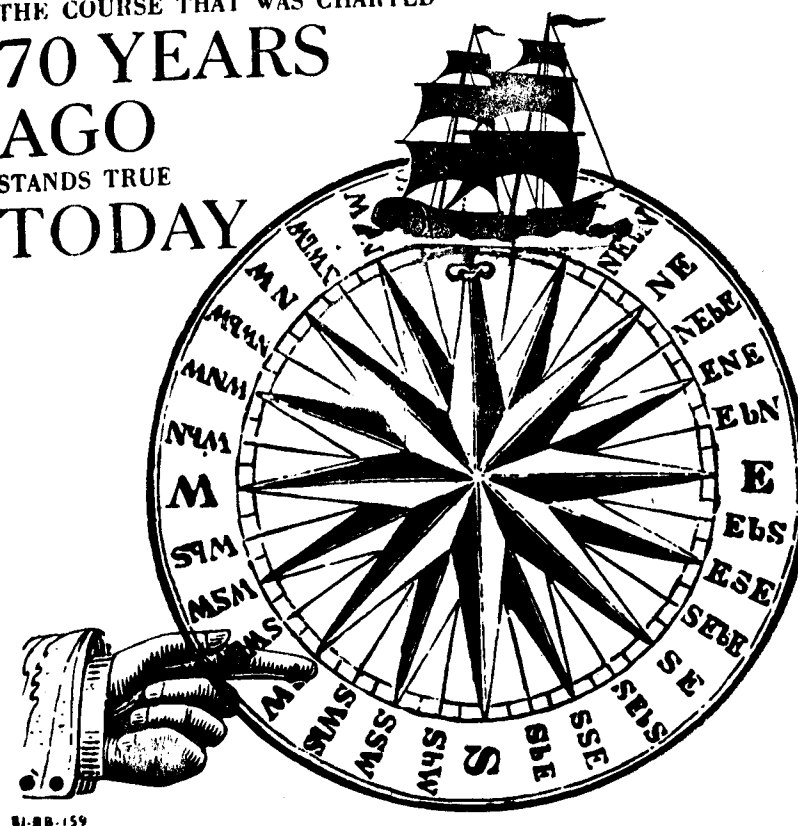
(d) Lubricants and Greases.

(e) All Grades of Asphalt.

(f) Furnace Oil|Bunker 'C' Fuel|Sulphur Fuel Oil|Jute Batching Oil|Hot Heavy Stock.

(g) Refinery products not falling in any specified group.

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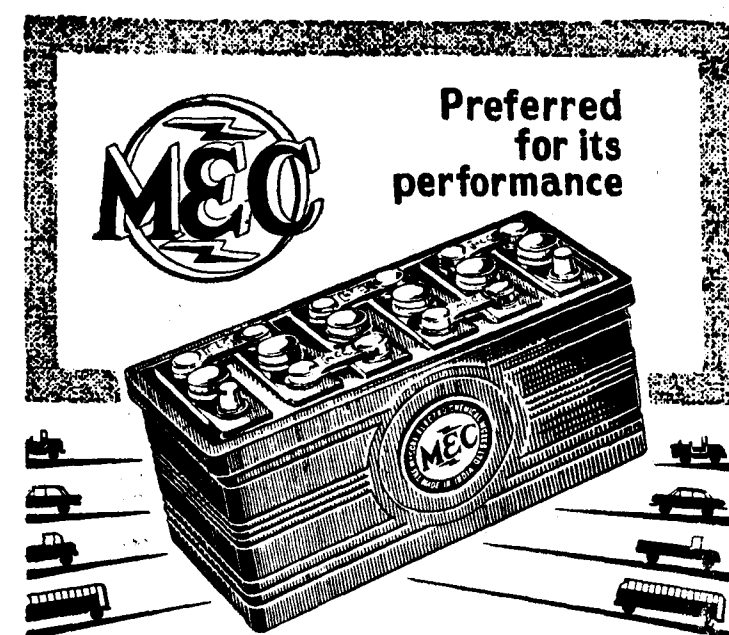
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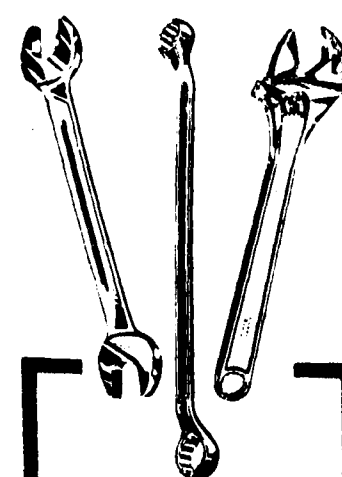
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duction in December, 1961, instead of in April that year as planned, and soon ran into acute teething troubles which were not overcome until recently. Work on the Barauni Refinery (originally due to be ready by the end of 1962) is 20 months behind schedule, it may now go on stream in June next. Although the kerosene unit at Barauni has been modified in the light of Noonmati experience, it is too soon to assert that the sorry tale will not be repeated. Full utilization of the Nahorkatiya-Moran crude can only be expected in the latter half of 1965 at the earliest. Not all the delays in the commissioning of the Noonmati and Barauni refineries were avoidable, but the decision to locate the Barauni refineries at its present site, ignoring the recommendations of Russian experts, did upset the construction schedule. Similarly, exasperating delays in finalising the agreement with ESSO Standard on the lubricants plant and the unjustified obstruction to the extension of capacity of private sector refineries have resulted in a wasteful use of foreign exchange resources. Although the broad heads of arrangement between ESSO and the Union Government, such as the 50:50 partnership of the lubricants plant, had emerged over three years ago, the working out of details is taking inordinately long.

The persistent refusal by the Government to allow the private sector refineries to expand their capacities, not by what is technically known as "debottlenecking" but through the installation of new units at existing sites, will entail large-scale imports of petroleum products up to 1966-67 at any rate. If expansion had been allowed to these refineries early last year, the cost of these imports between the latter half of 1964, when the new units could be in production, and 1967, when adequate supplies from indigenous sources would be available, could have been reduced by at least 40 per cent, even after allowing for increased cost of crude imports and remittances of refining and marketing profits. Some stubbornness in the face of expansion pleas was perhaps necessary and justified as the international oil market had meanwhile turned in the buyer's favour. But wresting concessions through procrastination was carried too far and at the expense of the interests of the economy as a whole.

The sum of Rs. 65 crores thus wrung out of the oil companies — a good part of it, would have come in any way, as the oil companies had started renouncing some of their privileges voluntarily even before pressure had been brought to bear upon them — is bound to be more than offset by larger imports, and possible loss on exports, of petroleum products over the next three or four years. Imports of these products from the Soviet Union on the rupee account and at lower cost might have reduced the drain on foreign exchange. But if the report is true that the USSR has asked to be allowed to charge freight on oil exports to India from Black Sea ports instead of Persian Gulf ports as hitherto, it should rob these imports of much of their charm.

Various Estimates

Since the demand for petroleum products will grow at a rapid rate during the fourth Plan period, there is a good case for allowing the private sector refineries to expand. Table IV gives the industry's estimates of the demand for various oil products in India up to 1971. These, of course, are widely at variance with the Government's latest estimates as reported, which put the total demand for petroleum products by 1970-71 at about 26 million tonnes. But these estimates are based on artificially depressed consumption figures for the current year, resulting from this year's highly enhanced taxation. Furthermore, sluggishness in the Indian economy has also led to reduction in demand for petroleum products during the past two years. To project future demand on such conservative basis, while attempts are simultaneously being made to step up the rate of economic activity through advance action on the fourth Plan projects, is nothing short of foolhardy.

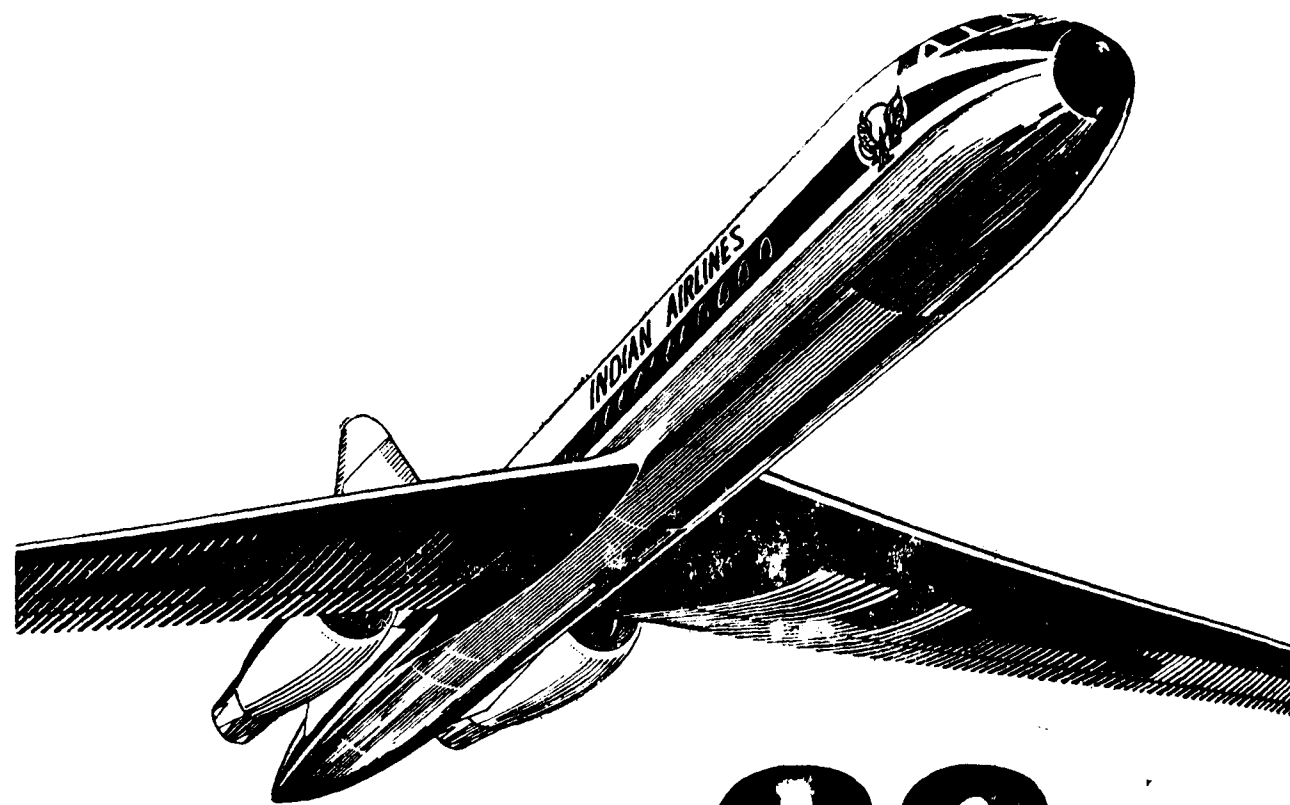
Even if the industry's estimate of a demand of 31.4 million tonnes is considered high, there can be little doubt a figure of 28 million tonnes per annum at the end of the fourth Plan period should be beyond controversy. If the country is to be made nearly self-sufficient in essential petroleum products, a demand of 28 million tonnes will call for 30 million tonnes refining capacity. But then aiming at mere near-self-sufficiency in industries such as petroleum is

TABLE II
CONSUMPTION OF PETROLEUM PRODUCTS IN INDIA

(Thousand tonnes)

Year	Light Distillates	Kerosenes|ATF	Diesels	Fuel Oils	Others	Total
1948	513.7	571.8	353.7	499.3	310.5	2,249.1
1949	599.4	773.6	511.5	558.6	312.5	2,755.6
1950	680.0	937.1	516.6	579.7	277.9	2,991.3
1951	904.2	1,099.2	674.4	626.0	333.0	3,636.8
1952	902.8	1,105.7	659.1	585.3	375.3	3,628.2
1953	859.8	1,222.7	712.4	598.6	375.9	3,769.4
1954	886.8	1,300.0	767.1	622.0	424.7	4,000.6
1955	938.8	1,480.0	860.5	687.7	558.4	4,523.4
1956	962.6	1,608.4	980.5	735.7	595.2	4,882.4
1957	942.7	1,746.9	1,189.7	890.9	568.7	5,338.9
1958	879.7	1,754.1	1,404.5	1,024.6	616.2	5,679.1
1959	885.4	2,091.9	1,602.8	1,175.0	651.1	6,406.2
1960	1,055.8	2,177.0	1,878.9	1,744.9	795.3	7,651.6
1961	968.9	2,438.1	2,048.3	1,887.6	933.4	8,272.3
1962*	1,063	2,667	2,273	1,834	1,214	9,051

* Provisional.
Note: 1960 and 1961 includes Bunkers.



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not prudent. If planning is to have any meaning in such vital spheres, it should be undertaken for marginal surpluses, not for deficits. The Western countries always plan for 20 per cent excess capacity in the oil industry at the least, the surplus being exported during normal times. When the proposed refineries at Barauni, Koyali, Cochin, Madras and Haldia are in full commission, this country will have an aggregate refining capacity of 23 million tonnes. If the refining capacity is raised to 30 million tonnes by 1970-71, the really problematic surplus will be of gasoline. In a developing country such as ours, however, this should not pose a problem at all. Surplus naphtha can be profitably utilized for the manufacture of petro-chemicals and of fertilisers, for which there exists an insatiable demand for decades to come. Research work is also being done at present with a view to utilizing gasoline by mixing it with kerosene.

An early decision on the expansion of the private sector refineries should serve us well even by the last year of the current Plan and early during the next. Even if the Barauni, Koyali and Cochin refineries go on stream more or less according to current schedules, they cannot be expected successfully to function to capacity before 1966-67. This should be particularly true of their expansion plans; these are to be accomplished by widening of bottlenecks in operation -- a slow and gradual process which takes years. The combined output, in the case of the four major production groups, of the existing refineries as well as of those now being set up will be of the order of: light distillates, 2.9 million tonnes; kerosene, 3 million tonnes; middle distillates, 4.3 million tonnes and furnace oil, 4.3 million tonnes. If this is to be the supply position from indigen-

ous sources in 1967, it is apparent that fairly large quantities of kerosene and middle distillates in 1965-66 at least will have to be imported in order to meet the estimated demand of 4 million tonnes and 4.3 million tonnes, respectively. The demand should grow further by 1966-67 and 1967-68 necessitating imports in those years too. The expansion of the private refineries should serve to fill these gaps. There will, of course, exist surpluses of gasoline. But increased resort to fuel injection in the fertilizer and steel industries and the proposed development of petro-chemicals during the next few years should easily wipe out the surplus.

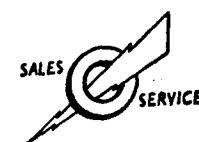
It is high time that goodwill was restored between the Government and the private oil companies. The recent offer of the latter to abrogate their 1951 refinery agreements voluntarily and to replace them by licences under the Industries Act, without this being conditional on expansion of their existing refineries, is a step that calls for a counter-gesture. The companies have asked for the safeguard that: (i) they will be allowed to import crude from their own sources at prices that will be competitive in the world market; (ii) the Government of India will not reduce their competitiveness by levying import duties on crude; (iii) they will not be discriminated against, particularly in respect of taxation and marketing "vis-a-vis" the public sector refineries, and (iv) they will be permitted to repatriate their profits. ESSO has also offered to merge its refining and marketing organizations in a single unit. Trouble, if any, is likely to arise over the first two assurances sought by the companies. But as long as the companies are prepared to import crude from their own sources at competitive world prices, there should be no objection. For their part, the companies should have no objection to processing

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Iranian or Kuwait crude if the Government can obtain supplies at concessional rates. If they will not do that, they should consent to reduce the price of their own crude to the level at which the Government can ensure regular supplies from the Middle East. The resilience shown by the companies in adapting themselves to changed circumstances should ensure their future in this country. The latest evidence of this spirit is the willingness they have expressed to collaborate with the Union Government in the proposed refinery at Madras on terms more or less similar to those agreed to by Philips Petroleum in respect of the Cochin Refinery. Indeed, the Cochin Refinery Agreement is a landmark in the history of the Indian oil industry.

Lubricants Output

The Government must at the same time expedite plans for stepping up output of lubricants, oil exploration and prospecting and for the establishment of petro-chemical industries. Assuming conditions of peace, our demand for lubricants at the end of the current Plan period will be around 500,000 tonnes per annum. At present, only small quantities are produced locally. The ESSO plant and another at Barauni should raise lubricants capacity to about 330,000 tons a year. Surely more is necessary.

Our demand for crude should increase to about 30 million tonnes per annum by 1970-71. About seven million tonnes should be available from the Assam and Gujarat oilfields. The rest will have to be imported at heavy foreign exchange cost unless, of course, fresh sources of indigenous supply are found meanwhile. The ONGC and Oil-India are doing a commendable job in this regard, but their efforts need to be supplemented. Since prospecting for oil is a highly speculative business, the country can only gain if the experienced international companies can be pressed into service not merely to work as contractors for the ONGC but to operate on their own account. The Oil-India pattern of collaboration, though desirable, may, in this case be modified somewhat in order

to evoke the interest of the other oil companies: the foreigner who invests in oil exploration should be allowed a share in the refining capacity which will be based on the crude thus discovered. Incidentally, the attempt being made to secure supplies of crude from Iran through a collaboration between the ONGC and the agency of the Iranian Government in prospecting for oil is a step in the right direction.

Now to petro-chemicals. Dr. Henny of the French Institute of Petroleum has estimated that, if concerted action is not taken to develop petro-chemical industries in India, we will have to foot an import bill on this score to the tune of Rs. 51 crores in 1965-66 and Rs. 140 crores five years later. Based on the estimated availability of naphtha between 1966 and 1971, he has recommended a phased programme for building up five major petro-chemical complexes at a total cost of Rs. 262.9 crores; one each at Bombay (Rs. 64.3 crores), Gujarat (Rs. 74.9 crores), South India (Rs. 66.4 crores), Barauni (Rs. 53 crores) and at Calcutta (Rs. 52 crores). He has further suggested that the Bombay and Gujarat complexes should receive Government sanction in 1963 so that they may start production by 1968. He has recommended that the Government should sanction the initial phases of the South India and Barauni complexes by 1964, so that they can start by 1967-68. For the Calcutta complex, 1967 has been suggested as the year of sanction and 1970 as the year of commissioning.

Work on the Bombay and Gujarat complexes has already begun. Two schemes — one of Union Carbide (India) to establish a naphtha cracker of 60,000 tonnes capacity per annum for the manufacture of polyethylene and solvents and the other of Herdillia Chemicals for producing phenol and acetone from petro-chemical propylene — were sanctioned for Bombay early in 1961. A letter of intent has also been issued to Mr. A. Mafatla for setting up a 200,000-tonne naphtha cracker in Bombay for producing, among other things, ethylene. The plan for the Gujarat complex was approved about

TABLE III
IMPORTS OF PETROLEUM CRUDE AND PRODUCTS

Product	1959		1960		1961		1962-63	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Light Distillates	109.0	3.25	116.5	3.27	111.5	3.11	138,894.5*	4.13
Kerosenes (including ATF)	1259.6	21.99	1215.4	19.66	1397.0	21.87	1988,357.4*	32.33
Diesels	310.5	4.85	298.7	4.12	418.0	5.69	459.6	6.62
Lubricating Oils	212.1	9.59	214.8	11.43	295.0	14.33	231.6	11.57
Bitumen	6.2	0.15	16.2	0.40	13.2	0.32	10.3	0.29
Heavy Ends	67.0	1.50	133.0	1.54	213.4	1.45	204.1	1.86
Other Products	52.3	0.89	36.6	0.59	27.4	0.42	18.1	0.71
Total	2016.7	42.24	2031.2	41.01	2475.5	47.20	..	57.51
Petroleum crude and partly refined	1202.9	9.33	3028.7	22.91	6320	42.36	4327	30.15

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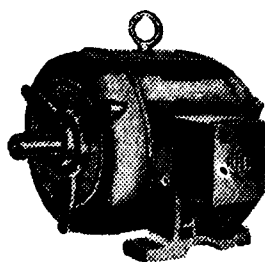


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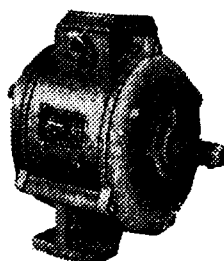
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three weeks ago. It will be implemented in four stages: in the first phase, benzene (32,700 tons) and toluene (15,000 tons) will be produced; in the second phase, methanol (4,500 tons) and isoprene (41,000 tons); in the third stage, O xylene (10,350 tons), P. xylene (8,050 tons) and ethyl-benzene (14,000 tons); and in the fourth phase, ethylene (45,800 tons), propylene (24,800 tons), butadiene (24,900 tons) and benzene (30,000 tons). While the authorisation schedules of these two petrochemical complexes, as suggested by Dr. Henny, have been, thus, adhered to, it remains to be seen whether energetic action will be taken so that these complexes can be commissioned by 1966. Fortunately, some ENI credit is available for the Gujarat complex, but care must be taken to avoid procedural delays.

Phillips Petroleum is stated to have evinced interest in a synthetic rubber plant which it has offered to set up as part of the complex in South India. According to Dr. Henny, the other petrochemical intermediates which may be produced here are polyethylene, polyvinyl, acetate polyvinyl chloride, chlorinated C2 derivatives, phenol, acetone, isopropyl alcohol,

propylene glycol and polyisoprene.

The production-patterns recommended for the Barauni and Calcutta complexes are: Barauni — benzene, O. xylene and polystyrene; Calcutta — polyethylene, ethylene oxide, dodecyl, benzene, polypropylene, acrylonitrile, polybutadiene and methanol.

Mention may also be made here of the PJB Industries' scheme for manufacturing carbon black from Nahorkatiya natural gas. A licence for this purpose was issued in December, 1960. Duncan Brothers had also taken out a licence for a synthetic rubber plant based on Nahorkatiya natural gas but the scheme has fallen through as it was considered that the supplies of gas, after the requirements of the PJB Industries carbon black unit and those of the Namrup fertilizer plant had been met, would be inadequate. Oil-India is now planning to utilise this surplus gas for the manufacture of channel black.

The offer of the Kuwait Government to participate on a minority basis with the Government of India in the petrochemical industries needs to be availed of.

TABLE IV

INDUSTRY'S ESTIMATES OF DEMAND FOR PETROLEUM PRODUCTS IN INDIA: 1962-1971

(Thousand metric tons)

	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971
Light Distillates	1,063	1,121	1,240	1,363	2,030	2,797	3,155	3,410	3,690	3,815
Kerosenes/ATF	2,667	2,836	3,184	3,552	3,955	4,363	4,815	5,315	5,868	6,480
Diesels	2,273	2,480	2,818	3,240	3,769	4,271	4,845	5,500	6,247	7,104
Lubricants	335	364	413	473	547	608	676	752	836	930
Bitumens	391	405	455	569	551	582	626	720	896	870
Fuel Oil	1,834	2,253	2,944	3,856	5,065	5,811	6,668	7,654	8,788	10,095
Others	488	647	922	1,216	1,582	1,754	1,956	2,048	2,077	2,104
Grand Total	9,051	10,106	11,976	14,269	17,499	20,186	22,741	25,399	28,402	31,398

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The aluminium industry in this country is only 25 years old. Even as late as in 1947, the total installed capacity of the two producers then functioning in this field was only 4,000 tons of ingots, yielding an output of 3,215 tons of ingots. There was some progress in the first Plan period when the capacity of existing plants was stepped up to a total of 7,500 tons. As a result, the actual output at the end of the first Plan was near 7,000 tons. In the second Plan, the Government decided that, in addition to further expansion of existing units, new units should be set up. The target which was originally fixed at 30,000 tons was later revised to 25,000 tons. Unfortunately, the project for a new 10,000-ton smelter to be located at Salem in South India in the public sector by the National Development Corporation did not fructify and it was subsequently arranged that this scheme was to be undertaken in the private sector by Madras Aluminium, a company formed for the purpose. As a result of this default, the second Plan target could not be achieved. The expansion in that period was confined to the additional capacity installed by one of the two established producers. Thanks to the new smelter with a capacity of 10,000 tons, which had been set up at Hirakud by Indian Aluminium, the installed capacity was increased to 18,100 tons of ingots by the end of 1960-61 and the actual output in that year was slightly more at 18,200 tons of ingots. The Aluminium Corporation of India, which was to have raised the capacity of its smelter at Asansol from 2,500 to 7,500 tons went to work on the project in the second Plan period, but the completion of the scheme has spilled over into the third Plan.

Lagging Production

By the time aluminium targets for the third Plan came to be considered, the consumption of this metal was running at a level well over 50,000 tons, as against a domestic production of slightly more than a third of that amount. It was clear moreover that the demand would go up within the next five years by three to four times and the planners were, therefore, disposed to set their sights high when drawing up the development programme for this industry. It was proposed initially that the industry should aim at an increased capacity of 87,500 tons, but it was subsequently realised that a much more ambitious goal would be justified in the context of the need for employing aluminium to replace steel as well as scarce non-ferrous metals such as copper and zinc, in a number of industrial and constructional uses. The target, therefore, was revised upward to 150,000 tons and the development programme designed to meet these goals rightly placed reliance both on the expansion of capacities in existing units and the setting up of large, new units.

Apart from the additional capacity of 5,000 tons which had been sanctioned in the case of the Aluminium Corporation under the second Plan, provision was made in the third Plan for Indian Aluminium to step up the capacity of its Alwaye smelter from 5,600 to 10,600 tons and the capacity of its Hirakud smelter from 10,000 tons to 20,000 tons. Both these expansion programmes have been pursued successfully

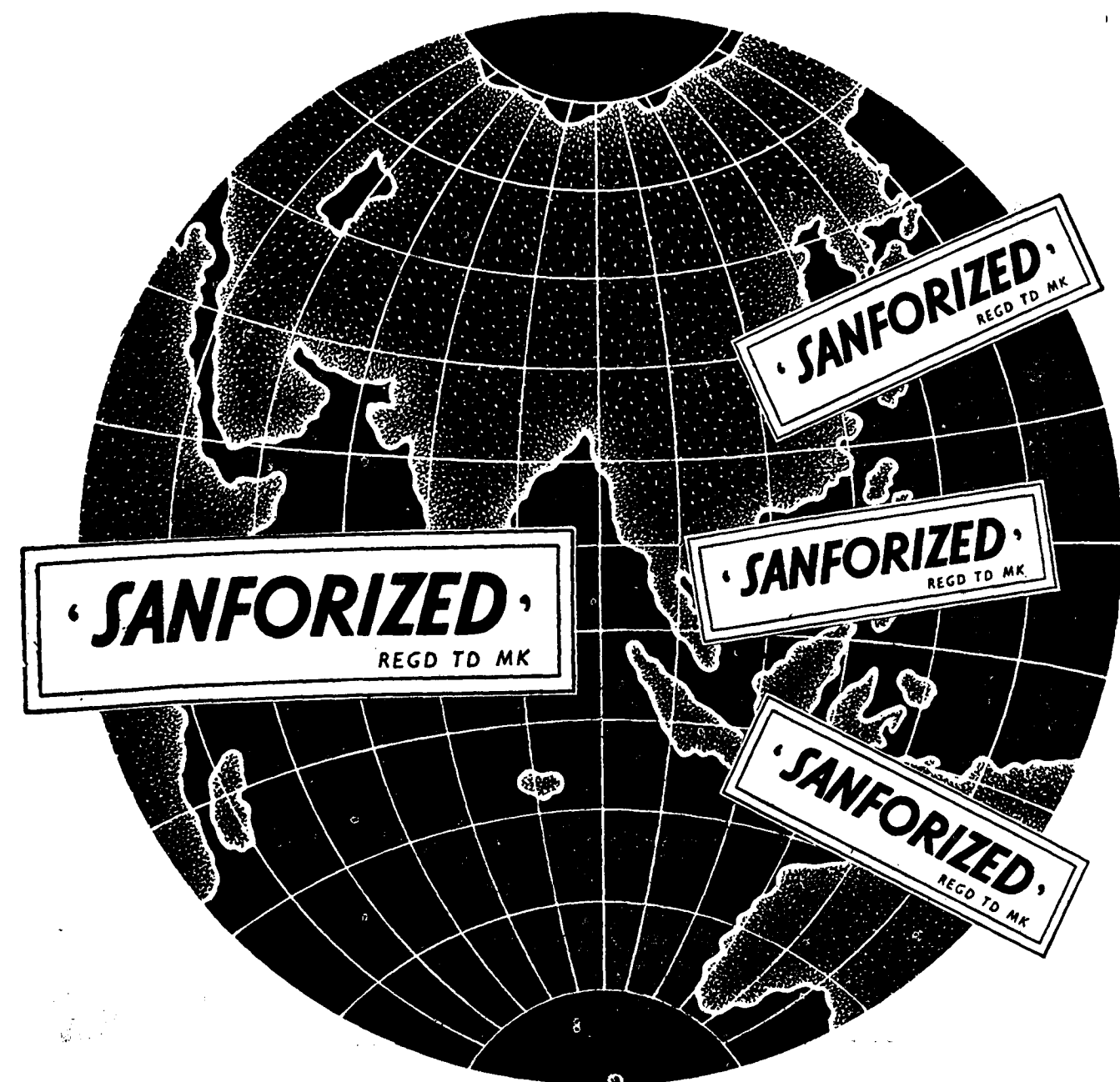
and the increased production expected from them is now becoming available and is expected to be fully established by next year.

In addition to the expansion of production of established units, new plants with a total initial capacity of 80,000 tons, with a provision for further expansion up to 140,000 tons, were also to be set up during the third Plan. Here, however, most of the planning has gone awry and so far only one of the new projects has come to fruition. The successful new plant is that of Hindustan Aluminium, which has been able to set up within a remarkably short period a smelter with a capacity of 20,000 tons of ingots at Renukoot in Uttar Pradesh. This plant has been commissioned within 18 months of the start of construction and is now giving regular production at an annual rate of 22,000 tons of ingots. In the case of this plant, further expansion up to 50,000 tons had been originally provided for, but now the company has been allowed to raise its installed capacity to 60,000 tons, partly because of the need for more aluminium which is being felt in the country and partly because other new plants contemplated in the third Plan are not coming up to schedule.

Behind Schedule

Among the projects which have fallen behind schedule is that of Madras Aluminium, but in this case the initial hurdles which had to do with procedural delays in arranging for institutional finance have been cleared and the plant, which will have a capacity of 10,000 tonnes, may begin producing alloys and ingots by the latter half of 1964; the electrolytic pot has been installed this month at the plant site at Mettur. Three other new projects included in the Plan, however, are in the doldrums. The two parties to whom licences had been issued for setting up plants at Koyna in Maharashtra and near the Sharawati power project in Mysore respectively were unable to secure foreign collaboration, raise internal finance or otherwise proceed with the processing of the projects. As a result, neither the Koyna plant for which an initial capacity of 20,000 tons with scope for further expansion up to 50,000 tons has been fixed, nor the Sharawati plant for which a capacity of 30,000 tons has been indicated, is likely to make substantial progress in the period of the third Plan. As regards the Koyna project, the licence has been transferred to another party, while in the case of the Sharawati project, the Mysore Government recently indicated that it was thinking in terms of taking up this scheme in association with private enterprise. The remaining proposal in the third Plan for a new aluminium plant relates to a public sector scheme which is to be sited in Madhya Pradesh and although the Central Ministry concerned has been negotiating with the Hungarian Government for collaboration, the talks have not so far led to any specific results. The Government's ambition, however, appears to be to organise a plant with a capacity of about 50,000 tons. This is no doubt quite consistent with the target of 150,000 tons set for the industry in the third Plan and even more relevant to the rapid development of the industry visualized for the fourth Plan for which it is now being considered that a target of up to 250,000 tons may not, by any means, be excessive.

Meanwhile, it must be pointed out that substantial though the expansion in the third Plan has been, the failure of so many new projects to make headway has underlined the need for more vigilant planning of development in the coming years. Thanks to the expansion schemes undertaken by the two existing producers and the emergence of the new plant of Hindustan Aluminium, the installed capacity of the industry has gone up from 18,100 tons of ingots in 1960-61 to 27,500 tons in 1961-62 and 53,350 tons in 1962-63. During the same



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period production has successfully risen from 18,200 to 19,400 and 42,000 tons of ingots. In the Mid-Term Appraisal of the third Plan it is indicated that the capacity of the industry may reach a level of 68,850 tons with production at 68,000 tons by the year 1965-66. Apart from the fact that this would mean a substantial failure to achieve the third Plan target of 110,000 tons, there is also the fact that the supply of aluminium is failing to catch up with demand, thereby frustrating the country's effort to effect economies in the use of scarce metals, such as stainless steel, copper and zinc.

Hindal's Capacity

It is no doubt true that, with Hindustan Aluminium well set to expand its capacity three-fold within the next few years, the total output of aluminium could possibly exceed the third Plan target by the end of the first year or early in the second year of the fourth Plan. But even so, domestic production would still fall short of requirements to the extent of perhaps 40 or even 50 per cent. In the circumstances, it is clearly necessary that the delay resulting from the lack of progress on all but one of the new schemes included in the third Plan will now have to be made up by bold and energetic planning. With the transfer of the licence to a new party, the Koyana scheme may be expected to come to life. It is also to be hoped that the Central Government would soon have a clear picture of the extent to which Hungarian or other collaboration might be forthcoming for the proposed public sector plant in the Amarkantak region of Madhya Pradesh. Meanwhile, there is need for positive decisions to be taken both with regard to the vigorous pursuit of the Sharawati scheme and the exploration of the possibilities of encouraging some more new plants in the private sector. The Mysore Government has taken the right step in showing keenness for association with private enterprise. It is important that negotiations should be pursued with the purpose of securing efficient entrepreneurship and management for this project. Similarly, applications from private enterprise for new licences for plants in Madhya Pradesh or elsewhere should also be promptly and favourably considered. Finally, as the economies of scale are extremely important to this capital-intensive industry, the Government will do well to encourage or accept readily proposals for further expansion of existing units. The guiding consideration in all this should be to secure the participation of such entrepreneurs as are demonstrably able to

ensure quick and efficient completion of new schemes in this important growth industry.

It is interesting here to recall that it is the demand for ACSR conductors, arising from the large-scale power development programmes in the five-year Plans, which has sparked the substantial development of the aluminium industry in this country. Electrical industries are the major users of aluminium accounting for about a third of the total demand, with the manufacture of domestic utensils and the manufacture of transportation equipment following in that order. In fixing the third Plan targets at 150,000 tons, the Planning Commission has been guided by the following projections of the demand pattern for the year 1965-66:

Industry	Demand Pattern (Tons)
Building and Construction	6,000
Transportation	20,000
Domestic Utensils	30,000
Electrical Industries	50,000
Food, Farming and Sugar Industries	5,000
Canning and Packing	10,000
Miscellaneous	9,000
Exports	20,000
TOTAL	150,000

It is likely that increased use of aluminium in the coming years will mainly be in the electrical industries. For the second place in the list of users, it is not improbable that the manufacture of transportation equipment might compete even more keenly than at present with the manufacture of domestic utensils. Over a longer period the demand for aluminium for canning and packing and for building and construction are likely to grow apace.

According to non-official estimates the demand for aluminium is growing much faster than what has been assumed in the Planning Commission's projections. This view places the potential demand for the use of aluminium in building and construction and for canning and packaging at much higher levels than are indicated in the Planning Commission's estimates, as may be seen from the table given below.

In estimating the potential demand for aluminium an im-

ESTIMATED DEMAND FOR ALUMINIUM IN 1965-66

(Quantities in Tonnes)

Industrial end-use	Estimated product-wise demand						
	Total	Sheets	E.C. Rods & Bars	Extrusions	Castings	Foils	Others
(1) Electrical Industry	65,000	..	59,000	2,500	3,000	500	..
(2) Consumer Goods & Durable Household Appliances	45,000	40,000	..	1,000	4,000	..	..
(3) Transportation	25,000	15,000	..	5,500	4,000	..	500
(4) Building and Construction	20,000	13,500	..	6,000	..	..	500
(5) Canning, Packaging & Farming	16,000	5,500	..	500	..	10,000	..
(6) Other Industrial & Engineering uses	7,000	2,500	..	1,000	3,500	..	..
(7) Miscellaneous	7,000	2,000	..	..	4,000	..	1,000
(8) Exports	15,000	9,000	1,000	2,500	..	1,500	1,000
TOTAL	200,000	87,500	60,000	19,000	18,500	12,000	3,000

portant factor which has to be taken into consideration is the enormous scope that there is for the substitution of aluminium for scarce or more expensive metals in a variety of uses. This aspect is particularly relevant to this country because not only has its steel industry not yet been geared to the production of special steels, but its basic non-ferrous metal resources (other than bauxite for aluminium) are limited. In the case of copper, for instance, there was only one plant with a production, wholly of the fire-refined variety, of 7500 to 8500 tons per annum. Subsequently, the company concerned, Indian Copper Corporation, has set up another smelter with a capacity of 8,400 tons for producing electrolytic copper from imported blisters. The limiting factor in the case of copper, of course, is the absence of large-scale copper ore deposits. In recent years, however, surveys conducted in West Bengal, Rajasthan and Andhra Pradesh have been moderately promising. The existing plant is based on an 80-mile long belt in the Singbhum District of Bihar. If, as is believed, the Khetri belt in Rajasthan contains nearly 20 million tons of this ore, the position with regard to copper would certainly improve considerably. But further exploration is needed to confirm such assumptions and meanwhile, copper does remain a scarce metal, the use of which needs to be economised by the employment of substitutes such as aluminium.

Pending the expansion of the domestic aluminium industry, this country has been importing substantial quantities of aluminium ingots as well as fabrications. It is interesting that the tonnage of aluminium imports in 1960 exceeded substantially the tonnage of domestic production. This situation has now changed, although imports are bound to be of the order of some 50 per cent of domestic production for some time to come. The country is also spending foreign exchange on the import of non-ferrous metals such as copper, lead and

zinc. But in spite of domestic production being supplemented by imports, there is a general scarcity of non-ferrous metals which has resulted in considerable idle capacity, particularly in the various small-scale industries which are utilising non-ferrous metals as raw materials. A recent survey conducted by the Central Government disclosed the following percentage deficits in supply relative to demand in the cases of the more

PRODUCTION OF ALUMINIUM AND FABRICATED GOODS IN INDIA : 1951-63

(Thousand tons)

Year	Virgin Metal	Sheets and Circles	Foils	Wire Rods (A.C.S.R.)	Rods and Sections (Extruded)
1951	3.8	..	..	..	..
1956	6.5	10.5	1.1	2.4	0.4
1957	7.8	10.9	1.4	3.3	0.7
1958	8.2	13.3	1.6	1.0	1.1
1959	17.2	15.8	2.0	4.3	1.2
1960	18.1	16.1	3.0	4.6	1.3
1961	15.6	16.6	3.1	8.2	1.6
1962	34.8	15.8	3.3	11.2	3.1
1963	26.1	11.4	1.5	7.7	1.7

(Jan.-June)

IMPORTS OF ALUMINIUM

Description	1957	1958	1959	1960	1961-62	1962-63
A. Aluminium and aluminium alloys unwrought.						
1. Aluminium base alloy	8.55	65.50	62.65	6.74	21.3	3.1
2. Aluminium ingots	5,710.40	6,824.75	6,577.05	7,850.25	7,682.7	13,361.8
3. Others	37.60	224.50	166.25	110.85	256.4	1,571.1
Total	5,756.55	7,114.75	6,805.95	7,967.84	7,960.4	14,936.0
B. Aluminium and aluminium alloys — worked bars, rods, plates, sheets, wires pipes, etc.						
1. Bare aluminium wire (solid hard drawn)	22.75	2.35	1,002.35	3,653.05	1,286.3	233.8
2. Bars and rods	11,615.50	9,269.80	7,187.00	6,935.64	10,971.8	18,124.9
3. Circles	1.25	—	159.85	209.85	251.9	166.7
4. Foil aluminium for tea chest lining ..	20.05	771.60	1,599.90	2,225.71	1,956.0	910.0
5. Foil and leaf excluding tea chest lining	627.25	76.90	24.60	51.30	52.2	46.8
6. Pipes and tubes	140.25	31.55	78.15	193.03	177.1	142.3
7. Powder	131.95	69.85	171.35	86.88	72.9	149.2
8. Sheets, plates and strips	1,849.00	1,101.25	608.90	887.45	937.0	2,048.6
9. Wire n.e.s.	553.00	99.76	8.50	190.15	627.4	764.7
10. Others	673.50	624.85	1,364.15	680.85	863.0	711.5
Total	15,634.50	12,047.90	12,204.75	15,126.91	17,193.5	23,298.5
GRAND TOTAL	21,391.05	19,162.65	19,010.70	23,094.75	25,153.9	38,234.5



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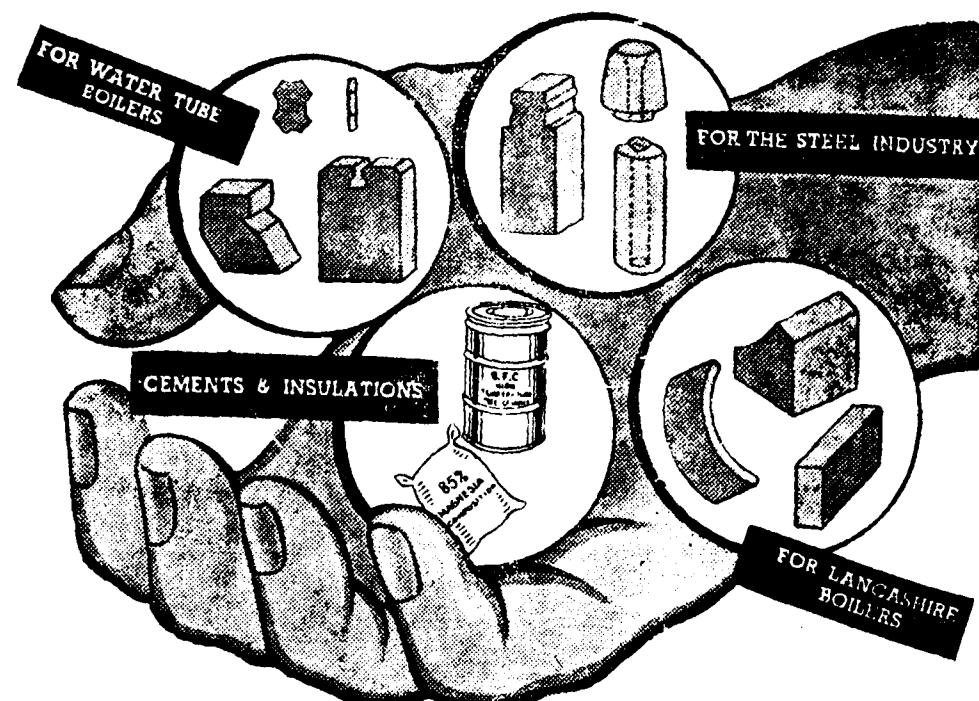
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important categories of non-ferrous metal fabrications: aluminium rods for ACSR conductors — 57; zinc sheets and strips — 44; aluminium rods and sections — 42; lead sheets — 22; lead pipes and tubes — 11; copper rods and sections — 42; copper pipes and tubes — 10; and arsenical copper rods — 2.

Progress in Copper

We have reviewed the steps which have been taken for expanding the aluminium industry. In the case of copper, apart from the existing smelters of Indian Copper Corporation in Bihar, two new plants have been sanctioned, one to be located in Khetri and the other in Sikkim. The Khetri project was to go into production by the middle of next year but has been delayed and is now expected to go on stream only towards the close of 1966. Meanwhile, the original capacity of the proposed plant has been revised upward from 10,000 tons to 22,000 tons. This project is to be in the public sector.

A feature of the Indian aluminium industry is the integration of smelting and fabrication. The Indian Aluminium Company and the Aluminium Corporation of India, manufacturers of primary metal, have installed rolling mills. Indian Aluminium, in addition, has an extrusion press at Alwaye for the manufacture of various structurals and other items

such as beams, channel, angles, bars, tubes, hand rails and window frames. This company operates ball mills in its plant in Thana district in Maharashtra for manufacturing aluminium powder and paste. Hindustan Aluminium, after completing and commissioning its smelter, is now engaged in putting up

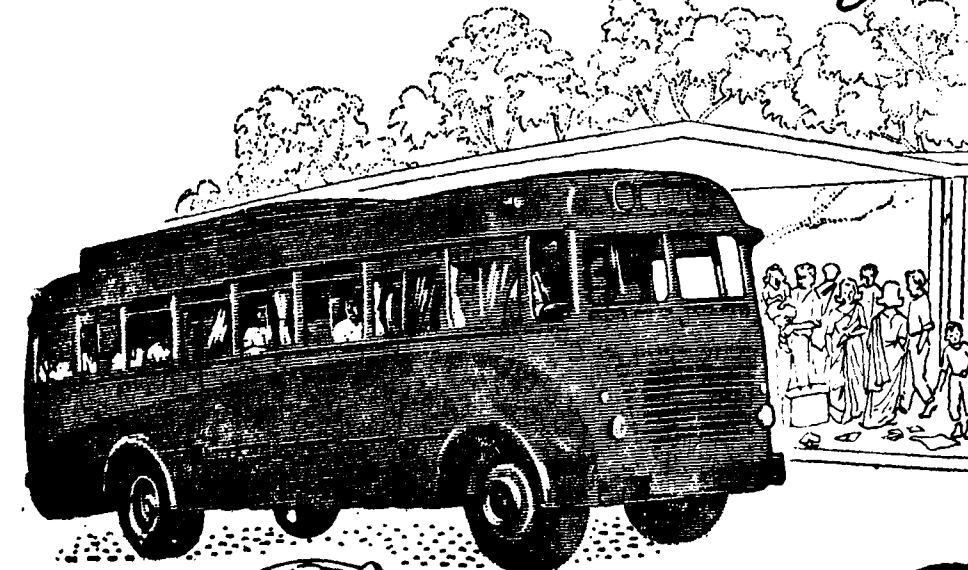
RESERVES OF BAUXITE IN SELECTED COUNTRIES (Million tons)

Country	Reserves	Potential Resources
Jamaica	550	450
U. S. A.	50	350
Brazil	30	173
British Guiana	80	70
Surinam	200	200
France	70	190
Greece	84	N.A.
Hungary	250	..
U.S.S.R.	100	..
Yugoslavia	128	172
India	73	195
Ghana	229	N.A.
Guinea	600	2,400
Australia	600	400

STATE-WISE PRODUCTION OF BAUXITE: 1951-62

State	1951	1956	1961	1962 (Estimated)
Bihar	20,536	58,548	153,660	195,000
Gujarat	20,114	22,319	249,517	280,000
Madhya Pradesh	26,314	17,700	42,415	50,000
Madras	1,159	1,632	553	..
Maharashtra	..	..	27,289	3,000
Mysore	..	660	2,471	5,000
Total	68,123	100,859	475,905	533,000

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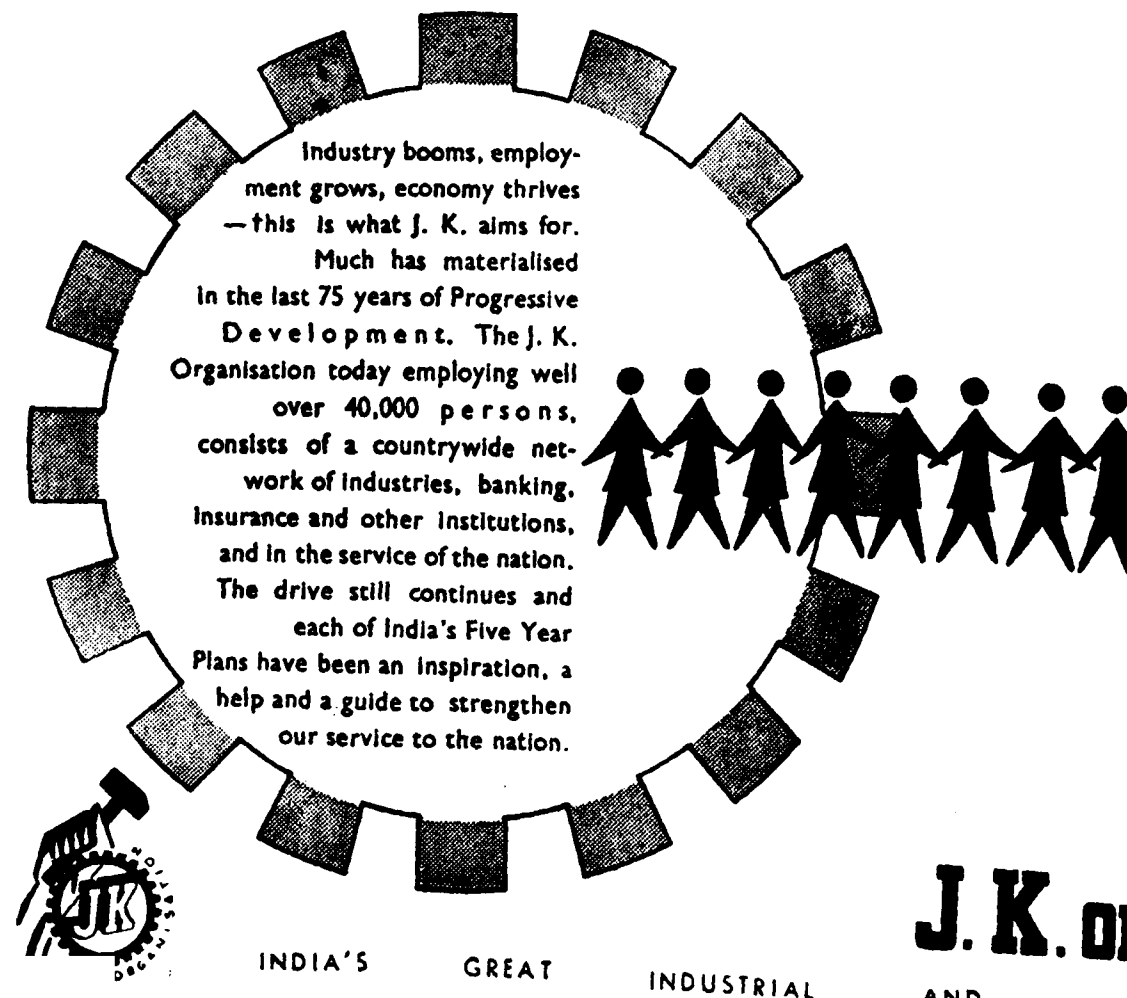
a rolling mill, an extrusion press and other facilities for fabrication.

The rolling mills of the manufacturers of the primary metal are equipped for the production of industrial sheets and strips not only from pure aluminium but also from aluminium alloys of both heat treatable and non-heat treatable types. There are other rolling mill units in the country which are engaged mainly in manufacturing commercial sheets and circles for use in the production of household utensils and hollow-ware. Again, a large number of small rollers spread all over the country are employed in rolling aluminium scrap into small circles for use in the manufacture of household utensils and hollow-ware. A plant located at Kamarhati in West Bengal is manufacturing aluminium foil, while the rapidly increasing use of aluminium conductors (steel reinforced) and all-aluminium cables in electric transmission and distribution systems has led to a rapid increase in the demand for aluminium wire rods for the manufacture of these cables. Among the leading manufacturers of aluminium wire rods and cables are the Aluminium Industries Limited at Kundara in Kerala State, the Hindustan Electric Company Limited and the Indian Cable Company. The manufacture of aluminium wire rods and cables is a growing industry and it is expected that it will have a surplus of production for export when new plants which are now in the process of installation are completed.

The Sikkim copper deposits are proposed to be exploited by the Sikkim Mining Corporation, a joint venture of the Sikkim Durbar and the Government of India. The ore here will be concentrated at the mine and will be railed to be refined at one of the smelters in India. Expectations are that copper to the tune of 2,000 tons (approximately) per annum

ESTIMATED DEMAND FOR COPPER, BRASS, ZINC AND LEAD IN INDIA: 1965-66 (Product-Wise)

	1961	1965-66
Copper		
Copper (Commercial) sheets and hot rolled circles ..	3,500	4,000
Copper sheets (cold rolled) ..	500	1,500
Industrial copper strips, cold rolled in cut lengths and coils ..	1,000	2,500
Electrolytic copper wire rods for cables, wires and strips ..	37,000	75,000
Copper rods and sections (extruded) ..	1,000	2,000
Copper pipes and tubes (extruded) ..	1,000	2,500
Brass		
Commercial Brass sheet and circles (hot rolled) ..	35,000	35,000
Industrial Brass strips in cut lengths or coils (cold rolled) ..	3,000	8,000
Brass rods and sections (extruded) ..	3,000	8,000
Brass pipes and tubes (extruded) ..	2,000	6,000
Brass Copper wire (non-electrical) ..	1,500	3,500
Brass Copper wire (non-electrical) ..		
Copper base alloys and castings ..		30,500
Zinc		
Zinc sheets and strips (incl. requirement of printing trade) ..	4,000	7,000
Lead		
Lead sheets and strips ..	1,000	2,500
Lead Pipes and tubes ..	1,000	3,000

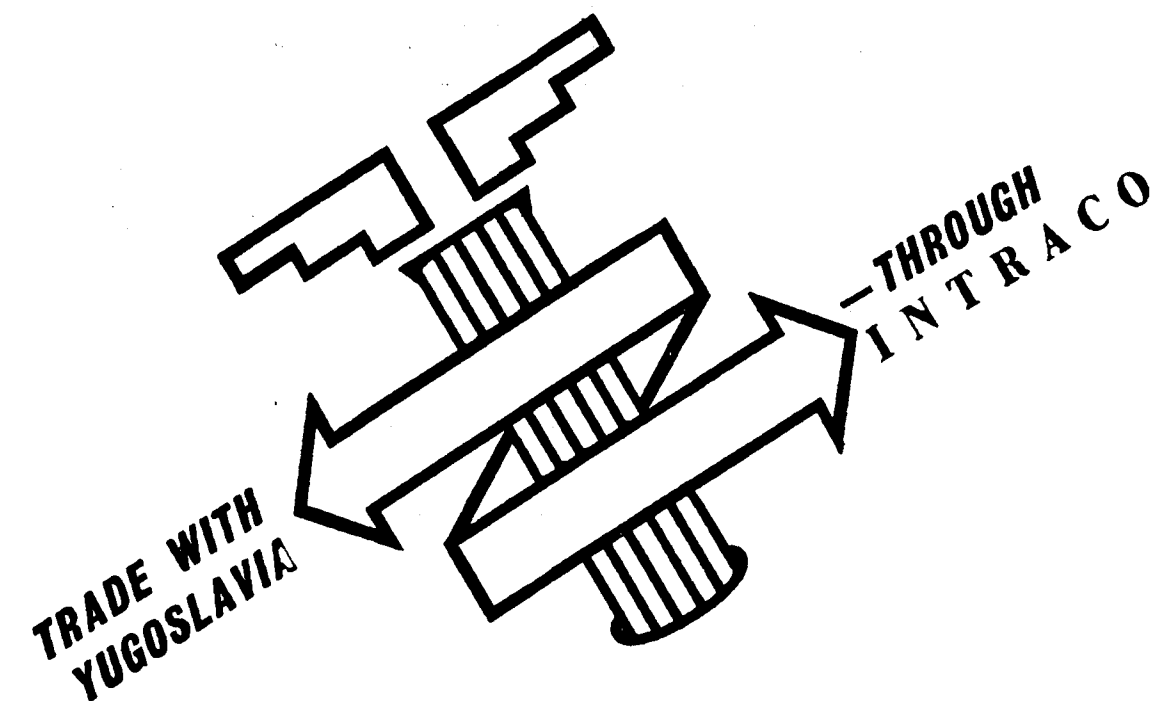


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will be available from this source. The indigenous capacity for producing copper, therefore, is expected to go up to nearly 35,000 tons per annum in the next few years; the capacity at the end of the third Plan period is estimated around 17,400 tons. Suggestions have been made for the setting up of another refinery with a capacity of 10,000 tons of electrolytic copper; this is to be based on scrap available in the country.

The progress achieved in regard to zinc and lead has been even more inadequate. At present, there is no refining capacity for zinc in this country. There is only one firm, the Metal Corporation of India, which is engaged in the mining

ESTIMATED CAPACITIES AND PRODUCTION OF ALUMINIUM IN SELECTED COUNTRIES

(In metric tons)

Country	Estimated capacity on Oct. 31, 1962	Production in 1961
Asia and Oceania		
Australia	35,800	13,513
India	54,204	35,404*
Japan	203,500	152,513
Taiwan	20,000	9,017
Europe		
Austria	77,000	67,654
France	347,000	279,163
Germany, West	167,000	172,558
Italy	181,500	83,353
Norway	226,500	171,900
Spain	49,500	37,157
Sweden	16,725	16,725
Switzerland	68,000	42,200
United Kingdom	35,600	32,811
Yugoslavia	37,700	27,400
North America		
Canada	796,500	601,630
United States	2,533,300	1,727,340
South America		
Brazil	20,850	18,320
Communist countries		
China	240,000	1,00,000
Czechoslovakia	40,000	34,000
Germany, East	55,000	39,000
Hungary	57,000	51,100
Korea, North	36,000	..
Poland	48,000	47,600
Rumania	10,000	10,000
U.S.S.R.	1,300,000	1,050,000

* Relates to 1962
Source: Kaiser Aluminium News

IMPORTS OF NON-FERROUS METALS

Year	COPPER		LEAD		ZINC	
	Quantity ('000 tons)	Value (Rs. crores)	Quantity ('000 tons)	Value (Rs. crores)	Quantity ('000 tons)	Value (Rs. crores)
1956	31.28	15.16	16.31	2.74	37.80	5.67
1957	47.86	17.03	14.53	2.21	53.40	7.24
1958	51.51	13.43	21.50	2.29	59.53	6.13
1959	50.35	16.31	23.76	2.41	48.04	5.28
1960	62.24	21.65	24.61	2.56	67.17	8.81
1961-62	70.1	23.5	28.4	2.6	66.8	7.4
1962-63	74.1	25.2	33.6	2.7	87.4	9.0

of lead and zinc ores and in processing them. It currently mines nearly 500 tons of these ores daily from the Zawar mines in Rajasthan and beneficiates them there. Lead concentrates are then sent to Tundoo in Bihar for smelting to produce 99.99 per cent pure metal. The zinc concentrates are shipped to Japan for treatment on toll basis, the recovered material being brought back to India. Lead output from the Tundoo smelter is nearly 4,000 tons per annum from an installed capacity of 6,000 tons.

For augmenting supplies of lead and zinc from indigenous sources, the Metal Corporation has been granted a licence to expand its Tundoo lead smelter to 10,000 tons per year and for putting up an 18,000 tons electrolytic zinc refinery at Udaipur. For meeting its increased raw material requirements, the Corporation has undertaken a large expansion programme envisaging the raising of its mining capacity from the present 500 tons per day to 2,000 tons per day.

Efforts are also being made to augment the supply of zinc by setting up a smelter based on imported concentrates. A new company has been formed for this purpose under the name Cominco Binani Zinc Limited. It proposes to establish near Cochin a refinery capable of producing 20,000 tonnes of electrolytic zinc per annum. The refinery is expected to be commissioned by the end of the current Plan period. The capacity likely to be installed for the manufacture of zinc and lead by 1965-66 is of the order of 18,000 tonnes and 9,000 tonnes respectively.

With the implementation of projects licensed or proposed to be licensed in the third Plan period, the indigenous supplies of the various non-ferrous metals should improve. But, in the context of the rapidly expanding demand for them, there are bound to be serious shortages, especially in the case of copper, zinc and lead.

The shortfalls expected at the end of the current Plan period are as follows:

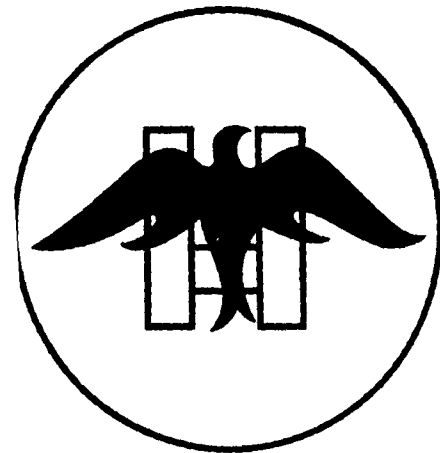
('000 tons)

Metal	Likely production in 1965-66		Estimated demand in 1965-66		Shortfall
	1965-66	1965-66	1965-66	1965-66	
Aluminium	68.0	150.0*	82.0		
Copper	17.4	170.0	152.6		
Zinc	18.0	187.5	169.5		
Lead	9.0	65.0	56.0		

* Includes a provision of 20,000 tons for exports.

It follows that there is a man-sized job to be done in the further development of the aluminium and other non-ferrous metal industries in the coming years.

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Man-made Fibres : Government as Step-mother

THE GOVERNMENT'S dealings with the synthetic textile fibre industry is an interesting illustration of its inability to anticipate production-consumption urges and trends in a modern economy. It ought to have been obvious in recent years that this industry is bound to assume an increasingly important place in the world textile picture. But the attitude of the Government in this country towards this important new industry has always been one of exaggerated circumspection. The Government has tended to regard as a luxury industry a line of manufacture which is so eminently qualified to satisfy the developing desire of people at all levels of income for variety in clothing at economic prices. This apart, in a country such as ours where the cotton textile industry has to depend on imported cotton for finer varieties of its manufactures, the man-made fibre and fabric industry has a very useful supplementary role to play. In spite of all such strong arguments for the adoption of a farsighted policy with regard to this industry, the Government for the most part has been hopelessly divided in its mind on the question of the extent to which this industry should be encouraged, or rather permitted, to develop. As a result, the evolution of this industry, which could make a useful contribution to the satisfaction of consumer demand within the country as well as to export earnings, has been forced to be unnecessarily uncertain, lopsided and halting.

Immense Potential

An idea of the immense potential of this industry in this age of developing industrial technology may be gathered from its remarkably rapid emergence in the world textile picture. In 1962 man-made fibres accounted for one-fourth of the world production of all apparel fibres which totalled 35,867 million pounds. The balance was accounted for by cotton to the extent of 66.5 per cent and wool to the extent of 9 per cent. It is estimated that by 1964, there will be 638 man-made fibre-producing plants, consisting of 186 for Rayon, 46 for Acetate, 46 for Acrylic, 132 for Nylon, 60 for Olefin, 47 for Polyester, 52 for Textiles Glass Fibre and the rest for others. The production of cellulosic fibres has increased from 3,546 million lbs. in 1950 to 6,314 million lbs. in 1962; the non-cellulosic and glass fibre production has gone up from 153 million lbs. and 24 million lbs. respectively to 238 and 253 million lbs. in the same period. Another noticeable feature in the development of this industry is that, while the production of non-cellulosic fibres has continued to rise in the principal producing countries, the U.S., the U.K. and France, the production of cellulosic fibres has stabilised itself at the level reached a few years ago, indicating that the shift is in favour of the former. All this growth in man-made fibres and fabrics has not been without its effects on the cotton textile industry. Between 1950 and 1962, the proportion of cotton in the total world fibre production has gone down from 71 per cent to about 65 per cent, although in terms of actual quantity there may have been a rise. The percentage share of wool has also declined from 11 to nine per cent.

The largest producer of man-made fibres in the world today is the U.S.A., which accounts for one-fourth of the total output, followed by Japan with 17 per cent. The Rayon and Acetate Industry in the U.S.A. is experiencing vigorous growth, with the total demand for cellulosic fibres (rayon filament and with the total demand for cellulosic fibres (rayon filament and staples, acetate filament and staples) having risen to about 1.6 billion lbs. This great surge in demand has led to acute shortage of rayon in the country; and even though operating on full capacity, rayon is distributed on the basis of specific allotments to meet the demand. As a consequence, Japan has forged ahead in developing this industry and capturing the

external markets including the U.S. and European markets. The demand for rayon has been increasing in the U.K., Germany and the E.C.M. areas.

In this background of the position and growth of man-made fibre industries, the indigenous rayon industry in India has stepped up its capacity from five million lbs. in 1951 to nearly 60 million lbs. at present. The staple fibre output is now of the order of 65 to 66 million lbs. against five million lbs. in 1954 (the first year of production). As a result of this expansion of output of rayon filament yarn and staple fibre, the quantity of rayon (art silk fabrics) produced has risen from 175 million yards in 1951 to 420 million yards in 1962. The increased production in rayon has saved the country foreign exchange to the value of Rs. 30 crores. The increasing importance of rayon in the textile economy for conserving and earning foreign exchange need not be overemphasised. With the establishment of the first rayon factory in Kerala, the demand for rayon has steadily increased. The estimated demand for rayon yarn was in the neighbourhood of 50 million lbs. at the beginning of the first Plan; the current trends indicate that the rayon yarn consumption is of the order of 140 million lbs. and staple fibre yarn of 75 million lbs. on the conservative side. The Development Council for Art Silk Industry has estimated the demand at 184 million lbs. of rayon yarn and 100 million lbs. of staple fibre yarn. The Indian rayon yarn has also earned the reputation of its high standards, as laid down by world rayon industry. The local and export demand for the products has been increasing at a rapid pace. The export surveys reveal that one person in every four hundred in urban areas has a preference for rayon fabrics, and the major demand is from the low income groups for whom it has the advantage of economy and durability.

Growth Problems

The essential problems of this industry in the growth period are the provision of adequate raw materials within the country of the quality required, the effective organisation of the industry to reach the targets of capacity and production set and also to meet the local consumer demand and the export potential ascertained on a firm basis. Allied to these there are various problems, internal to the operation of the industry and external arising from the State policy governing the industry. The third Plan envisages an expansion of capacity from about 100 million lbs. (52 million lbs. of rayon filament and 48 million lbs. of staple fibre) at the end of the second Plan to 215 million lbs. (140 million lbs. of rayon filament and 75 million lbs. of staple fibre). This would provide for an increase in per capita consumption of rayon fabrics from 1.3 yards in 1960-61 to 1.8 yards in 1965-66. The overall target for rayon filament comprises 20 million lbs. of tyre cord yarn required for the automobile tyre industry, 76 million lbs. of viscose filament, 24 million lbs. of acetate yarn, 10 million lbs. of cuprammonium and 10 million lbs. of synthetics. The third Plan has also aimed at phasing investment in this

TABLE I.
WORLD PRODUCTION OF MAN-MADE FIBRES
(In million lbs.)

	1950	1956	1960	1962
U.S.A.	1,404	1,644	1,882	2,431
Japan	254	984	1,235	1,354
West Germany	359	559	669	796
U.K.	372	483	592	627
Italy	228	353	438	569
France	184	272	381	443
India	—	37	94	134
Total World	3,723	6,048	7,544	8,947

industry in such a manner that there would be no burden on the pressure of foreign exchange on current account, by the import of these fibres. It was also expected that the staple fibre would be a substitute for long staple cotton in the production of textiles.

PRODUCTION OF MAN-MADE FIBRES

(Yarn in thousand lbs. and fabrics in thousand yards)

	1951	1956	1960	1962
A. Rayon filament yarn	5,426	19,849	45,684	60,908
i. Rayon yarn	5,426	16,682	41,441	57,843
ii. Acetate yarn	—	3,167	4,243	3,065
B. Staple fibre	—	17,423	48,013	71,240
C. Total of (A) and (B)	5,426	37,272	93,697	132,148
D. Rayon fabrics	176,000	296,000	413,666	420,278

cess of development of the textile industry. In this connection, it may be noted that the cotton textile industry in India has not anticipated any adverse effect from the art silk weaving side, in view of the very small margin of increase provided in the per capita consumption for art silk in the third Plan period. However, one has to examine this aspect of the possible impact of expansion in the man-made fibre industry on the cotton textiles over a longer period, particularly in relation to the shifts in the consumer preferences that are being witnessed and also the impact of internal and external factors which affect production in cotton textile industry. A balanced growth within the textile economy would require a more studied appraisal of the position of both than has so far been made available.

Recent Trends

Against the estimates in the third Plan, the latest mid-term appraisal shows that there has been a shortfall in production in rayon filament in the years 1960-61, 1961-62 and 1962-63. The capacity and production in rayon filament are expected to fall short of the targets as laid down for the third Plan. Table III would give the position as at present assessed. The largest short-fall will be in rayon grade pulp. It may also be noted that against production targets of 76 million lbs. of viscose rayon yarn by 1965-66, the existing capacity is only around 60.60 million lbs. A further capacity of about 9 million lbs. has been licensed and covered by release of foreign exchange, while licences for another 8 million lbs. are reported to be not so covered. In regard to nylon filament yarn, the existing capacity is only 2.10 million lbs. against the target of 10 million lbs. A further capacity of 3.10 million lbs. only has been covered by release of foreign exchange, while licences for additional 6.6 million lbs. are awaiting the release of foreign exchange.

An important point to note is that even in the various licensed schemes, the progress is slow and the targets may remain unfulfilled. The biggest short-fall is in respect of cuprammonium and acetate yarn. Against the target of 10 million lbs. of this variety by 1965-66, no capacity has been established so far. While, licences for manufacture of about 8 million lbs. of such yarn have been issued, the necessary foreign exchange does not appear to have been made available. In acetate filament yarn, the present capacity is about 9 million lbs. against the target of 24 million lbs. An additional capacity of 11 million lbs. has been sanctioned, but the progress under these schemes is said to be very slow. For acetate staple fibre, the existing capacity is 1.0 million lbs. only against the third Plan target of 8 million lbs. In regard to viscose staple fibre also the existing capacity is only 56 million lbs. against the third Plan target of 64 million lbs. and no further licences have been issued to fill the gap between the present capacity and the third Plan target.

The present policy of Government appears to be that the projects already licensed should be implemented before further licences are issued. The Development Council for Art

Silk Industry has always held the view that for all types of man-made fibres, the targets should be substantially stepped up so that the country could be self-sufficient in rayon at least by the end of the third Plan and overcome the chronic crisis caused by the cotton shortage and avoid the drain on foreign exchange on account of imports both of cotton and rayon. The foreign exchange deficits on current account and the long time taken by the industry to represent the true facts of the case have contributed to the slackening trend in production. The problem is one of lack of understanding on the part of the industry and Government of the urgent necessity for implementing the targets fixed and reaching the production levels to avoid waste of investment. The shortfalls in production can only further accentuate the problem by slowing down not only the progress of a new industry but also exerting higher pressure on the foreign exchange position.

The production pattern in this country has undergone a change with a shift towards increased nylon and polyester fibre fabrics. Separate data on production in different categories are not available, but this position will have to be sufficiently examined before the targets are laid down for cellulose and non-cellulosic fibres in the fourth Plan period. The technical advantages claimed for the synthetic fibre sector in providing the light materials that may be needed for defence should also be considered on merits.

At a time when the national economy is faced with the challenge of mobilising financial resources for defence and development, the man-made fibre industry, which has made a mark in the export market, should not fail to focus attention on increasing export potential. There is no doubt that a satisfactory beginning has been made in the export effort. What is required is consolidation of the achievements and maintaining the growing markets. The exports of rayon and synthetic fibres in 1962-63 improved by 10.7 per cent over the previous

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year. The total exports were 77.8 million metres valued at Rs. 8.46 crores compared to 81.2 million metres valued at Rs. 7.64 crores in 1961-62. This performance has exceeded the export target of Rs. 6 crores. Unfortunately, there has been a sluggish trend in the exports in the current year and this should not result in a sense of complacency that the same would be rectified in the future. Developing trends in the market in which Indian exports find a place should always be kept in mind. It is well known that the restrictive import policies of some of these governments, particularly of Ceylon, Iran, in the Middle East and British East Africa have all

TABLE III.
RAYON AND SYNTHETIC FIBRES
 (Third Plan, Mid-term appraisal)

	Rayon filament. (Mill. lbs.)	Staple fibre. (Mill. lbs.)	Rayon Grade Plup ('000 tons)
1960-61:			
Installed Capacity	52.3	48.0	—
Production :	47.0	48.0	—
1961-62 :			
Installed Capacity :	69.6	56.0	—
Production :	52.9	61.4	—
1962-63 :			
Installed Capacity :	76.7	56.0	6.6
Production :	65.0	71.5	1.2
1963-64 :			
(Programmed)			
Installed Capacity :	76.7	56.0	42.6
Production :	75.0	72.0	20.0
Third Plan 1965-66 :			
Targets :			
Capacity :	140.0	75.0	100.0
Production :	140.0	75.0	90.0
Likely Achievements :			
Capacity :	110.0	60.5	67.8
Production :	110.0	75.0	58.0

a restraining effect on exports which are largely directed to these areas. Morocco and Iran have practically closed their doors to Indian art silk fabrics. The attainment of the target of Rs. 8 crores for the current year is uncertain. Similarly, if the present trends continue, the targets for 1964-65 and for 1965-66 at Rs. 12 crores and Rs. 15 crores respectively may not materialise.

While the factors contributing to the decline in the export position may not lie with the manufacturers, it is in their interests that a more co-ordinated analysis of the position is made with Government and adequate steps are taken to see that the markets that are built up are not lost. It must be remembered that within the short period of its rapid rate of growth, the man-made fibre industry has been able not only to enlarge the export potential but also diversify the export list to

as many as 50 items. The share of filament rayon fabric in exports is as high as 51.3 per cent. Other categories like spun rayon, synthetic and mixed were 27.9 per cent., 19.6 per cent., and 1.2 per cent., respectively. The bulk of the export trade is directed to the Asian zone with an intake of 69.3 per cent., the biggest market being Singapore with an offtake of 16.14 million metres. The other important markets are Aden, Afghanistan, Ceylon, Iraq and Malaya and in the African zone it has a share of 24.23 per cent., in Morocco, Rhodesia, Nyasaland, Mauritius, Kenya and Sudan. Among the European markets, Belgium has a very promising place. Nearly 73 markets are covered by India in 1962-63. There is sizable trade with Canada, New Zealand, West Germany, Netherlands and Italy. It is high time that no effort is spared in not only keeping these trade contacts but also enlarging the prospects for further exports.

The two important determining conditions for this are the quality and the price at which the Indian product is offered. While it is understood that the average price realised during the year 1962-63 was Rs. 1.07 as compared to 93 nP. in 1961-62, it must be remembered high prices obtained should not be at the cost of losing the confidence of the buyer. It should be a price competitive with similar products offered on a standard of better quality and satisfying pattern. It is of the utmost importance that in order to strengthen our export performance, quantities and piece lengths should be standardised, packing should conform to uniform specifications and efficient and correct business methods should be practised. At present there is too pronounced a tendency to link export activities with the availability of incentives.

Government Policy

It is through improving the internal organisation of the industry and achieving high productivity, and also on maintaining the quality and price that India can stand the foreign competition. Government policy should aid this process. This would require all the machinery and equipment with trained personnel to keep the industry at higher levels of performance. There are at present various impediments which stand in the way of attaining this objective. It is reported that the permissible percentage of entitlement of import machinery is inadequate and that the machinery employed in the industry continues to be old, worn-out and without adequate facilities to impart finishes to the fabrics which are in demand. These problems of the industry should be inquired into. Arrangements should be made for spinning of staple fibre yarn so that the units can produce different qualities of pure staple fibre fabrics as well as blended fabrics. Staple fibre fabrics should also find an increasing place in export. Man-made fibres are finding an increasing scope in the cotton and other textile groups, for blending or mixing and this should be fully utilised. The increasing demand for man-made fibres and fabrics is consistent with world trends and the industry in India should play a determined and dynamic part in fulfilling its targets to increase production and expand our exports.

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Sugar Industry Needs to be Saved From Controls

THE SUGAR industry has often been called "a problem industry". This is a case of the bad, old habit of giving a dog a bad name in order to hang it. If there is at all anything wrong with the sugar industry it is that it seems to have a fatal fascination for planners and controllers in the Government. There is something rather odd in this. The sugar industry is not by any means one which caters to mass consumption. Sugar, relatively speaking, is necessarily an article of luxury for most households in a country as poor as ours. The demand is highly elastic and is directly related to income.

It is true that the sugar habit is spreading and that more and more people in middle and low income brackets are taking to its use. Nevertheless, it still remains true that the consumption of sugar is largely confined to households enjoying income beyond a certain level. In the poorer households even if a little sugar may be consumed, the offtake is marginal. Actually, most of the sugar consumed among the poor sections of the people is taken in the form of a few pinches used to sweeten tea or coffee. In these circumstances there is absolutely no reason in equity for the Government to be excessively concerned with making supplies of sugar available at what it or others may consider to be fair prices. Here certainly is a case where the market forces of demand and supply could certainly be allowed to bring about a reasonable level of prices in due course. Since the demand for sugar is elastic, it follows its price cannot remain too high too long as the producers are under a constant temptation to increase production and take advantage of potential demand at lower levels of prices. If the sugar industry could be left to itself for some reasonable time, both production and prices are bound to get adjusted to the interests of consumers.

Helpless Apparatus

Not less important is the fact that, in the circumstances of a highly elastic demand, the Government's apparatus of regulation is inherently helpless in spreading supplies evenly over a large number of people. Sugar is not rice or wheat in respect of which a certain minimum quantity could be reasonably regarded as a "must" for all or most people. The moment, under the conditions of controlled distribution, an effort is made to fix the amount of sugar that could be sold to each individual, people with lower incomes, and whose demand for sugar is less keen relative to that of others with higher incomes, are bound to turn over or resell their rations. Similarly, people with higher incomes are constantly tempted to pay higher prices in order to secure additional quantities of sugar. These circumstances clearly show the limitations and the difficulties which any system of controlled distribution of sugar must reckon with.

Unfortunately, the Government has always lacked the political courage needed to shape its sugar policy in the light of those facts. We do not know whether even today, after all the recurrent sugar muddles of past years, the Government is any the wiser, or bolder. It is relevant here to mention that the Government is supposed to be keen on promoting exports, if necessary by restricting consumption. Sugar which is by no means a basic necessity of the common people is an ideal commodity for this exercise. If there is a case at all for some discouragement of domestic consumption for the sake of export promotion, it can certainly be argued with great force that the principle could well be applied to sugar. Today the world price of sugar is about double what it costs this country to produce it. The world demand again is such that this country can enter into long-term export commitments on an attractive price basis, provided it has the supplies. Over a period the Indian sugar industry could be expanded and organised to yield exports of the order of from Rs. 75 to 100

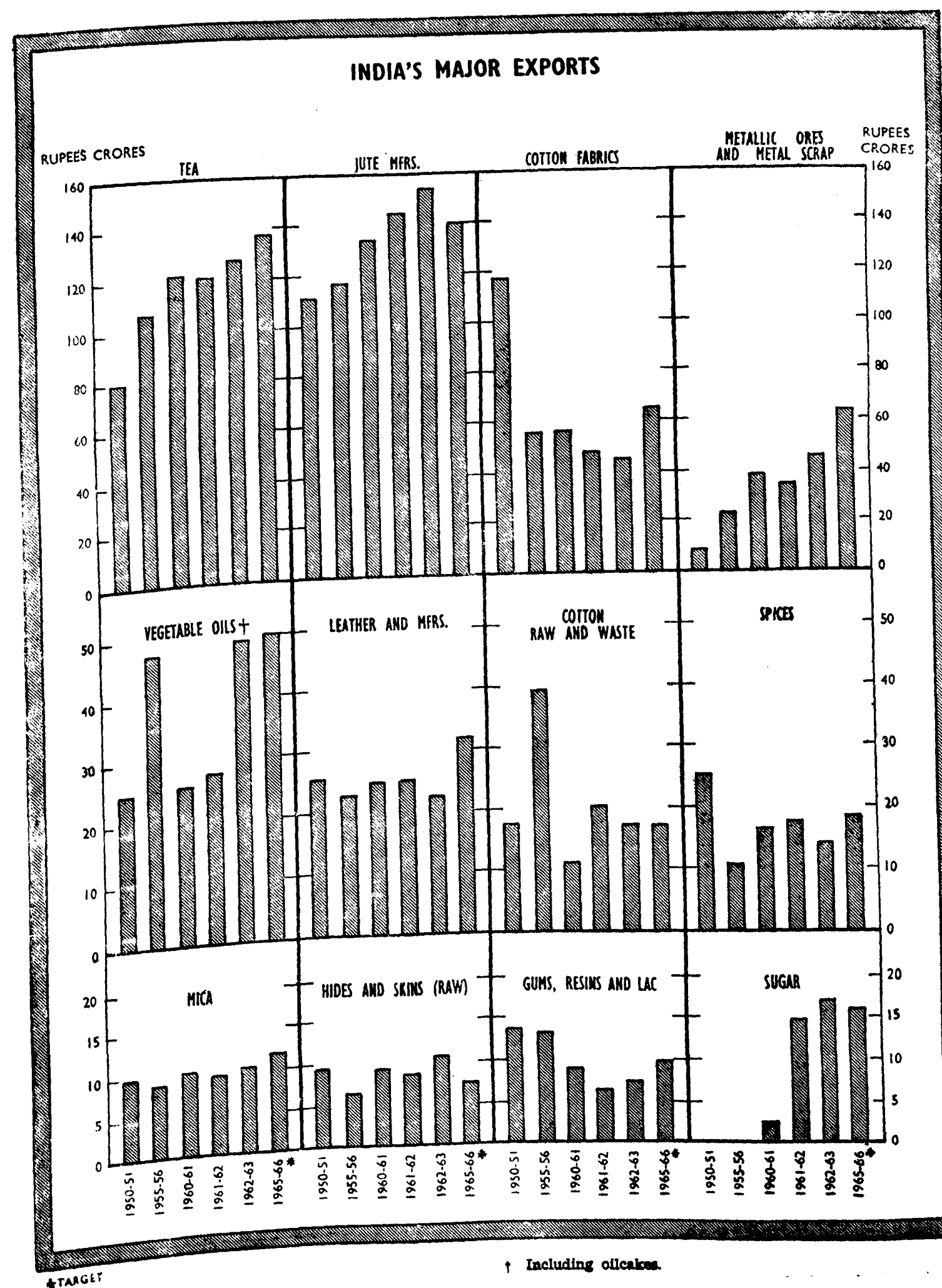
crores a year. It is strange that the Government, despite its professed eagerness for exports and its being committed in principle to restraining consumption wherever possible in order to increase exports wherever essential, has allowed this country's export trade in sugar to lapse by default. Not very long ago substantial amounts of public funds were being used to subsidise the export of sugar from this country when world prices used to be lower than ours. Today when world prices are above our prices, the Government is unable to find sugar for export. Thus this country's is a double loss in that the Indian taxpayer has been made to find money for subsidising exports without securing any return in the form of enduring trade gains.

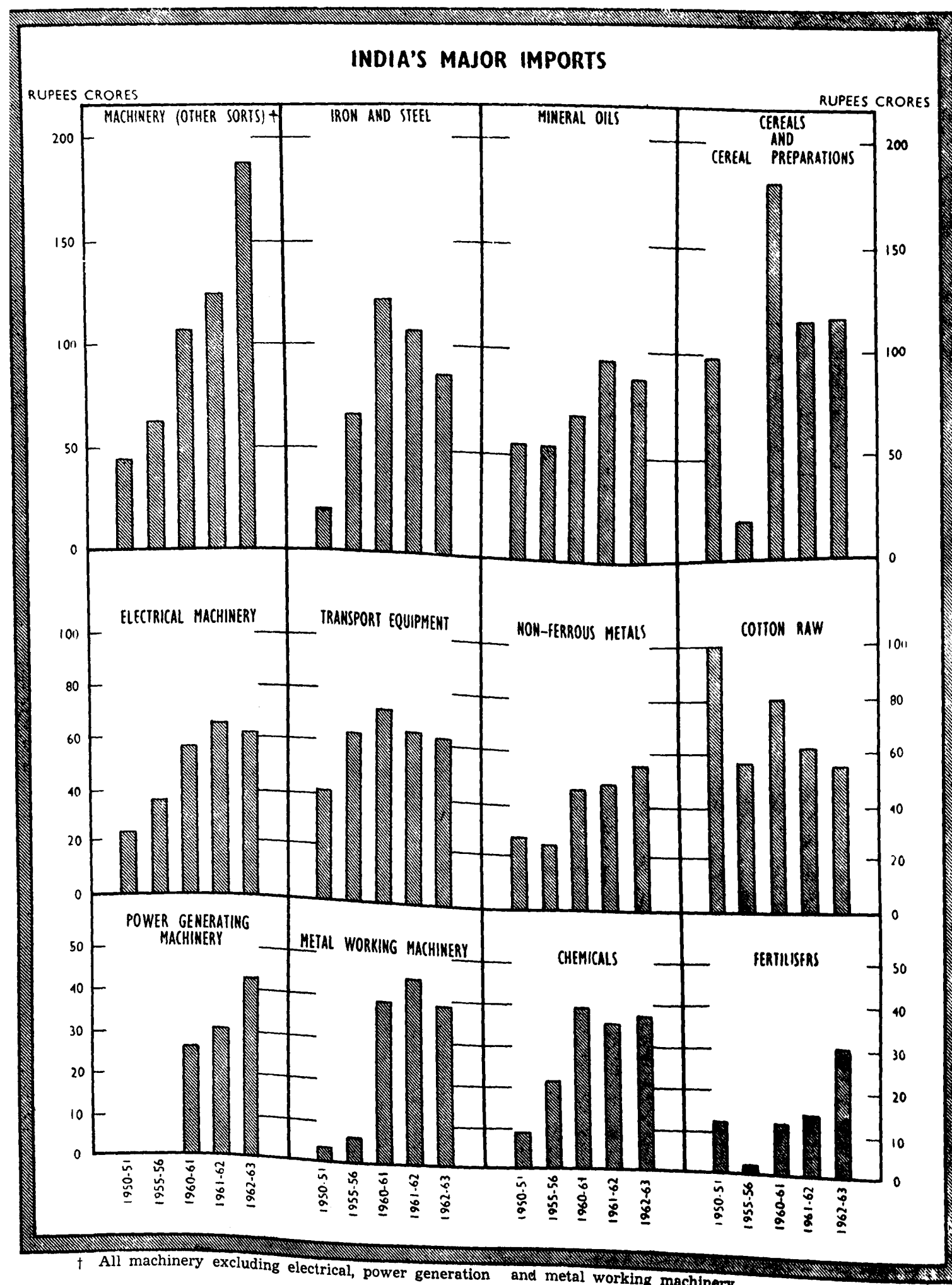
It is often claimed that the sugar industry has to be controlled in the public interest. No argument can be more false. It is on record that sugar control for the reasons we have mentioned earlier has never been operated successfully. It has always led to hoarding and black-marketing and resale among the public. Sugar control, moreover, has always led to an increase in the prices of gur and khandasari which would mean that the poorer households in the countryside, which do not care for sugar but which do use some gur or khandasari, are adversely affected every time the distribution of sugar is controlled in the alleged interest of the public.

Controls Hamper Production

Controls on sugar, moreover, have always led to discouragement of production. A review of the sugar industry in recent years would show that production has tended to decline when controls are brought on and to revive once controls are withdrawn. If it is granted that the real interest of the consumers as well as the needs of the export trade could be met only by the expansion of sugar production on a stable and efficient basis, the desirability of the Government adopting a "hands off" policy towards the sugar industry becomes irresistible. If any reinforcement of this argument is needed, it may be found in the fact that the Government has repeatedly shown itself incapable of operating a managed sugar policy sensibly. This is because the moment the Government assumes any large responsibility in the matter of sugar, it promptly falls a victim to political pressures. There are the rival regional claims of the established sugar industry in the North, particularly, U.P., and Bihar, and the relatively recent sugar industry in the Deccan and the South where the higher productivity of cane is a constant attraction for the industry to grow. There are, too, the various pressure groups interested in hiking up the price of sugarcane for the political gains such a course might attract from the rural electorate. There is also the conflict of interests within the factory sector and the decentralized sector engaged in the manufacture of gur and khandasari. The Government has been traditionally incapable of dealing with these problems efficiently. Its record has always been to yield to this pressure group or that, with the result that one muddle has been succeeding another. A recent example of the Government's utter inability to monitor or guide the industry properly was its short-sighted decision to cut the production of sugar in the 1960-61 season. It is now recognised that much of the subsequent difficulties in the form of a continuing decline in production, which has given rise to the shortage of sugar for domestic consumption as well as for exports, was due to that unfortunate step. But the point is that there is no guarantee that faulty decisions will not be made again and again.

Lately the Government has been forced into giving one grudging concession after another either to the industry in the form of fiscal relief or to the cane-growers by raising the price of cane. The fact is that such concessions have been





either too little or too late or both. As a consequence, the actual benefits have been and are bound to be less than those expected. In the matter of the cane price the situation is now further complicated by the extensive, if unmeasured, diversion of gur into the distillation of illicit liquor. It must be clear to the meanest intelligence that no statutory fixing of cane price could effectively deal with this diversion. The sugar industry just cannot compete with the illicit liquor trade for its cane unless, of course, the industry is permitted far greater latitude than it now enjoys in the procurement of cane and the planning of its manufacturing programmes. It follows that an entirely new attitude is needed on the part of the Government and that this attitude should be one of minimal intervention in the affairs of the industry. We are aware that this goes against the current state of thinking which seems to favour a progressive accentuation of regulation, but this policy is, demonstrably, a blind alley. The Government has already conceded that the goal of 3.3 million tons of sugar set for the current 1963-64 season is unlikely to be achieved. Since increasing production could be the only rational guiding factor in the management of this industry, the abandonment of a policy which does not lead to that result must be regarded as an obvious course to follow.

In our view the withdrawal of all controls on sugar and the retention of a minimum price for sugarcane in the form of a uniform floor price of Rs. 1.75 per maund are the only sensible ways of ensuring that the various interests in the sugar economy arrive at a reasonable adjustment of their interests, thereby leading to the healthy expansion of the industry in the coming years. We have no doubt that this policy will not harm the interests of consumers. On the contrary, it is the present policies which have singularly failed to protect the consumer. A thoroughly deplorable situation has been created resulting in an unnecessary decline in production, an artificial shortage of supplies, absurdly elaborate Government regulation of such petty details as the movement of sweet-

meats and confectionery from place to place, queuing at retail shops, scramble among consumers, famine prices in smaller towns and disgust and demoralisation all round. There can be no more decisive indictment of the Government's economic policy than this picture of the sugar muddle. Considering the importance of the sugar industry in the nation's economy, the Government, surely, ought to be able to bring to bear on the problems of this industry a more mature attitude and outlook.

Tariff Protection

We had mentioned earlier that the sugar industry is extremely sensitive to Government policies. This it has been since its beginning. In 1931-32, for instance, there were only 31 factories in this country producing in all 158,000 tons of sugar. But with the grant of tariff protection in 1932, the industry raced ahead to reach a production of 1.8 million tons over the next five years. The number of factories also increased to 137. At the present time the sugar industry occupies the third place among organised industries in India, in terms of its contribution to the net value added by manufacture. Its 190 factories have an aggregate installed capacity which, in favourable circumstances, could produce as much as from three to 3.5 million tons of sugar. The productive capital invested in this industry represents about 5.8 per cent of the total for all industries. Apart from the extensive indirect employment offered by it to cultivators of sugarcane, the various agencies of the distributive trade and through subsidiary industries such as confectionery, the sugar industry gives direct employment to as many as 120,000 workers. The excise duty on sugar is a substantial source of revenue for the Central Government, the estimated yield being Rs. 81.3 crores in the budget for 1963-64.

For an industry of such economic significance it has unfortunately been plagued by much instability in the level of production. For this, as is argued earlier, the Government policy of regulation and control has been largely responsible.

THE SUGAR INDUSTRY: 1950-51 — 1963-64

Year (Nov.-Oct.)	Number of Reporting factories	Area under sugar-cane (million acres)	Production of sugar-cane (million metric tons)	Yield of cane per acre (metric tons)	Recovery of sugar from cane (per cent)	Total cane sugar production (million metric tons)	Carry over of stocks* (million metric tons)	Consumption (million metric tons)	Exports* ('000 metric tons)	Imports ('000 metric tons)	Yield of Revenue from Union Excise Duties (Rs. crores)
1950-51	138	4.21	57.08	13.54	10.03	1.12	0.09	1.10	..	58	6.56
1951-52	129	4.79	61.65	12.87	9.57	1.51	0.18	1.19	0.13	..	8.46
1952-53	134	4.38	53.44	12.21	9.98	1.34	0.51	1.66	15	60	9.90
1953-54	136	3.99	57.89	14.48	9.92	1.02	0.20	1.84	..	704	14.36
1954-55	143	3.99	57.89	14.48	9.92	1.61	0.06	1.75	..	866	8.10
1955-56	147	4.56	60.27	13.19	9.83	1.89	0.44	1.97	..	217	18.69
1956-57	147	5.06	68.07	13.45	9.73	2.06	0.55	2.01	22	..	20.80
1957-58	158	5.08	69.11	13.60	10.01	1.99	0.47	2.08	150	..	42.61
1958-59	164	4.84	72.05	14.89	9.84	1.95	0.27	2.11	39	..	59.71
1959-60	168	5.22	76.40	14.64	9.91	2.45	0.17	2.05	17	..	59.19
1960-61	174	5.79	104.12	17.91	9.74	3.03	0.61	2.13	99	..	55.10
1961-62	180	5.99	99.85	16.68	9.77	2.73	1.20	2.59	373	..	58.45
1962-63	186	5.66	91.51	16.16	9.77	2.16	1.00	2.69(c)	536	..	74.33
1963-64	190	5.42(b)	..	..	..	3.30(a)	..	..	..	..	81.33

* Opening stock at the beginning of November.

** Financial year (April-March)

(a) Target. (b) First estimate. (c) Estimated.

@ Related to calendar year.

The price and distributive restrictions imposed on the industry during World War II continued up to 1947. In the last three years of the period production declined to 950,000 tons as against a peak of 1.18 million tons in the pre-war period. The restrictive effect of regulation had also been felt on consumption which had declined from 1.32 million tons in 1942-43 to 972,000 tons in 1946-47. With the decontrol of the industry in December, 1947, both production and consumption promptly improved. But with the reimposition of controls in September, 1947, this improvement was lost. The production in 1949-50 dropped to 978,000 tons as against 1.01 million tons produced in the previous year. There were some modifications in the policy of controls in the years 1950-51 and 1951-52 and incentives were provided for higher production. As a result, the output rose to 1.51 million tons in 1951-52 but the various official restrictions still afflicting the sugar economy led to consumption remaining stagnant at 1.2 million tons.

Consumer Interest

It is often argued that controls on the sugar industry have been imposed from time to time to protect the interest of consumers. But if we study in some detail the actual results of the policy of controls, especially as it has been operated in the last 10 years, the conclusion is forced on us that whoever has been benefited it certainly is not a consumer. In the case of a commodity such as sugar, the demand for which is highly elastic, the true interest of the consumer is served only when steady production is maintained over a period. By applying controls, the Government has contrived to prevent such a trend in production. Apart from its unsettling effect on production, the policy of control-decontrol-recontrol has also prevented an orderly development of consumption. When the industry was decontrolled in 1952-53, there was a sharp rise in consumption to a level of 1.66 million

tons. Subsequently and up to 1957-58, both consumption and production kept growing until they stood at two million tons each. Back came controls in 1957-58 and production promptly reacted by retreating to 1.95 million tons in 1958-59. The Government responded by providing incentives for higher production and the sugar industry celebrated this gesture by stepping up output progressively to 2.5 million tons in 1959-60 and 3.03 million tons in 1960-61. Following this, sugar was decontrolled in September, 1961 and consumption rose to 2.6 million tons in 1961-62 showing an increase of more than 20 per cent over the previous year. Nevertheless, upset by a temporary increase in carryover, the Government, with some support from a section of the industry, decided to impose a cut in production as a result of which output dropped to 2.73 million tons in 1961-62 and even more sharply to 2.16 million tons in 1962-63. With consumption running at a level between 2.6 and 2.7 million tons over those two years, there has naturally been some shortage of supplies which has led to higher domestic price as well as decreased availability of sugar for export. This situation has led the Government into taking the familiar step of imposing or reimposing various controls on the industry.

In the current year, the cane crop, which has suffered to some extent from adverse weather conditions in the previous year, is reportedly in good shape. This should help maintain sugar production at a higher level. The main difficulty is the return of elaborate controls which, as the history of the industry shows, is inimical to higher levels of production and consumption. Within the limits set by the policy of controls, the Government, however, has endeavoured to secure adequate supplies of cane to the industry and encourage a higher level of crushing. It is now generally expected that production in

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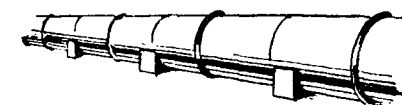
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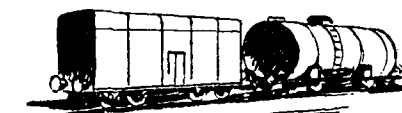
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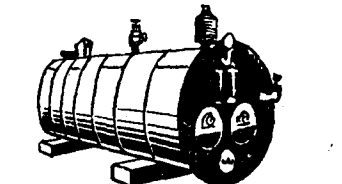
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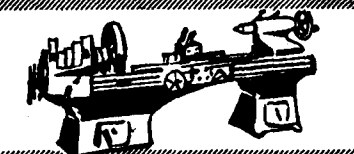


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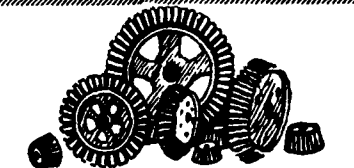
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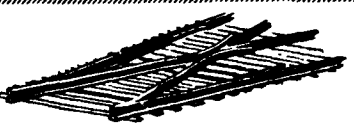
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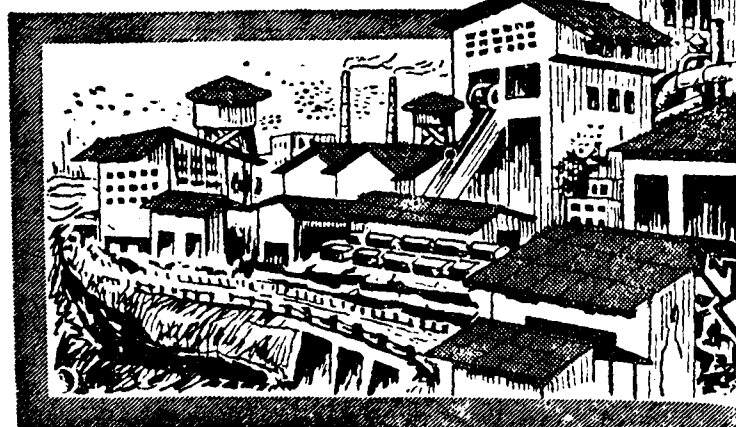
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the 1963-64 season would be over 2.8 million tons; more optimistic estimates, official as well as non-official, even indicate a possible output of three million tons. Among steps taken by the Government to stimulate the crushing of cane by the industry is the raising of the price of sugarcane to Rs. two per maund. A higher price for sugarcane, however, is a double-edged instrument. Unless provision is made in the sugar price for the increase in the cost of the raw material, the industry will not be encouraged to crush larger quantities of cane. Rebates have been given in the Central excise duty for such additional quantities of sugar as may be produced by the industry this year as compared to the last. In order to encourage a longer crushing season, the rates of the rebate have been fixed higher for the initial as well as the closing months of the season. Recognising the fact that the competition for cane from gur and khandsari manufacturers should be regulated in view of the fiscal and other advantages enjoyed by the decentralised sector, the Government has raised the compounded levy of excise duty on khandsari manufacture with or without the aid of sulphitation plants. In order to discourage speculative increases in the price of gur, inter-State movements of this commodity have been controlled.

Long-Term Needs

While these measures may certainly be of some short-term use, it is clear that a lasting formula for an efficient and expanding sugar industry cannot be hammered out of such improvisations. This country and its Government have been playing with sugar control off and on for some 25 years now. But, except during the extraordinary circumstances of the last war, it has never been very clear that the industry should have been given all this excessive attention. On balance, it would have certainly done better for itself and for the country had it been given the privilege of normal development in response to changing market conditions. Apart from other inherent defects in the policy of controls to which references have been made earlier, there is also the fact that so long as the price of sugar is controlled, the temptation for the Government to fix the price at less than the economic level is great. This is because of prejudice, both popular and official, against this industry. Although sugar prices have been referred to the

Tariff Commission from time to time, they have never been fixed in reasonable relation to costs or other considerations. The three principal elements in the cost of sugar are the cost of cane, State and Central taxation and manufacturing charges. Cane absorbs 45 per cent of the price of sugar, taxes about 35 per cent and manufacturing charges about 20 per cent. The price of cane has to be maintained for political reasons at certain levels, irrespective of its sucrose content. Actually, there is constant pressure on the Government for an increase in the price of cane. As regards taxation, the Central and State Governments have found sugar a commodity easy to fleece. Given the need for more and more public revenues, the Central Government has been understandably reluctant to surrender any substantial gain from the sugar excise. As for the State Governments, although they collect large revenues through the cane cess, they do not spend adequately on schemes for the improvement of the yield of the crop or its quality. Uttar Pradesh and Bihar particularly have been blamed justifiably for their practices in this matter. The following table contrasts the revenue collected by State Governments from its sugar levies and the amounts spent by them on cane development:

State	Sugarcane cess/ purchase tax collected (in Rs. lakhs)	Amount spent for develop- ment (in Rs. lakhs)
Uttar Pradesh	660.83	126.29
Bihar	124.48	30.87
Maharashtra	12.00	8.59
Punjab	160.76	30.56
Madhya Pradesh	0.59	3.07
Andhra Pradesh	130.18	40.27
Madras	20.92	14.36

Since the Central Government is not in a position to do much about the price of cane or the burden of sugar taxation, it has been disposed to take an easy way out of squeezing manufacturers' margins. Hence its growing unwillingness to consider a reasonable price for sugar in the light of the need for

STATE-WISE SUGAR PRODUCTION

Name of the State	No. of Factories		Cane Crushed ('000 tonnes)		Sugar Production (Nov.-Oct.) ('000 tonnes)		Recovery	
	1961-62	1962-63	1961-62	1962-63	1961-62	1962-63	1961-62	1962-63
U.P.	71	71	12,910	8,812	12,04	8,50	9.32	9.59
Bihar	28	28	3,934	1,750	3,59	1,70	9.12	9.65
Punjab	6	7	1,102	696	91	63	8.22	8.97
Madras	9	10	1,240	1,101	1,16	1,04	9.37	9.37
Andhra Pradesh	15	18	1,895	1,666	1,88	1,75	9.90	10.28
Maharashtra	27	28	4,235	4,342	5,07	5,35	11.85	12.10
Gujarat	3	3	310	353	34	37	10.90	10.46
West Bengal	2	2	158	114	17	11	10.18	9.44
Assam	1	1	63	44	5	4	8.60	9.69
Orissa	1	1	49	40	4	4	8.68	8.81
Others	17	17	2,034	1,890	2,05	1,78	10.78	9.90
TOTAL:	180	186	27,937	20,808	27,30	21,40	9.77	10.24

the long-term expansion of this industry to serve the expanding domestic market and the requirements of the export trade. A study published in the monthly bulletin of the Reserve Bank in June, 1963 shows that in 1961-62 the profits of the all-India sugar industry amounted to 7.4 per cent on capital employed against the return of 12 per cent considered reasonable by the Tariff Commission. There is no clear or near possibility that sugar prices will be fixed on a rational basis in a system of controls. This is another reason why the Government should think in terms of decontrol, for a proper price structure is necessary for creating a sound economic basis for the long-term expansion of the industry on efficient lines. As we have mentioned earlier, the standards of cultivation of sugarcane in this country leave much to be desired. Although India has more acreage under this crop than any other sugarcane producing country, it has to put up with the lowest yield per acre. The yield, in fact, has remained stagnant around 15 tons per acre over the last 30 years. Along with the low yield goes also a low sucrose content where again the Indian crop compares ill with cane in other countries.

Structural Disadvantages

But it is not only the raw material basis of the industry which is unsound. Due to a historical accident, much of the manufacturing capacity is located in regions where the standards of cane cultivation are much lower than those in certain other parts of the country. Another structural disadvantage for the industry is the relatively small size of its units. Whereas the approximate sugar output per factory is 40,000 tons in Cuba, 50,000 tons in Australia, 60,000 tons in South Africa and 80,000 tons in Egypt, it is only some 15,000 tons in this country. All these maladjustments are unlikely to be corrected so long as Government controls leave little room for manoeuvre. It is only through decontrol and the restoration of competition in the industry that substantial progress can be achieved in such directions as the improvement of the cane crop or an efficient re-organization of manufacturing facilities. It has been shown that the State Governments in the main producing areas have little desire or capacity to improve cane production. It follows that progress in this direction has to be sought mainly through the commercialization of cane-growing with the assistance and under the guidance of the manufacturing section of the sugar economy. In Deccan, especially, the standards of cane cultivation have gained through such a development and although agrarian legislation in Maharashtra and elsewhere threatens to disrupt this achievement, there is little doubt that large improvement in cane cultivation cannot be secured except through a proper integration of farming and manufacturing activities.

To some extent the encouragement given by the Government to co-operative societies for the growing of cane as well as for operating sugar factories should help in this matter. But the co-operative pattern cannot be the complete answer. Side by side with co-operative cane farms or co-operative sugar factories, there should also be a competing sector of individual, commercial farming and manufacturing. In view of the fact that there is large scope for the expansion of this industry so that it may take full advantage of the export demand besides catering to the growing home market, it has to be considered carefully whether this industry cannot be freed from the Government's licensing restrictions. Here, it is relevant that expenditure of foreign exchange involved in the expansion of the sugar industry cannot be considerable. Already there is a respectable domestic industry for manufacturing sugar machinery. Imports of plant and equipment could therefore be very considerably reduced. It follows that wherever no foreign exchange is asked for, an existing unit should be allowed to expand or an industrialist permitted to put up a new factory. It may be that the regulations of manufacturing facilities are needed to ensure that there is no excessive expansion of manufacturing capacity in areas where

supplies of cane are not sufficient. In our view, this is not a matter which should concern the Government unduly. It is unlikely that, under the conditions prevailing today, such un-economic expansion of the industry is likely to take place. On the whole, it is good to let the industry judge for itself where and how it should expand. Actually, by leaving the industry to itself, the Government could bring about a better pattern of manufacturing facilities than is seen today or could be brought about by official regulation.

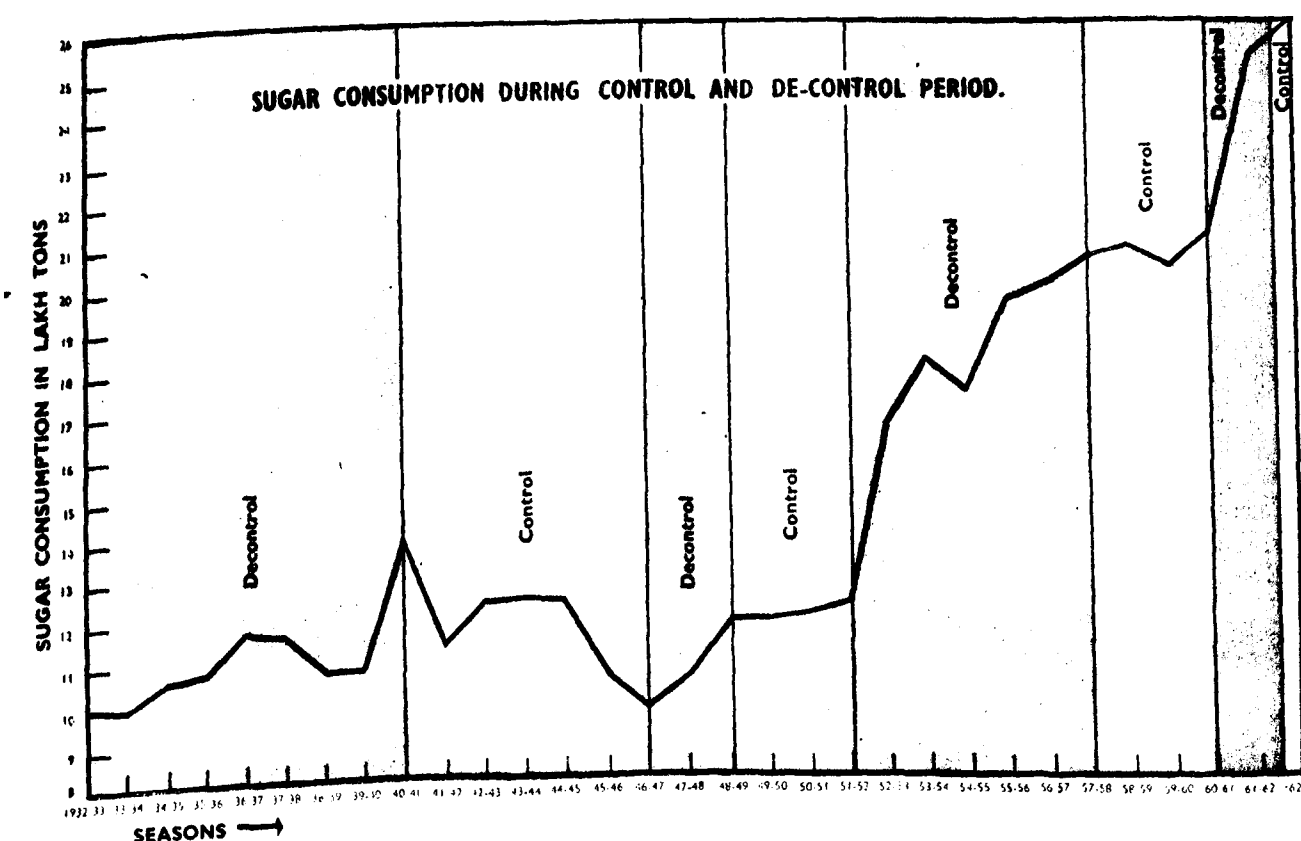
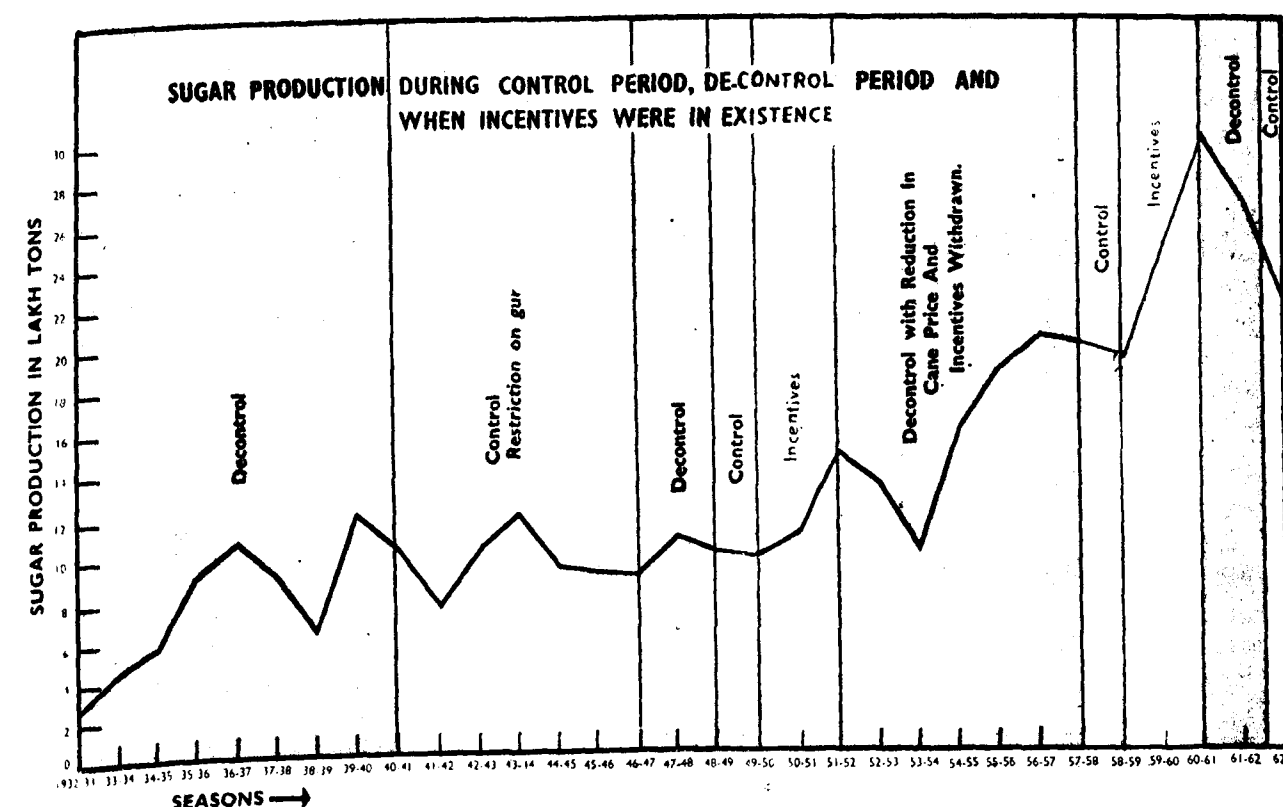
Finally, we would like to stress once again the desirability of a "hands off" policy for the sugar industry by emphasizing the export aspect. A rigorously controlled industry seldom makes much headway in the home market, far less in competitive world trade. If the sugar industry is to realise its large potentialities as a major exporting industry, it must be allowed to develop without being knocked about by political pressures or prejudices. A high and increasing level of production is absolutely essential to an export trade of the range of from half a million to one million tons of sugar a year. The industry should plan to export from a fourth to a third of its production. It cannot plan this with confidence if it cannot operate in the home market with reasonable freedom. It has been seen in the United Kingdom that the development of export capacities is not possible when restrictions are placed on the home market. In our own country, the sorry record of the cotton textile industry, which has been continuously retreating in its export markets, shows that rigid regulation, especially where it harms the planning of modernization and expansion, is bound to erode the foundations of any industry both at home and abroad. Recent developments have indicated, that there is a good and growing market for Indian sugar in many parts of the world. Apart from the U.S. and Canada, Britain, Japan, Western Europe and countries of West and South-East Asia, including Malaya, are showing interest in Indian sugar. The world export requirements are now about 5.6 million tons or some 30 per cent of world production. As world consumption has been increasing at the rate of 2.5 million tons per annum, countries such as ours, which are already large producers of sugar and have many natural advantages for the cultivation of sugarcane, could reasonably look forward to increasing export possibilities.

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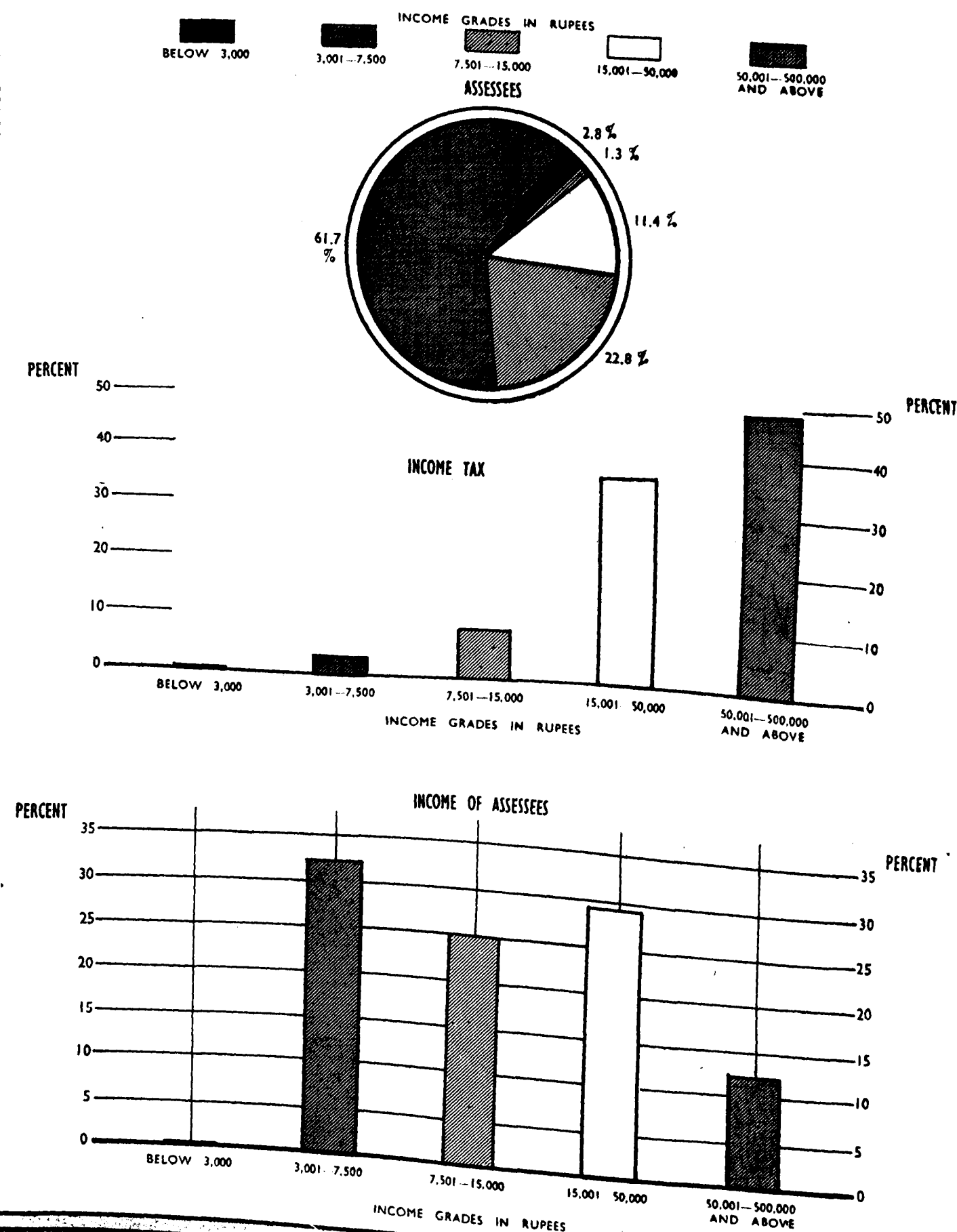
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Fertilizers: Who Failed? Why?

THE SOVIET Prime Minister, looking around for means to correct the poor performance of Soviet agriculture, recently emphasized the importance of his country stepping up its use of chemical fertilizers. Mr. Khrushchev pointed out that, although the United States had only half as much land under cultivation as the Soviet Union, it was using twice as much fertilizers. In this country, the Government, it must be said to its credit, has been converted early enough to the idea that increased production of fertilizers within the country is essential to the expansion of agricultural production generally and food production in particular. The Government has also been fixing big production goals for the industry. It is, therefore, only natural that there should be much official concern at the slow rate of growth of the fertilizer industry in this country.

In the second Plan, the nitrogenous fertilizer industry was proposed to be expanded from a capacity of 85,000 tons of nitrogen in 1955-56 to 382,000 tons in 1960-61, the production during this period being estimated to go up from 76,000 tons of Nitrogen to 290,000 tons. This expansion programme was to be carried, virtually wholly in the public sector, partly through increased capacity and production at the Sindri and Alway factories, and partly by the establishment of new units at Nangal, Rourkela, and Neyveli. The actual progress achieved in the second Plan was, however, quite behind schedule, the total installed capacity in 1960-61 being only 158,300 tons in terms of Nitrogen, yielding a production of 97,150 tons. In other words, the actuals fell behind targets by about 60 per cent in the case of capacity and about 70 per cent in terms of output. For this deficiency most of the projects in the second Plan had contributed. Although the expansion of the Sindri fertilizer factory was completed in 1959, no additional production could be got from this factory within the second Plan period for such reasons as "the low performance of the lean gas plant, shortages of coal of suitable quality, lack of spare parts as well as the caking characteristics and acidic nature of the double salt produced." In implementing the expansion scheme of Fertilizers and Chemicals (Travancore), there was a delay of two years, the first stage of the expansion being completed only in 1962. The Nangal Fertilizer Factory was brought into partial production to the extent of one-third of capacity in February, 1961. The unit at Rourkela was also commissioned within the second Plan period, but its output was negligible. As for the Neyveli fertilizer project, it was not only not completed or even substantially implemented within the second Plan period, but it has not gone into production even up to this time.

Forward Planning

It is clear that the programme of developing the fertilizer industry substantially and rapidly in the public sector was not any too successful in the second Plan. Meanwhile, it was becoming more and more clear that the production of nitrogenous fertilizers should be stepped up rapidly if the vital programmes for increased agricultural and food production were to succeed at all. Hence when the time came for fixing the targets for the third Plan, the Government was driven to propose an installed capacity of one million tons of Nitrogen giving an output of 800,000 tons. The Government, in fact, had done some forward planning for the third Plan in the closing years of the second Plan when certain measures were taken with a view to achieving a capacity of 750,000 tons of Nitrogen by the middle of the third Plan. The development programme for nitrogenous fertilizers was given high priority and placed on a par with steel and electricity as being of the core of the second Plan. Accordingly, clearance was given in the last year of the second Plan for fertilizer projects at

Vishakhapatnam and Kothagudum in Andhra Pradesh, Durgapur in West Bengal, Nahorkatiya in Assam, Hanumangarh in Rajasthan, Gorakhpur in Uttar Pradesh and "at some suitable site" in Madhya Pradesh. A significant feature of this urgent thinking on fertilizers was that the Government revised its policy of relying almost wholly on the public sector and decided to permit substantial development of this industry in the private sector as well. When the third Plan came to be finalized, the position was that the following projects were taken into the public sector to be implemented by the Central or State Governments:

Trombay Fertiliser Project: The factory is planned for utilising refinery gases and naphtha and would have a capacity of about 90,000 tons of Nitrogen. The pattern of production would be that half of the available ammonia would be converted into urea by a partial recycle process and the balance of ammonia would be utilised for the manufacture of nitrophosphate by nitric acid treatment of rock phosphate. The phosphate content of the complex fertiliser would be rendered partially water soluble by the use of sulphuric acid.

Assam Fertiliser Project: The factory would be set up at Namrup in Assam based on "associated gas" available from the Nahorkatiya oil fields. The overall capacity of the plant as scheduled at present is for 32,500 tons of Nitrogen based on the production of 50,000 tons of urea and 50,000 tons of ammonium sulphate by the acid neutralisation process, the acid being produced from imported sulphur. A special feature of this factory is that it will include a gas-fired steam power plant.

Recycle Process

Gorakhpur Fertiliser Project: The capacity of the factory would be 80,000 tons of Nitrogen per annum and the end-product would be urea produced by the total recycle process. The raw material for this factory would be petroleum naphtha from the refinery at Barauni which is at a distance of 200 miles from the fertiliser plant.

Expansion of FACT and other schemes: Apart from the central public sector projects mentioned above, there is the scheme for further expansion of M/s. Fertilisers and Chemicals (Travancore) by 30,000 tons of Nitrogen, to produce ammonium sulphate/ammonium phosphate and ammonium chloride. Additional production of by-product ammonium sulphate may also be expected in connection with the expansion schemes of the steel plants. It is also envisaged that one more public sector nitrogenous fertiliser factory with a capacity of about 80,000 tons of Nitrogen will be implemented during the third Plan period.

In the private sector, apart from the E.I.D.-Parry project at Ennore for the manufacture of ammonium phosphate equivalent to 250,000 tons of Nitrogen, which was in progress at the beginning of the third Plan and has since been completed, and the doubling of the ammonium chloride-cum-soda ash plant of Messrs. Sahu Chemicals at Varanasi from a capacity of 10,000 tons of Nitrogen to 20,000 tons, the following major projects were license:

Kothagudum Fertiliser Project: A nitrogenous fertiliser factory based on coal from Singareni collieries was originally intended to be taken up by the Andhra Pradesh State Government. This has subsequently been transferred to the private sector and is to have a capacity equivalent to 80,000 tons of Nitrogen in the form of urea. This project is to be executed

by Messrs. Andhra Sugars Ltd. jointly with Messrs. Sheshasayee Bros.

Vishakhapatnam Fertiliser Project: Messrs. Parry and Co., have been licensed to set up the factory in financial and technical collaboration with Messrs. California Chemical Co. and Messrs. International Minerals and Chemicals Corporation Co. of the USA. It is proposed to produce under this project about 80,000 tons of fixed Nitrogen per year in the form of 365,000 tons of ammonium phosphates of various grades in terms of 20-22-0 and 16,500 tons of prilled urea. The raw material for this factory would be naphtha.

Madhya Pradesh Fertiliser Project: This factory is to be set up by Messrs. Khandelwal Bros. at Itarsi or any other location in Madhya Pradesh to be settled in consultation with Government and would have a capacity to manufacture 101,300 tons of urea per year (equivalent to 50,000 tons of Nitrogen), by the total recycle process. Coal from Madhya Pradesh or Naphtha from petroleum refineries would be the feed-stock depending on further examination of the relevant economic factors. This project has since been transferred to the public sector.

Rajasthan Fertiliser Project: Mr. B. L. Jalan has been licensed to set up a factory with an annual capacity of 80,000 tons of Nitrogen with ammonium sulphate as the end product. Gypsum supplies of the State would be utilised for the sulphate manufacture. Alternative feedstock for ammonia synthesis including lignite from Palana are under consideration.

In addition to these proposals in the public and private sectors, the possibilities of the West Bengal Government setting up a fertilizer factory in partnership with private enter-

prise at Durgapur with a capacity of 58,000 tons of Nitrogen were also indicated. It was also envisaged that the Government of Gujarat might set up a factory with a capacity of 96,000 tons of Nitrogen, again in collaboration with the private sector.

The latest (available) data on the capacities of the various fertilizer projects, as modified subsequent to the publication of the third Plan, is given in Table I.

Unsuccessful Scheme

In the actual course of events, most of the schemes, whether in the public sector or the private, have failed to progress according to schedule. The Mid-Term Appraisal of the third Plan has indicated that, as against the original capacity target of one million tons of Nitrogen in 1965-66, the capacity likely to be attained is around 640,000 tons. It was mentioned earlier that, towards the latter part of the second Plan, it was considered a matter of great importance that nitrogenous fertilizer capacity should be stepped up to 750,000 tons in terms of Nitrogen by the middle of the third Plan. In relation to this, it is sad to find that the capacity now is only 387,000 tons, with the prospect that, even at the end of the third Plan, the installed capacity will be well below 750,000 tons of Nitrogen.

The requirements of the nation's agriculture for nitrogenous fertilizers is estimated at 650,000 tons for the current year, whereas production could only be around 240,000 tons. There are no early chances of this gap being narrowed. This unsatisfactory state of affairs has naturally been discussed in Parliament and outside. On behalf of the Government it has been argued that the failure of the fertilizer plan is mainly to be blamed on the private sector. This charge perhaps is

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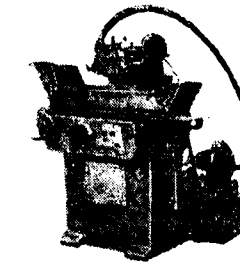
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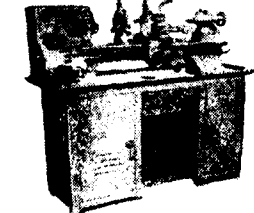
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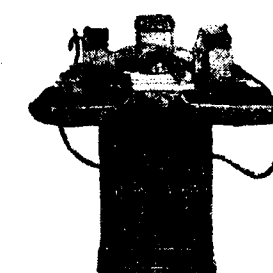
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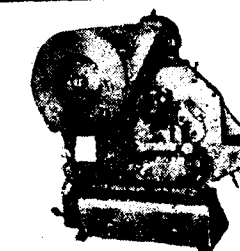
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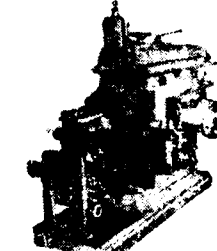
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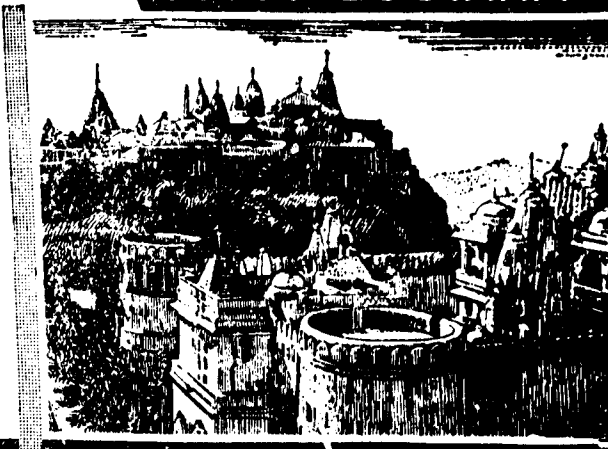
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TABLE I
INSTALLED CAPACITY OF FERTILISERS—FACTORYWISE AND PRODUCTWISE
(As on 31st July, 1963)

(Tonnes of nutrients per annum)

Name of the factory	Ammonium Sulphate	Urea	Ammonium Sulphate Nitrate	Calcium Ammonium Nitrate	Ammonium Chloride	Ammonium Phosphate Sulphate	Nitrophosphate	Superphosphate	Di-calcium Phosphate
	N	N	N	N	N	N	P205	N	P205
(i) In production									
Fertilizer Corporation of India Ltd. Unit: Sindri	73,260	10,730	36,450	—	—	—	—	—	—
Fertilizers & Chemicals, Travancore Ltd., Alwaye	20,930	—	—	—	2,030 ¹	5,360 ¹	6,700 ¹	—	—
Mysore Chemicals & Fertilizers Ltd., Mysore	1,380	—	—	—	—	—	—	—	—
Steel Factories—By-Product	14,840	—	—	—	—	—	—	—	—
Fertilizer Corporation of India Ltd. Unit: Rourkela	—	—	—	60,800	—	—	—	—	—
Fertilizer Corporation of India Ltd. Unit: Nangal	—	—	—	82,480	—	—	—	—	—
New Central Jute Mills Co. Ltd. Varanasi	—	—	—	—	10,160 ¹	—	—	—	—
E.I.D.—Parry Ltd., Ennore Superphosphate Factories	—	—	—	—	—	8,240	10,300	—	—
TOTAL	110,410	10,730	36,450	143,360	12,190	13,600	17,000	—	—
(ii) Licensed and yet to go into production									
Fertilizer Corporation of India Ltd. Unit: Namrup	20,600	24,200	—	—	—	—	—	—	—
Fertilizer & Chemicals, Travancore Ltd., Alwaye	20,930	—	—	—	4,320 ²	16,580 ²	20,730 ²	—	—
Rajasthan Fertilizers & Chemicals Corporation Ltd. Hanumangarh	81,580	—	—	—	—	—	—	—	—
Fertilizer Corporation of India Ltd. Unit: Rourkela	—	—	—	60,880 ³	—	—	—	—	—
Andhra Sugars Ltd., Kothagudem	—	80,470	—	—	—	—	—	—	—
Coromandel Fertilizers Pvt. Ltd., Vishakhapatnam	—	7,260	—	—	—	73,000	73,000	—	—
Gujarat State Fertilizer Co. Ltd., Baroda	—	40,640	—	—	—	56,900	56,000	—	—
Neyveli Fertilizers, Neyveli	—	71,120	—	—	—	—	—	45,000	45,000
Fertilizer Corporation of India Ltd., Unit: Trombay	—	45,000	—	—	—	—	—	—	—
Fertilizer Corporation of India Ltd., Unit: Gorakhpur	—	80,470	—	—	—	—	—	—	—
West Bengal Fertilizer Project, Durgapur	—	59,010	—	—	—	—	—	—	—
New Central Jute Mills, Co. Ltd., Varanasi	—	—	—	—	10,160 ³	—	—	—	—
E.I.D.—Parry Ltd., Ennore	—	—	—	—	—	8,740 ³	10,300 ³	—	—
Kothari & Sons, Tuticorin	—	—	—	—	—	64,380	80,470	—	—
Superphosphate Factories	—	—	—	—	—	—	—	—	58,030 ²
Di-Calcium Phosphate Factories	—	—	—	—	—	—	—	—	11,630 ²
TOTAL	123,110	408,170	—	60,880	14,480	219,100	241,400	45,000	45,000
(iii) Planned and yet to be licensed									
Mysore Fertilizer Project, Mangalore	30,000	40,000	—	—	—	25,000	25,000	—	—
Fertilizer Corporation of India Ltd., Unit Korba	—	100,000	—	—	—	—	—	—	—
TOTAL	30,000	140,000	—	—	—	25,000	25,000	—	—
GRAND TOTAL	263,520	558,900	36,450	204,240	26,670	257,700	283,400	45,000	45,000

1. Also for expansion
2. Expansion.

not quiet true. In the first place, the greater part of the expansion of this industry has been made the responsibility of the public sector and almost every major project in this sector has been dragging its feet. The only exception perhaps is the expansion of the Alwaye plant. The Gorakhpur project, for instance, will not be completed during the third Plan and may start operating late in 1966. The Namrup project may start producing on a commercial scale only towards the end of the third Plan. The Trombay project was scheduled to be commissioned in 1964, but it too may not go into production before 1965. The Neyveli project also may be delayed similarly. The Korba project, which was originally licensed in the private sector and has now been shifted to the public sector, will clearly spill out into the fourth Plan. All these five projects will command on completion an installed capacity of 341,390 tons and the delays in their implementation must be held to have contributed substantially to the failure of the fertilizer plan to hit the target. In addition, the proposal of the West Bengal Government to set up a nitrogenous fertilizer plant at Dugapur seems to have encountered heavy weather due to the inability of the Government to find the necessary finance.

Current Difficulties

Incidentally, apart from its not too good record in the initiation of new projects, the public sector in the fertilizer industry has also been plagued by difficulties in running existing plants properly. Sindri has had its quota of technical distempers and labour troubles. Supplies of gypsum and coal of required quality still continue to present problems for this plant. In the case of Rourkela, faults in the designing of the plant have led to a situation where twice as much capacity

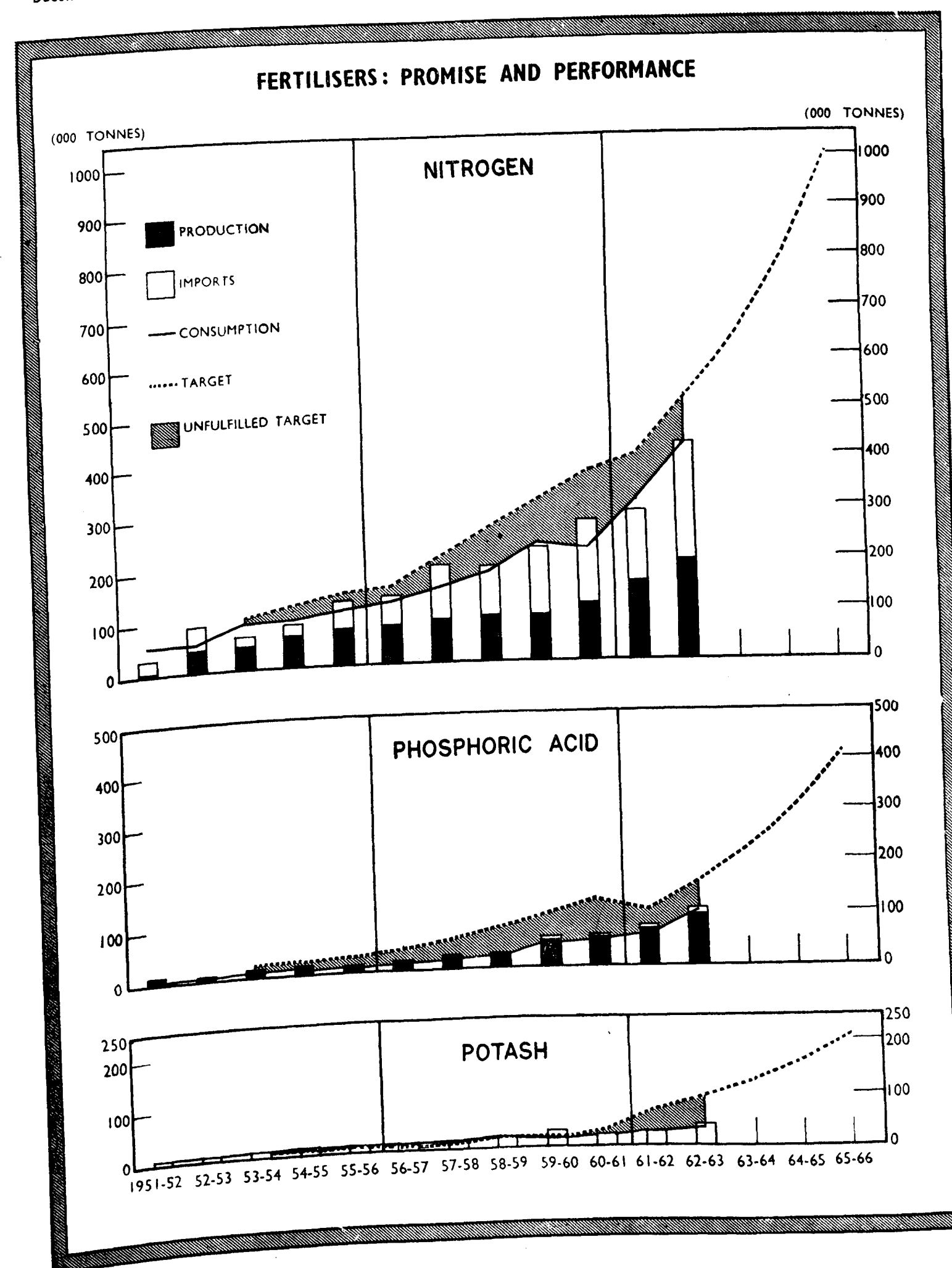
has been created as can be kept employed with the quantity of coke-oven gas available from the integrated iron and steel plant at the place. It may be conceded, of course, that while the blame for the slow growth of the fertilizer industry has to be assumed in part by the public sector, the private sector too has not been able to implement its proposals. As a matter of fact, not even one of the major private sector schemes, apart from the Ennore factory of E.I.D.-Parry, has so far made substantial progress. On the contrary, one of the licences issued to the private sector has been surrendered and, as was mentioned earlier, this project which is to be located in Madhya Pradesh will now be implemented in the public sector by the Fertilizer Corporation of India which has chosen Korba as the site. The processing of other projects has also been far from substantial, although there is a fair chance that two of them might make some progress before the end of the third Plan. One of them is the Vishakhapatnam project in respect of which foreign collaboration and external finance were arranged recently after years of negotiations. Similarly, the Kothagudem project, after many vicissitudes, has at last succeeded in securing the necessary foreign collaboration.

In these circumstances it must be admitted that the private sector too must share the blame with the public sector for the absence of sufficient progress in the fertilizer industry, but before the discussion could be regarded as complete, attention must be drawn to certain relevant factors an understanding of which is necessary for the further planning of this important industry on realistic lines. In the first place, the fertilizer industry is a capital-intensive industry. It, moreover, not only calls for a great deal of finance, but must also have a good part of it in the form of foreign exchange, since there is need to import both equipment and know-how. It

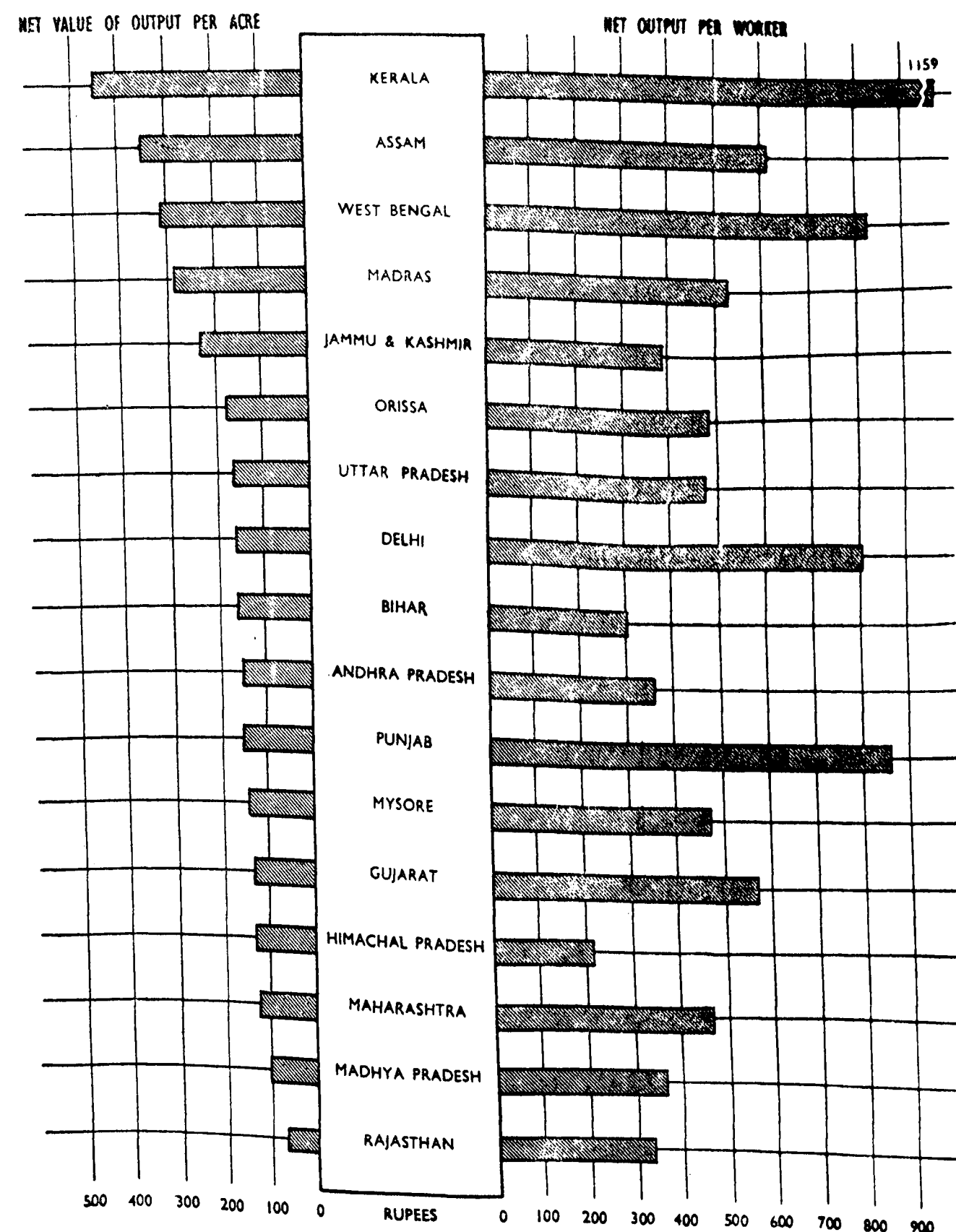
TABLE II
PRODUCTION, IMPORTS AND DISTRIBUTION OF FERTILIZERS: 1952-53 TO 1962-63

	Nitrogen ¹			Phosphoric acid ² (P ₂ O ₅)			Potash (K ₂ O)	
	Produced	Imported ⁴	Distributed ⁵	Produced	Imported	Distributed ⁶	Imported	Distributed ³
1952-53	53,067	44,294	57,822	7,445	4,552	8,311	..	..
1953-54	52,905	19,346	89,287	13,831	8,261	7,490	..	..
1954-55	68,478	19,984	94,810	14,345	15,027	11,097	..	..
1955-56	76,859	53,379	107,494	12,365	13,018	10,265	..	..
1956-57	78,788	56,768	123,054	17,585	15,874	14,791	..	..
1957-58	81,144	110,110	149,019	25,785	21,922	12,786	..	..
1958-59	80,766	97,540	171,988	30,987	29,490	22,366	..	..
1959-60	83,694	142,335	235,351	51,407	3,819	50,111	33,103	21,342
1960-61	111,987	171,926	220,803	53,722	128	53,134	24,846	29,052
1961-62	154,326	142,920	316,599	65,360	645	63,932	30,381	27,981
1962-63	194,178	229,462	426,364	86,280	7,959	92,510	44,276	36,503

- Note: 1. Includes complex fertilisers which contain both N and P₂O₅.
 2. Excludes bonemeal and ground rock phosphate for which data are not available.
 3. Figures from 1952-53 to 1957-58 are on financial year (April-March) basis.
 4. Figures from 1952-53 to 1956-57 relate to calendar years ending in the first half of the period stated while other figures are on financial year (April-March) basis and refer to allotments of fertilizers under the "Fertiliser Pool".
 5. Figures from 1952-53 to 1957-58 relate to calendar years ending in the first half of the period stated while other figures are on financial year (April-March) basis and refer to allotments of fertilizers under the "Fertiliser Pool".



REGIONAL AGRICULTURAL PRODUCTIVITY : 1960-61



Source: National Council of Applied Economic Research

follows that if the private sector is at all to develop substantially in this field a proper economic climate should be provided with that object in view. This is particularly important as foreign finance and technical collaboration have to be enlisted. Negotiations which were undertaken in the past some years in regard to various projects within the public sector or the private have abundantly proved that it is difficult to persuade foreign capital or enterprise to come into this industry. In the case of the West Bengal project, for instance, the State Government's talks with a US consortium failed partly because the consortium did not find the circumstances of the industry sufficiently attractive and partly because the West Bengal Government was not in a position to raise its part of the equity capital. In this context it is to be seriously considered whether State Governments should at all think in terms of participating in the capital of this industry.

The Vishakhapatnam project presented difficulties of another kind. The two U.S. firms which finally decided to come in were at first deterred by the Central Government's insistence on a debt-equity ratio of 2:1. It was only when the Government finally consented to a debt-equity ratio of 3:1 that the negotiations could be successfully completed. Another concession which had to be given by the Government in order to secure foreign collaboration in this case was an agreement that the proposed concern would handle most of the distribution of its product instead of handing it over to the Government. It is, therefore, pointless to blame the private sector in a vague or general way. If some schemes have not made progress it may be because licences were given to parties who are not resourceful enough to undertake the difficult negotiations involved in securing foreign collaboration or raising internal finance. To the extent that this is an explanation, the Government cannot altogether escape blame since its licensing policy in the matter of such an important industry should have been more discreet. Secondly, it is possible that progress has not been satisfactory in certain other cases where the conditions laid down by the Government for foreign collaboration were unhelpful, at least in the first instance, from the point of view of foreign enterprise or foreign capital.

Pricing Policy

Finally, there is also the important question of the Government's pricing policy with regard to fertilizers. Here the situation is complicated by the fact that the Government desires to make fertilizers available to the farmer at attractive rates in order to encourage their use. This policy, virtuous in itself, seems to act as a deterrent to the Government in contemplating a remunerative level of prices for this industry. Secondly, the scheme of Government-controlled distribution is far from a recommendation to potential entrepreneurs. As we have seen in the case of the Vishakhapatnam project, the Government has had to relax its attitude in this regard in order to attract foreign collaboration. It is not irrelevant in this context to point out that the Government's own thinking lately has been that industries in the public sector should be worked on a commercial basis so as to yield an adequate profit. The Government has taken upon itself a large direct responsibility for building the fertilizer industry and it will be an act of wisdom on its part to apply this principle to the pricing of products of this industry. If the consumption of fertilizers is to be subsidized it should be done not at the risk of discouraging the expansion of the industry but as a charge on public funds provided for agricultural development.

Viewed in this manner, the apportionment of blame between the two sectors is a matter of secondary importance. What is now necessary is to take various general and specific measures needed to create a favourable climate for the more rapid growth of this vital industry. The goal of one million tons of nitrogen fixed for the third Plan should at least be reached

by the middle of the fourth Plan. This is with regard to nitrogenous fertilizers. It must be noted that the development programme for phosphatic fertilizers is also much behind schedule. And it is now said that "we should be doing well if we succeeded in setting up a capacity of 500,000 tons." The consumption of fertilizers in this country has increased eight times over the last ten years. This increased consumption has been met partly by increased domestic production and partly by imports. Imports rose from 44,294 tons in 1952-53 to 229,462 tons in 1962-63. They are thus playing the major part in meeting the requirements of our agriculture. There is now talk of a fourth Plan target of two million tons of nitrogen which would involve the setting up of two new large factories every year. The Union Minister for Petroleum and Chemicals stated in the Lok Sabha recently that the Planning Group on the fertilizer industry had recommended this target tentatively. In the case of phosphatic fertilizers, the suggested target is one million tons. Corresponding to these goals of installed capacities, the targets of output are placed at 1.75 million tons in the case of Nitrogen and 800,000 tons for phosphatic fertilizers.

TABLE III
CONSUMPTION OF N, P2O5 AND K2O — STATE-WISE
1962-63

State	(Tonnes)		
	N	P2O5	K2O
Andhra Pradesh	92,202	24,363	503
Assam	406	302	452
Bihar	22,838	3,461	1,211
Gujarat	14,629	9,983	681
Jammu and Kashmir	1,221	6	1
Kerala	9,781	2,079	11,435
Madhya Pradesh	15,028	3,431	..
Madras	65,260	8,760	8,830
Maharashtra	32,602	11,011	2,642
Mysore	26,154	7,583	5,093
Orissa	5,856	1,084	162
Punjab	21,309	2,411	55
Rajasthan	5,329	1,373	25
Uttar Pradesh	16,078	4,297	39
West Bengal	13,221	5,801	3,622
Delhi	325	20	..
Himachal Pradesh	261	244	..
Manipur	25	13	..
Tripura	10	..	..
Pondicherry	895	31	..
Goa	870	120	..
Andamans and Nicobar	7	..	..
Lacadives	..	..	..
Coffee Board	10,125	..	..
U.P.A.S.I.	9,038	..	..
Rubber Board	1,485	..	..
Tea (N.-E. India)	19,392	..	..
Industrial Users	1,211	..	..
Sikkim	3	..	..
Nepal	206	2	..
Used in Mixtures	..	5,868	..
Wastages	..	269	..
Free Supply	..	3	..
TOTAL:	426,364	92,510	36,503

Note: Calculated on the basis of distribution figures.

- For fertilizers the "Fertiliser Pool", allotment figures have been considered.
- Includes 1,751 metric tonnes K2O as sulphate of potash, the Statewise distribution figures for which are not available.

TABLE IV
PRICES OF POOL FERTILIZERS

DATE	Price in rupees when sold for the use of plantations		Price in Rupees when sold for the use of Cultivators			
	In West Bengal or Assam or Manipur or Tripura	In any other State or Union Territory	In U.P.	In Madras	In Orissa	In any other State or Union Territory
Ammonium Sulphate						
12- 7-57	422.00 (L.T.)	405.00 (L.T.)	380.00 (L.T.)	380.00 (L.T.)	380.00 (L.T.)	380.00 (L.T.)
11-11-57	422.00 (L.T.)	405.00 (L.T.)	386.00 (L.T.)	380.00 (L.T.)	380.00 (L.T.)	380.00 (L.T.)
29-11-57	-do-	-do-	386.00 (L.T.)	-do-	-do-	-do-
8- 8-58	-do-	-do-	-do-	-do-	-do-	-do-
23-10-61	415.80 (M.T.)	399.10 (M.T.)	380.00 (M.T.)	385.14 (M.T.)	390.00 (L.T.)	-do-
1-12-61	-do-	-do-	366.00 (M.T.)	371.00 (M.T.)	384.50 (M.T.)	374.50 (M.T.)
13-12-61	-do-	-do-	-do-	370.20 (M.T.)	370.00 (M.T.)	380.00 (M.T.)
1- 1-62	401.30 (M.T.)	384.60 (M.T.)	-do-	-do-	-do-	-do-
5-10-62	384.60 (M.T.)	-do-	-do-	-do-	-do-	-do-
Ammonium Sulphate Nitrate						
12- 7-57	450.00 (L.T.)	450.00 (L.T.)	450.00 (L.T.)	450.00 (L.T.)	450.00 (L.T.)	450.00 (L.T.)
11-11-57	-do-	-do-	458.20 (L.T.)	-do-	-do-	-do-
27- 7-58	450.00 (L.T.)	450.00 (L.T.)	458.20 (L.T.)	452.90 (L.T.)	-do-	-do-
23-10-61	460.00 (M.T.)	443.50 (M.T.)	446.00 (M.T.)	432.06 (M.T.)	450.00 (L.T.)	450.00 (L.T.)
1-12-61	-do-	-do-	438.00 (M.T.)	432.00 (M.T.)	443.50 (M.T.)	443.50 (M.T.)
13-12-61	-do-	-do-	-do-	442.30 (M.T.)	435.00 (M.T.)	435.00 (M.T.)
1- 1-62	451.50 (M.T.)	435.00 (M.T.)	-do-	-do-	-do-	-do-
5-10-62	435.00 (M.T.)	-do-	-do-	-do-	-do-	-do-
Urea						
12- 7-57	740.00 (L.T.)	740.00 (L.T.)	740.00 (L.T.)	740.00 (L.T.)	740.00 (L.T.)	740.00 (L.T.)
11-11-57	-do-	-do-	760.00 (L.T.)	-do-	-do-	-do-
29- 7-58	-do-	-do-	-do-	751.60 (L.T.)	-do-	-do-
23-10-61	755.00 (M.T.)	729.10 (M.T.)	733.00 (M.T.)	724.93 (M.T.)	-do-	-do-
1-12-61	-do-	-do-	719.00 (M.T.)	711.00 (M.T.)	729.10 (M.T.)	729.10 (M.T.)
13-12-61	-do-	-do-	-do-	720.40 (M.T.)	715.00 (M.T.)	715.00 (M.T.)
1- 1-62	740.90 (M.T.)	715.00 (M.T.)	-do-	-do-	-do-	-do-
5-10-62	715.00 (M.T.)	-do-	-do-	-do-	-do-	-do-
Calcium Ammonium Nitrate						
12- 7-57	360.00 (L.T.)	360.00 (L.T.)	360.00 (L.T.)	360.00 (L.T.)	360.00 (L.T.)	360.00 (L.T.)
29- 7-58	-do-	-do-	-do-	360.20 (L.T.)	-do-	-do-
23-10-61	354.80 (M.T.)	354.80 (M.T.)	359.00 (M.T.)	354.54 (M.T.)	354.80 (M.T.)	354.80 (M.T.)
1-12-61	-do-	-do-	346.00 (M.T.)	342.00 (M.T.)	342.00 (M.T.)	342.00 (M.T.)
13-12-61	-do-	-do-	-do-	351.60 (M.T.)	-do-	-do-
1- 1-62	-	342.00 (M.T.)	-do-	-do-	-do-	-do-
5-10-62	310.00 (M.T.)	310.00 (M.T.)	314.00 (M.T.)	319.60 (M.T.)	310.00 (M.T.)	310.00 (M.T.)

L.T. — Long ton.

M.T. — Metric tonne.

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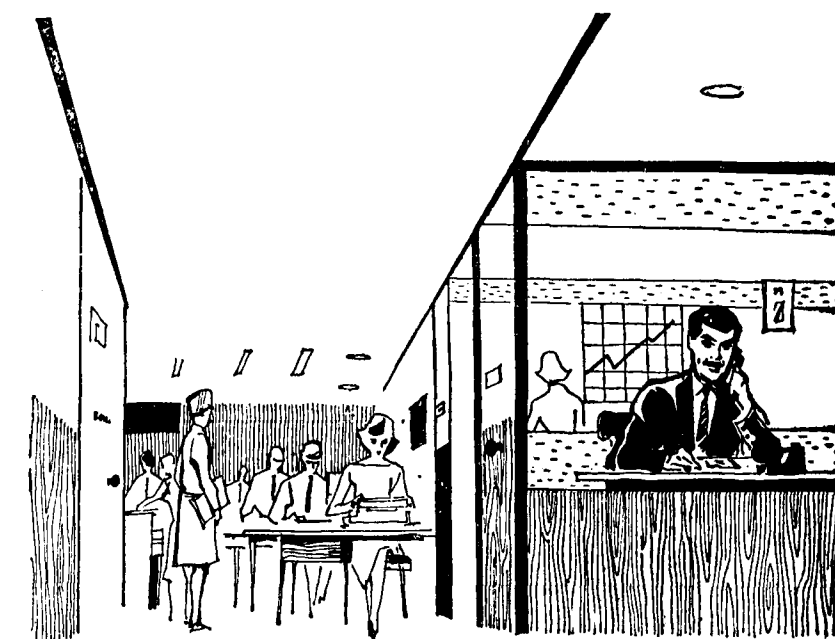
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tious plans will not be possible without steps being taken promptly to enlist foreign collaboration of a very considerable order. Secondly, the development of technical and managerial skills in the country has also to be planned for vigorously. Such know-how is needed not merely for the running of established units but also for the fabrication of plant and equipment for new units. It is clearly desirable that the import content of fertilizer plants should be brought down as much as possible. Certain encouraging developments have already taken place in this direction. Sindri skills have helped in the setting up of the Rourkela plant. The Fertilizer Corporation of India, which is in charge of the public sector in the fertilizer industry, is now assuming responsibility for the engineering and erection of the factory at Korba in Madhya Pradesh. Fertilizers and Chemicals (Travancore) has developed a competent organisation for designs and construction and has been invested with the respon-

sibility of erecting three new plants during the fourth Plan. All the same it is necessary to realize that much more remains to be done in the area of finding and training suitable personnel for technical and managerial responsibilities at the higher levels. Here it is not out of place to remark that Government procedures seem to be coming in the way of not only the projects in the private sector but also those in the public sector. It is strange, for instance, that the post of a General Manager for the Trombay project has not yet been filled. The fertilizer industry has been given the status of a "high priority" industry. It is only reasonable that the Minister responsible for it should have reasonable freedom in taking and implementing important decisions relating to its development. Perhaps if there is this freedom, there will be less frustration in ministerial circles, and consequently, less inclination to shift blame to the private sector.

FERTILIZERS AND FARM PROFITS

Crop	Harvest price of crop (Rs./Q)	Dose of N in kg./ha.	NITROGEN		PHOSPHATE			POTASH		
			Average response (Q/ha)	Average percentage profit over investment in fertilizers.	Dose in kg. P ₂ O ₅ /ha.	Average response (Q/ha)	Average percentage profit over investment in fertilizers.	Dose in kg. K ₂ O/ha.	Average response (Q/ha)	Average percentage profit over investment in fertilizers.
Rice	48.0	22.4	3.0	244	22.4	2.2	152	22.4	1.4	206
Wheat (I)	38.0	22.4	3.7	236	22.4	2.3	109	22.4	1.4	147
Wheat (U.I.)	38.0	22.4	2.5	136	22.4	1.3	18	22.4	0.9	56
Potato	16.0	56.0	27.8	325	28.0	15.8	402	56.0	12.9	276
Groundnut	40.0	22.4	2.0	91	33.6	2.1	34	33.6	1.6	94
Sugarcane (North India)	4.3	67.3	119.0	310	44.8	61.0	216	44.8	38.0	276
Sugarcane (South India)	4.3	196.1	89.0	5	89.7	55.0	42	89.7	53.0	162
Gram	37.1	..	..	..	33.6	1.8	6	..	..	..

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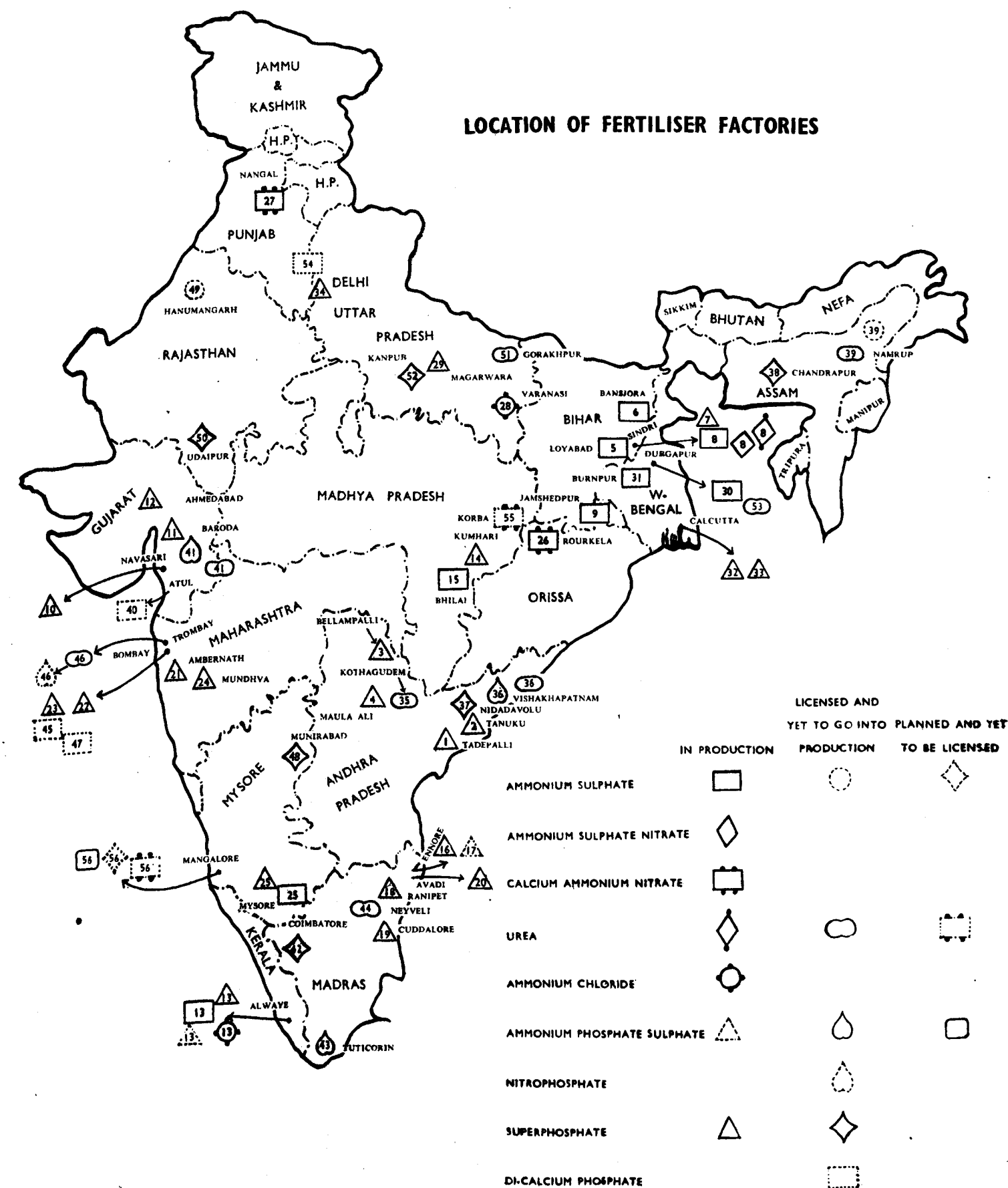
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Heavy Electricals: Government as Monopolist

THIS COUNTRY has a large power development programme reaching into the years ahead. A substantial portion of the outlay on power installations—about 25 per cent in the case of hydro stations, over 50 per cent in the case of thermal stations and about 30 per cent in the case of transmission systems—constitutes expenditure on machinery. It necessarily follows that this country has to enter the heavy electricals industry field in a big way. This was realized at least as early as in 1948 when an "exploratory committee of experts" considered a scheme for the manufacture of heavy electrical equipments, but no action was taken until 1952, when the proposal was revived and included in the first five-year Plan. But difficulties came at the level of financial scrutiny and sanction. It was not until 1955 or later that the project could assume even a tentative shape.

Fortunately the plant eventually set up at Bhopal has had the advantage of technical collaboration on the part of Associated Electrical Industries of Great Britain which is a leader in this field. Even so it has had to pass through many vicissitudes in its initial stages due mainly to foreign exchange difficulties, delays in the receipt of machine tools and manufacturing equipment, dependence for almost all of its requirements of raw materials and components on imports, shortage of qualified technical personnel and labour troubles. Gradually this unit in the public sector has been dealing increasingly effectively with its problems and it seems to have succeeded reasonably well in organizing the production of heavy electrical equipment over an increasing range of descriptions. The Bhopal plant is run by the Heavy Electricals (India) Ltd., a public sector organization, which is now planning to set up two more heavy electrical units, one at Ramchandrapuram near Hyderabad and the other at Ranipur near Hardwar. While the former is being set up with Czech collaboration, Soviet financial and technical assistance are being made available for the Ranipur unit. The Heavy Electricals (India) Ltd. is also in charge of the high pressure boilers unit which is being set up at Tiruchirappalli with Czech collaboration, for the manufacture of boilers for steam turbines.

Shortsighted Policy

The Government certainly deserves to be congratulated on going into the heavy electricals business on this scale, but it may still be asked whether it will not be profitable to have its efforts in this direction supplemented by the private sector as well. As it is the Government seems to be chary of entertaining proposals from the private sector for schemes for manufacture of electricity generation equipment. This is shortsightedness. The field here is vast and it is possible that emerging needs are not being anticipated adequately. Again, there is a significant gap in the Government's planning in that no place has been found in it so far for any participation by the highly developed heavy electricals industries in countries such as the United States. If U.S. collaboration can be secured for more projects, there is no reason why the Government should not permit the private sector of this country to explore such opportunities. Talking of big industrialisation is not enough. It is only big action in vital development areas such as this one which can translate planning ambitions into reality.

The Bhopal Heavy Electricals Plant, which was commissioned into service in July, 1960, about three years after the project report was approved, has since established regular production and has supplied transformers to the States of Madhya Pradesh, Punjab, Madras, Andhra Pradesh and Assam. It undertook to supply 15,000 KVA capacity transformers for Delhi Electric Supply Undertaking, 37,500 KVA capacity transformers for Obra project of Uttar Pradesh, 40,000 KVA capacity transformers for the Dhuvaran project of Gujarat, 50,000 KVA trans-

formers for the Damodar Valley Corporation and Calcutta Electric Supply Company, and 75,000 KVA capacity transformers for Talcher Thermal Scheme of Orissa and power development schemes in Maharashtra. It has also negotiated for orders for 175,000 KVA capacity transformers for the Damodar Valley Corporation. Capacitors manufactured in factory have been supplied to a number of private industries and circuit breakers also have been supplied to various consumers both in public and private sectors. The value of the output of this plant is expected to amount to Rs 8 crores by 1963-64, Rs 20 crores by 1965-66 and Rs. 30 crores when in full production only in the fourth Plan. The investment on the five blocks of this plant stands at about Rs. 40 crores. A sixth block, involving an outlay of Rs 10 crores, is proposed to be added for the manufacture of steam turbines.

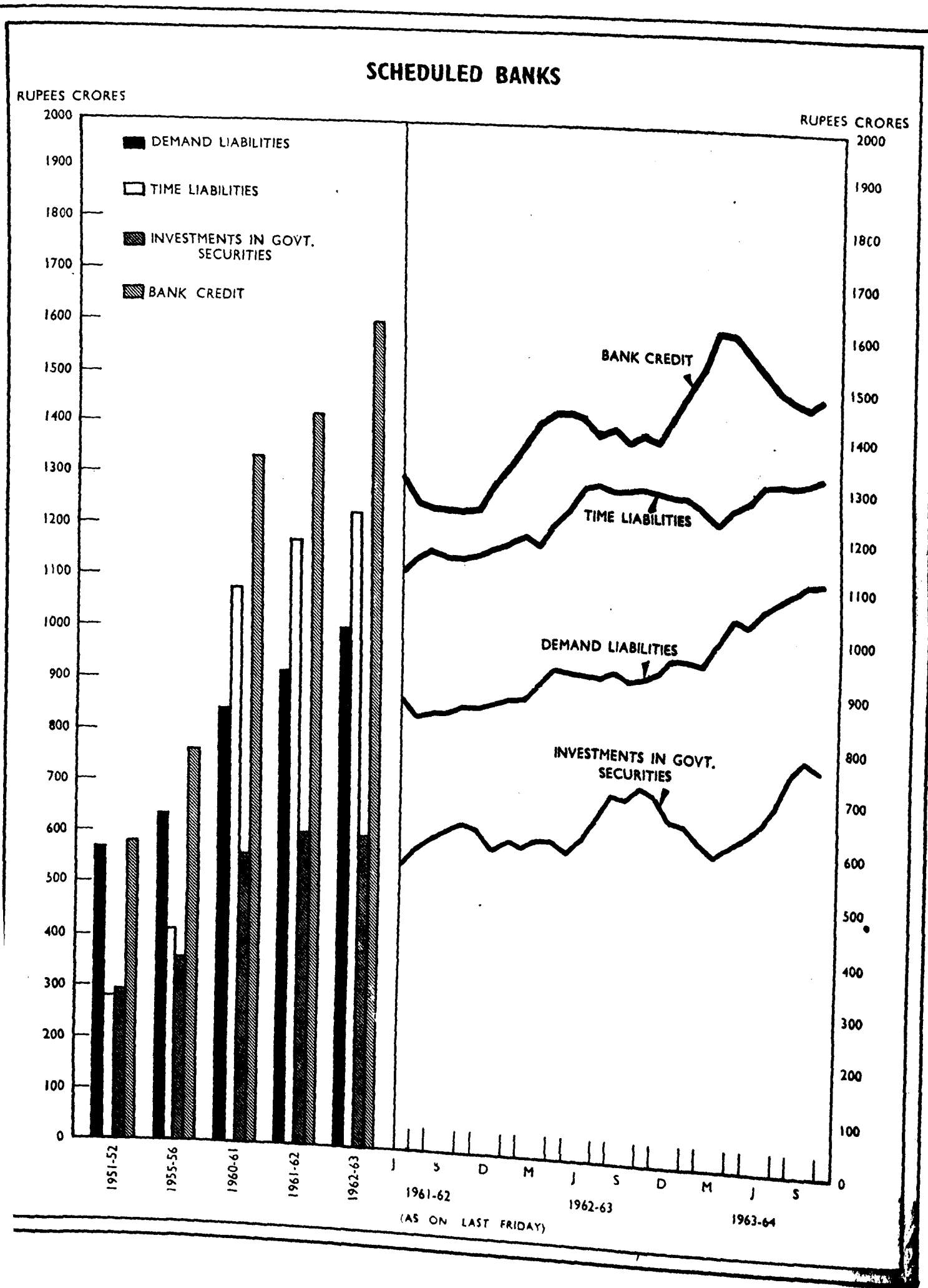
Dovetailed Projects

The two new heavy electricals projects which are being set up at Ramchandrapuram, near Hyderabad and Ranipur, near Hardwar are expected to be commissioned towards the close of the current Plan. The Ranipur Unit will have an ultimate capacity to produce equipment worth about Rs. 40 crores per annum, while the capacity of the Ramchandrapuram unit will be of the order of Rs. 14 crores. Their production programmes have been dovetailed into that of the plant at Bhopal. The Ramchandrapuram plant will produce steam turbines and turbo-alternators of 12, 25, 55 and 100 MW, besides pumps. The Ranipur unit will manufacture hydraulic turbines and generators of the capacity from 10,000 to 1,00,000 KW., steam turbines and turbo-generators from 50,000 to 2,00,000 KW capacity, heavy and medium sized A.C./D.C. machines for steel mills and other industrial units and starting, controlling and completing apparatus. This plant will be capable of making steam turbines of 3,00,000 KW also.

While the public sector has sought to monopolise the heavy electricals field, the private sector has been able to build up an extensive position elsewhere in the industry, particularly in respect of electrical appliances of consumer interest and also with regard to electrical transformers, electric motors, cables and wires. Several producers have been engaged in the manufacture of electric motors for the last 20 years, but real progress was witnessed only after 1951. The number of such units was 12 with a capacity of 263,000 H.P. and an actual output of 250,000 H.P. towards the end of the first five-year Plan. These units increased to 27 with an aggregate annual capacity of 1.3 million H.P. by 1960-61. Considerable progress has been recorded in the small scale sector too where the number of manufacturing units increased from 6 in 1955 to 74 in 1959 with an annual capacity of 266,000 H.P. The small-scale sector, it may be added, produced mainly fractional H.P. motors and motors up to 20 H.P. There were 39 units engaged in the manufacture of components only.

There has been considerable diversification in the manufacture of electric motors and special types such as geared motors, flame-proof and explosion proof motors have been taken up by the producers. It was estimated that during the third five-year Plan, the demand for electric motors upto 300 H.P. will increase to 2.5 million H.P. per annum. It was considered reasonable, on the whole, to expect that a capacity of 3.0 million H.P. on double shift basis would be able to achieve the proposed production level. A number of firms have been licensed to manufacture electric motors of varying H.P., apart from the 18 firms with a capacity of 218,400 nos., licensed to manufacture fractional H.P. motors in the large scale sector. The two Heavy Electrical Projects to be established at Hyderabad and Hardwar will also produce industrial motors of 200 H.P. and above.

The manufacture of power and distribution transformers of



a wide range has made considerable progress during the last few years with the result that a large part of the country's requirements are being met from indigenous production. The majority of the units confine themselves, by and large, to the production of transformers upto 1,500 K.V.A. and 33 K.V. on the H.T. side. A few units have taken up the manufacture of higher voltage and higher capacity transformers too. The demand has continued to increase so rapidly that the targets of production had to be revised from time to time. For instance, at the beginning of the second five-year Plan, there were 13 units engaged in the industry with an annual capacity of 657,000 K.V.A. During the following five years five new units went into production so that at the end of 1960-61 there were 18 units with an installed capacity of 1,404,000 K.V.A. Earlier, it was estimated that the annual demand would be nearly 1.36 million K.V.A. which was later on revised to 1.5 million K.V.A. corresponding to 2.2 million K.V.A. capacity.

Production Targets

The Development Council for Heavy Electrical Industries has estimated that the demand for power and distribution transformers of 33 K.V. and below will rise to 3.5 million K.V.A. per annum by the end of the third Plan and that was fixed as the production target with a proposed capacity of 4.0 million K.V.A. on double shift basis. Consequently, a number of schemes have been licensed which when implemented will raise the rated capacity of the industry to 2.19 K.V.A. on single shift basis. It is argued that by working this capacity on multiple shift, a production level of 3.5 million K.V.A. can be achieved, which is the proposed target of the third Plan. Consequently, no new licences are to be issued during the third Plan period.

Prior to 1953 there was hardly any production of switch gears and control gears in this country and in fact it was only during the early years of the second Plan that the industry progressed rapidly so that by 1960 there were 26 units in operation. Many of these manufacturers had entered into technical collaboration agreements with foreign entrepreneurs to produce items such as contact starters, star delta starters, stator-rotor starters and other special types of starters. The installed capacity at the end of the second Plan was 300 H.T. switch gears, 1,000 L.T. switch gears, 81,700 motor control gears and 1,36,000 iron clad switches and switch fuses. It was estimated that the demand for switch gears upto 11 K.V. by the end of the third five-year Plan will be 2,250 circuit breakers and switch boards, 18,000 L.T. circuit breakers and switch boards, 3.6 million iron clad switches and 225,000 motor starters. Several proposals made by the private entrepreneurs were approved and including the proposed output by the Government Electric Factory, Bangalore, and the Heavy Electrical Plant at Bhopal, the demand of these articles is likely to be met adequately.

Cables and Wires

Several types of cables and wires such as bare copper conductors, aluminium conductors steel reinforced (A.C.S.R.) and aluminium conductors, V.I.R. and PVC cables paper insulated power cables, telephone cables and winding wires, are being manufactured in India. The current value of the annual output is estimated at about Rs. 40 crores and it is expected to reach a figure of Rs. 78 crores by 1965-66. Due to the non-availability of foreign exchange for the import of copper, the production of bare copper conductors has continued to decline. In 1960-61, its output was 10,144 tons which declined to 4,237 tons in 1962-63. At the same time, ACSR and aluminium conductors have tended to replace it and consequently their output increased considerably which in 1962-63 was 33,055 tons. With the various aluminium plants coming into production, the industry will be largely self-sufficient in raw materials and will be able to meet the indigenous demand.

The demand for ACSR and aluminium conductors is likely to rise to 44,000 tons by 1965-66 for which a capacity of 55,000 tons on double shift basis is proposed to be established. The demand for paper insulated power cables is expected to be around 4,000 miles by 1965-66 for which a capacity of 4,500 miles has been proposed to be established on double shift basis. Similarly, the demand for dry core cables for the expansion programme of the Posts and Telegraphs Department is estimated at 2,000 miles in 1965-66 for which a capacity target of 2,000 to 2,500 miles is to be established. In the case of winding wires used for transformers, electric motors, fans, etc., it is estimated that the demand would rise to 24,000 tons per annum by 1965-66 for which a capacity of 32,000 tons is proposed to be established on double shift basis. A number of schemes have been licensed for establishing the required additional capacity of these cables and wires. Moreover, the Hindustan Cables, which is in the public sector will also expand its capacity to produce 2,000 miles of dry core cables and 500 miles of plastic insulated city cables on double shift basis. With the implementation of these schemes, the capacity for the manufacture of various types of cables and wires is estimated to be as given in Table I.

This is perhaps the only item of electrical equipment, the demand for which is independent of the progress in power generating capacity. Used for torches, defence operations and various types of automobiles, the production of batteries started in the country quite some years ago, but like many other industries, its output gained momentum only recently. The current rated capacity of dry batteries is nearly 300 million cells and the target for the third Plan is placed at a capacity of about 400 million cells. Similarly, the installed capacity of storage batteries increased from 290,100 in 1955-56 to 379,300 in 1960-61. During the years of the second Plan, there has been considerable diversification of production so

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ANNUAL NUMBER 1964

that much larger variety of batteries is being produced now. Storage batteries are also being produced in the small scale sector. The third Plan target of production is 800,000 batteries in the organised sector and 200,000 batteries in the small scale sector per year. In order to achieve an output of 800,000, a rated capacity of 535,000 on single shift basis is considered enough, for which licences have been issued.

TABLE I
CAPACITY FOR MANUFACTURE OF VARIOUS TYPES OF CABLES AND WIRES

A.C.S.R. conductors	..	41,900 tons
Bare copper conductors	..	18,700 tons
Rubber insulated cables	..	965.86 million core yds.
Paper insulated cables	..	4,876 miles
Winding Wires:		
(a) Enamel covered wires	..	7,102 tons
(b) Paper and cotton covered wires and strips	..	5,059 tons

teries in the organised sector and 200,000 batteries in the small scale sector per year. In order to achieve an output of 800,000, a rated capacity of 535,000 on single shift basis is considered enough, for which licences have been issued.

Consumer Electricals

Apart from these items of electrical equipment utilised for generation or transmission of power, various articles of consumer interest such as fans, lamps, radio receivers, refrigerators, air-conditioners and several electric accessories have also witnessed an increase in output during the last few years. Along with the expansion in quantity, there has been a marked improvement in the finish of all these articles. Moreover the indigenous content in each of these final products has increased substantially. It may be pointed out that all these items were being produced for the last several years but varying contents of imported components were being utilised, which in some cases were very large.

Electrical fans were being produced at 24 units at the end of 1960-61 with an installed capacity of 871,750 per annum on single shift basis. Indigenous demand for electric fans has increased rapidly with the spread of electricity as well as the rise in the level of living of the people so that the overall requirements by 1965-66 were placed at 2.5 million (including an export of 250,000) for which a capacity of 2.8 million on double shift basis or 1.4 million on single shift basis was proposed to be achieved.

The number of units manufacturing incandescent lamps were 12 at the end of 1960-61 with an installed capacity of 35.95 million bulbs. With increased electrification of villages the internal demand for GLS and other similar lamps by 1965-66 is expected to increase to 62 million, and taking into account the possibility of an export of 6 million bulbs, the total demand is estimated at 68 million bulbs by 1965-66. During the last few years the production of fluorescent tubes, miniature bulbs, torch bulbs, mercury vapour lamps and photo flash lamps has been taken up by some entrepreneurs. The demand for fluorescent tubes by 1965-66 was estimated to be nearly 6.5 million, including 0.5 million for exports. Similarly, the demand for miniature bulbs including 5 million for exports, was expected to be 50 million. With the implementation of the schemes already licensed the proposed installed capacity was likely to be achieved.

The electric house service meters industry has made considerable progress during the last decade. Starting early in the first Plan, the output increased to 505,000 by the end of the second Plan. The target for 1965-66 has been fixed at 2

million for single phase meters and 100,000 for poly phase meters. A number of firms have been given licences, the implementation of which will achieve the proposed output. The industry is likely to be self-sufficient to the extent of 90 to 95 per cent for its raw material requirements.

The Refrigeration and Air-conditioning industry has also made considerable headway and production of sealed units for domestic refrigerators has been undertaken. A number of schemes for the manufacture of refrigeration compressors, controls and other raw materials particularly for industrial and commercial refrigerators and air-conditioners were being implemented. The production of domestic refrigerators has also improved considerably.

Radio manufacturing, which began in a small way as an assembly industry, has grown considerably so that towards the end of the second Plan the output was nearly 280,000 radios. An effort to produce cheap sets at a cost of Rs. 125 has considerably increased the demand. The industry has made significant progress in the manufacture of various components which till recently were being imported. Now it manufactures all the hardware and metallic parts and fittings, transformers, coils, cabinets, dials, knobs as also many essential components such as paper capacitors, carbon resistors, wave band switches, ceramic capacitors, loud speakers, potentiometers and gang condensers. The manufacture of valves has also been established. In the context of the growing popularity of transistorised radios, production of these has also increased during the recent years. It is estimated that the existing capacity along with the additional licensed capacity worked out to about 340,000 radios on single shift basis. To achieve the third five-year Plan target of 900,000 radio receivers, the gap is 150,000 on single shift basis which is expected to be covered by the small-scale sector.

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Automobiles: Government as Back-seat Driver

IF THE automobile industry in this country is still rather diffident in its development, it is essentially because government policy for the industry continues to regard it as a necessary evil rather than as a desirable good. The impression that this industry produces a luxury product dies hard, although it is now coming to be increasingly realized that at least to the extent that it has to manufacture vehicles for road transport and power-driven implements for agriculture and construction, it has a dynamic contribution to make to economic growth and industrial expansion. But it is strange that even in the area of commercial vehicle production, the Government's planning for this industry is hopelessly timid. Although the Government has licensed a total capacity of 78,500 numbers in respect of commercial vehicles, trucks and buses, the Minister for Steel, Mines and Heavy Engineering recently told Rajya Sabha that the output might only amount to 45,000 by the end of the third Plan.

It has to be noted that this aggregate output has to be shared among three manufacturers, although the Government realized that the scale of production of 24,000 vehicles is the minimum necessary for economic production. At the present time, only one of the producers will perhaps be able to achieve this order of output by the end of the third Plan which means that the other two will have to be saddled with uneconomic scales of production for some time to come. This could hardly be regarded as good planning since output of commercial vehicles on less than the minimum economic scale per unit is bound to raise the basic cost of the road transport industry. Mr. C. Subramaniam suggested that if there had been no emergency, the third Plan target of 60,000 commercial vehicles, trucks and buses could perhaps have been practicable. But the emergency, surely, is one more reason for basic targets for road transport to be more energetically pursued. We realise that there has to be more intensive employment of capacity in the production of military vehicles, but commercial transport is certainly highly relevant to the provisioning and equipment of our Armed Forces in the strategic areas or elsewhere. We should have expected the Government to have appropriately upgraded the priority for road transport vehicles in the light of the demands of the emergency.

Apologetic Attitude

In the case of passenger cars, the Government's attitude is unduly apologetic. Mr C. Subramaniam informed the Rajya Sabha that cars were receiving the lowest priority in the automobile programme. Although the third Plan target is 30,000 vehicles, the Government has so far licensed only a capacity of 20,200, which is also the installed capacity at the present time. The Minister said that because of the emergency there would be no further licensing capacity in this line of production for some time. He seemed almost glad that this was so. Frankly, we do not comprehend this grudging attitude and while we do not suggest that the Government should divert foreign exchange to this section of the industry from the general pool from which so many other important demands have to be met, it seems to us that specially for this industry private foreign credits could be negotiated provided the Government's policy is positive and promotional.

It has been conceded that both cost and quality are dependent upon economic scales of output. It was mentioned in Rajya Sabha that the aim should at least be to secure to each unit manufacturing cars a scale of production of at least 50,000. Costs, it was pointed out, could go down by 30 per cent if output could be increased from 10,000 to 50,000. At the present time, three units among themselves make about 20,000 cars, and only one of them has a production which exceeds, but only slightly, 10,000. It may be that a total car production of 150,000 cannot be brought about within the third Plan

period, or even the fourth Plan period. But surely it ought to be possible to keep on pursuing the third Plan target of 30,000 instead of abandoning it altogether. The main limitation on expansion is the import of capital goods which must be added to the equipment of this industry. But, as we have suggested, it should not be impossible to secure liberal foreign credits for this purpose provided the Government could demonstrate an active interest in expansion. The industry is already in good repute with international institutional lenders and we would certainly urge that the possibilities of private consortia abroad taking a hand in financing this industry should be explored. Even if an output of 30,000 cars is not achieved by 1965-66, it should at least be achieved in the years immediately following so that it becomes possible to plan on a relatively long-term basis for an annual output of 60,000 cars by 1970-71. While it is true that even with that order of aggregate production, output per manufacturer would still be well below the desirable scale of 50,000, the technical and economic gains would still be considerable and it may not be impossible to bring down prices by 10 to 15 per cent even at these slightly increased levels of output.

Foreign Exchange

We have said that a positive promotional policy would be a condition of the availability of foreign finance. The chief element in that policy would be a liberal attitude towards consumers. Mr. C. Subramaniam, speaking in Rajya Sabha, did a necessary job in dispelling prejudices and misconceptions on this point. He had the courage to say that all the increase in car prices subsequent to 1958-59, had been in respect of elements such as excise and customs duties and prices of raw materials or components purchased from outside. He emphasized that no increase had been given to manufacturers on account of increases in their operating expenses. It should be pointed out here that the excise duty on the finished vehicle and the customs duty on imported components are only a part of the total incidence of taxation on this industry. Almost every item of raw materials, semi-finished parts or finished components, which the industry has to procure either within the country or from outside is being taxed often at multiple points and it is just not possible even to keep track of the progressive inflation of the tax incidence on the industry which is prompted by such additions. It is, of course, not possible in the general context of high direct and indirect taxation to plead for preferential fiscal treatment for cars, but in the case of commercial vehicles at any rate there must be room for relief. Even in the case of cars, even if there can be no deduction in taxes as such, there could at least be some rationalisation of fiscal imposts which in itself would give rise to a certain relief in the aggregate. An allied point is that although the prices of cars are fixed with the approval of the Government, the manufacturers who, as we saw, are under continuing pressure to buy more and more ancillary industries products, are not similarly protected in respect of most of the prices which they have to pay for components. From this point of view the Finance Minister's recent announcement de-controlling some of the price-fixed automobile accessories or components, while welcome in its limited context, would nevertheless complicate an already difficult situation so far as automobile manufacturers are concerned. In the circumstances it is to be considered whether a little more flexibility should not be introduced in the affairs of the automobile industry by the Government giving up the present system of voluntary prices. With the consequent elasticity in pricing, the automobile industry may be able to enlist adequate foreign financial investment or credits in its expansion.

Mr C. Subramaniam took justified pride in the fact that the Government's policy of insisting on a progressive increase in the indigenous content of automobiles has led to a subs-

tantial expansion of ancillary industries which, according to him, now contribute about 30 per cent in value to the content of an automobile. At the same time, the Minister was fair enough to admit that this encouragement of ancillary industries is being pursued at some cost to the manufacturer of the finished product—and the consumer—in terms of both quality and price. The problem is certainly a complicated one and no simple solution can be advertised. The policy of increasing the indigenous content is, of course, essentially a right one. It releases foreign exchange for the import of capital goods or essential raw materials needed by the industry and for which indigenous substitutes are in sight. It also promotes research, designing, technology and craftsmanship in the domestic industry. There is also the benefit in the form of increased decentralized industrialisation in the ancillary industries. The automobile manufacturers have, therefore, welcomed the policy of increasing the indigenous content and co-operated with it. It remains to ensure that this policy should be so operated that its disadvantages in terms of difficulties in cost or quality control should be minimized. This may be done, for instance, by reconsidering the policy of cutting down foreign exchange allotments to individual units in proportion to increases in the indigenous content. The contrary policy of rewarding manufacturers with higher indigenous content with larger allocations of foreign exchange would appear to be a more reasonable one. This would not only mean that a given amount of foreign exchange could be spread over a larger volume of output but also that the manufacturer, who has already succeeded in achieving a higher level of indigenous content by either stepping up the manufacture of components in his plant or by procurement from ancillary industries or through both means, is given the opportunity to add to his capital equipment. This will not only help him to complete the process of possible import substitution as early as that could be done, but also offset the cost disadvantage in respect of indigenous components by extending his scale of production. It is also desirable to permit a considerable degree of flexibility to manufacturers to decide which components they would procure from ancillary producers and which they would make themselves. Already ancillary production has been established firmly in a wide field of components and spare parts and there is no reason to suspect that manufacturers would unduly encroach on that territory. It should be appreciated also that automobile manufacturers would not ordi-

narily desire to divert scarce factory space or equipment to the production of components which they could get from ancillary producers at reasonable prices and in good quality and adequate and regular quantities. It is only where procurement from outside sources is seriously unsatisfactory in one or more of these respects that the automobile manufacturer would normally want to make the component himself. We, therefore, urge that there should be periodic examination of the position so that if, in the larger interests of the automobile industry, a component, an accessory or a spare part may be manufactured by the main producer himself, it should be the Government's policy to allow or even encourage him to do so. This may be one of the desirable ways of increasing the efficiency of automobile manufacture, improve its profitability and thereby enable it to render better service to the consumer.

Hire-Purchase

There is some discussion whether facilities, such as hire purchase, should be deliberately promoted for the benefit of the automobile industry. It must be realised that if the industrialisation of this country, especially in the engineering field, where the supply of raw materials is likely to improve in due course, is to be planned and pursued on a relatively long-term basis, people should be progressively encouraged to own and use durable or semi-durable consumer goods. Although it is true that, because of the short production of automobiles, the entire output is at present being absorbed without difficulty, it would still be beneficial to the economy, from a larger point of view, to encourage hire-purchase since thereby a car-buyer may not have his entire purchasing power mortgaged to one single item but may have some surplus which he could use to buy other articles such as, for instance, refrigerators. We are aware that this argument will not appeal to people for whom it is inconceivable that this country can cease to be poor or that an increasing section of its people could in due course come to afford in increasing number all the good things of life. But for others whose vision may be larger and brighter, it should not be difficult to appreciate that the nation's poverty could be eliminated only by planning deliberately for improving consumption among ever-widening communities of its citizens.

The genesis of the Indian automobile industry goes back

PRODUCTION OF AUTOMOBILES IN INDIA: 1955 - 63

Item	1955	1956	1957	1958	1959	1960	1961	1962	(In numbers)
									1963 (Jan.-June)
1. Cars	9,492	12,984	11,604	7,812	11,988	19,092	21,660	23,328	7,870
2. Jeeps and Land Rovers	3,336	4,440	4,086	3,552	4,656	5,508	7,056	7,596	3,419
3. Station Wagons, Health Mobile Vans, etc.	768	684	612	300	72	..	..	..	..
4. Trucks	6,456	10,920	11,892	11,028	14,964	21,420	19,112	21,156	11,365
of which Petrol	4,428	4,152	3,108	2,868	4,236	4,320	3,552	3,389	1,932
Diesel	2,028	6,768	8,784	8,160	10,728	17,100	15,960	17,769	9,433
5. Passenger Buses	3,036	3,408	3,756	4,104	4,880	6,108	6,084	5,735	2,297
of which Petrol	444	240	72	108	12	..	..	5	..
Diesel	2,592	3,168	3,684	3,996	4,868	6,108	6,084	5,730	2,297
Total (1 to 5)	23,083	32,436	31,950	26,796	36,540	52,128	54,312	57,815	24,051
6. Motor Cycles	420	1,020	1,824	2,652	3,240	3,996	4,680	8,201	3,893
7. Scooters	528	4,740	6,528	4,236	3,948	13,020	15,336	14,569	6,979
8. Three Wheelers	..	528	852	684	1,476	492	1,272	1,416	661
Total (6 to 8)	948	6,288	9,204	7,572	8,664	17,508	21,288	24,186	11,533



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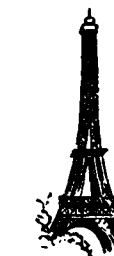
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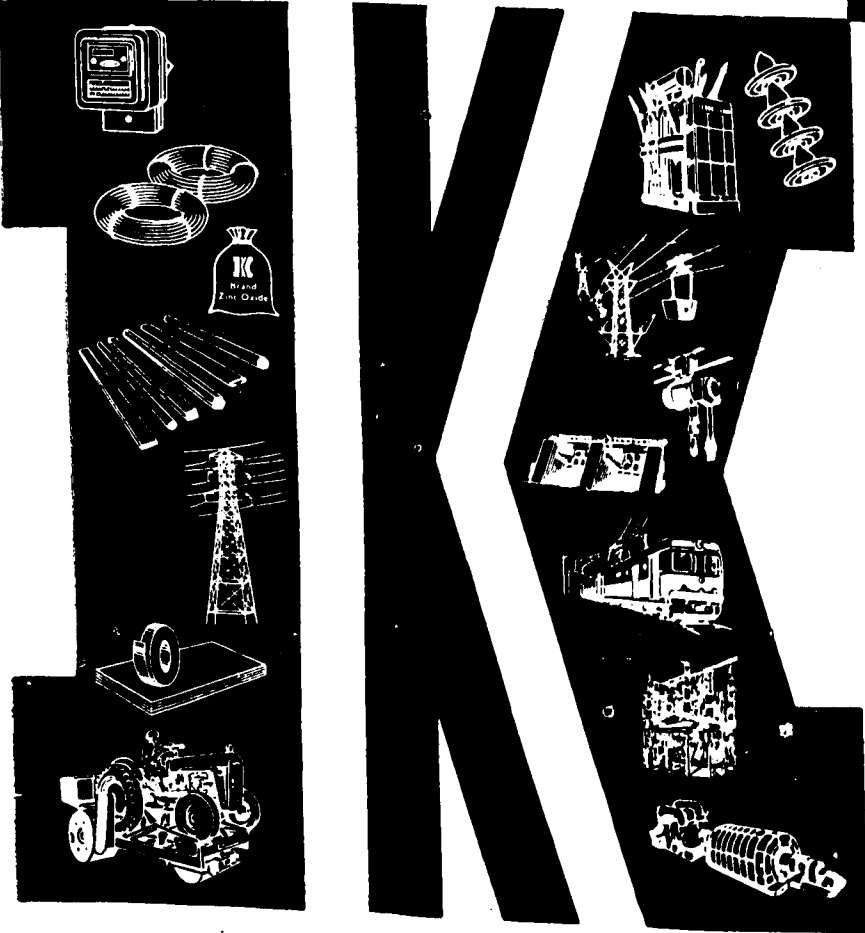
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to the early years of the present century, when a couple of concerns were started in collaboration with foreign manufacturers for assembly and servicing of motor vehicles. It was, however, only during the 1940's that the industry started making rapid strides. By 1952, as many as 12 assembling units had come into existence; six of these — Hindustan Motors, Calcutta; Premier Automobiles, Bombay; Standard Motor Products of India, Madras; Automobile Products of India, Bombay; Ashok Motors, Madras; and Mahindra & Mahindra, Bombay—were major ones. Hindustan Motors was working in collaboration with Morris Motors of Britain and the Studebaker Corporation of the United States. Premier Automobiles had as its collaborators the Chrysler Corporation of the United States and Fiat Societa Per Azioni of Italy. Between themselves, the 12 units used to assemble, immediately after Independence, some 4,000 cars and commercial vehicles, the number going up to 6,587 in 1950. Five of the six major units had their manufacturing programmes also. But only two had taken effective steps to implement them, Hindustan Motors undertaking the production of engine gear boxes, axles (including differential) and front suspensions and Premier Automobiles starting the manufacture of the components such as propeller shafts and universal joint, exhaust pipes, radiator needle bearings and leaf and cushion springs

Tariff Enquiry

In 1952 the Government instituted a tariff inquiry to assess on what lines this industry should be developed. In view of the limited demand, the obvious course was to concentrate it on as few manufacturing units as possible so as to give them each an economic volume of production. On the basis of the manufacturing programmes submitted, five units were selected—three for undertaking the manufacture of cars as well commercial vehicles and one each for producing only commercial vehicles and jeeps. Hindustan Motors was to take up the production of light and big cars and medium trucks, Premier Automobiles and Automobile Products of light cars and medium trucks, Ashok Motors (under a new company, Ashok-Leyland) of heavy vehicles and Mahindra & Mahindra of jeeps. Subsequently, Automobile Products abandoned its programme of car and truck manufacture and switched over to production of scooters, clutches, brake equipment and medows diesel engines. It has now been taken over by Premier Automobiles. But two new manufacturers came on the scene; Standard Motors going in for the production of light cars and Telco, in collaboration with Daimler-Benz A.G. of West Germany, of 3-5 ton diesel vehicles. Simpson and Co., Madras, was also licensed to produce in collaboration with Perkin Ltd., Britain, Perkin diesel engines. All these manufacturers were required to step up the indigenous content in their products from 20 to 25 per cent to start with to 80 per cent in the course of three to five years of operation.

The capacity that came to be installed as a sequel to the above schemes going into operation during the second Plan period, on double-shift basis, stood as given in the table alongside.

Along with the production of commercial vehicles, cars and jeeps, manufacture was taken up towards the close of the first Plan, of motor cycles, scooters and mopeds. There was one unit — Enfield India Ltd., Madras — which had an installed capacity to produce, on single shift, motor cycles to the tune of 5,000 per annum. Automobile Products of India put up a capacity to produce annually scooters and mopeds to the extent of 6,000. In 1959, this capacity was raised to 12,000 a year. Another unit was set up by Bajaj Auto in 1960 with a capacity to turn out 6,000 scooters per annum. Manufacture of mopeds was also undertaken by Mopeds India. Tirupati

(Andhra Pradesh), in collaboration with M/s. Motobecane, Pantin, France, to an annual capacity of 5,000.

Besides the above lines of production, capacity was created in the Indian automobile industry, early in the first Plan period, for the manufacture of trailers and three-wheelers, including auto-rickshaws. Six units were engaged in this line with a total capacity of 5,232 units per annum up to 1955. Seven more came up during the second Plan period and the premier unit among these—Mahindra & Mahindra—expanded its capacity from 2,040 to 3,780, bringing the total installed capacity at the end of 1960 to about 8,500. Some small firms also started manufacturing trailers. Their capacity was besides the 8,500 units of the 13 major producers.

As is the case elsewhere in the world, the establishment of the Indian automobile industry has given rise to ancillaries which started manufacture of various components, such as leaf springs, brake linings, pistons, fuel injection equipment etc., to supplement the production in the main automobile units. Steps were also taken to set up ancillaries producing motor starters, dynamos, wheels and rims and brake systems.

Rising Production

With this fairly rapid expansion in the installed capacity, the production of various automobiles registered a steady rise after 1955. As against a total of 23,083 cars, jeeps and commercial vehicles produced in 1955, their combined output went up to 57,815 in 1962. During the first six months of the current year, the production amounted to 24,951, the decline being in the manufacture of cars and passenger buses, necessitated by changed priorities for allocation of foreign exchange after the proclamation of emergency. The output of motor cycles went up from a bare 420 in 1955 to as much as 8201 in 1962 and that of scooters from 528 to 14,569. During the first six months of 1963, their production was of the order of 3,893 and 6,979 respectively. The manufacture of 3-wheelers, similarly recorded a steady increase.

Under the third five-year Plan, the manufacture of cars, commercial vehicles and jeeps was contemplated to be raised to 30,000, 60,000 and 10,000 respectively, and that of motor cycles and scooters including mopeds and auto-rickshaws to 50,000. This involved installation of the following additional capacities: cars 800 (approximately); commercial vehicles 32,000; jeeps 4,500; motor-cycles, scooters and mopeds 37,000. As a result of the permission granted for the expansion of the existing units and issue of five licences for setting up new units, the projected third Plan capacity of 60,000 of motor cycles, scooters and mopeds has been fully covered. Five

Cars		
Hindustan Motors (Ambassador)	12,000	
Premier Automobiles (Fiat-1100)	7,500	
Standard Motors (Standard-10)	2,500	
Commercial Vehicles		
Hindustan Motors (Bedford Trucks)*	7,000	
Premier Automobiles (Dodge vehicles)	10,000	(Petrol 3,000)
Telco (Tata-Mercedes Benz vehicles)	12,000	
Ashok-Leyland (Leyland Comet, Ttin and Royal Tiger)	3,000	
Mahindra & Mahindra		
Jeeps-Willys	5,500	
Diesel Engines		
Medows	3,000	
Perkins	6,000	

* Studebaker trucks were produced before 1958 when switch-over took place to Bedford trucks due to change in demand from petrol to diesel trucks.

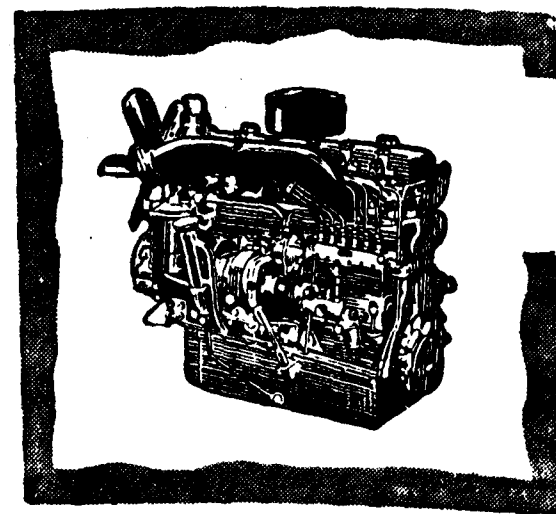
units are already in production. Two more are expected to be commissioned shortly.

Commercial Vehicles

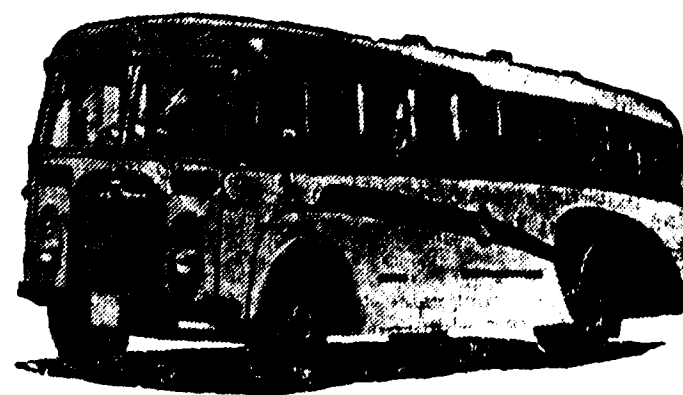
Additional capacity has also been licensed for the manufacture of commercial vehicles. Foreign exchange too has been released for setting it up. TELCO has been allowed to raise its Tata-Mercados-Benz vehicles production from 12,000 to 24,000, Premier Automobiles of its Dodge vehicles from 7,000 to 15,000, Hindustan Motors of its Bedford trucks from 7,000 to 15,000 and Ashok-Leyland of its "Comets" and Royal Tigers from 3,000 to 5,400. Bajaj Auto has been allowed to raise its Tempo "Hanseat" (3-wheeler) production from 1,000 to 4,000. Mahindra and Mahindra's jeep manufacturing capacity has been raised to 10,000. This company has also been permitted to manufacture within its overall capacity one-ton jeep trucks up to 2,000. Besides these expansions, two new licences have been granted — one to Simpson and Co., Madras, for undertaking the manufacture of 3-5 ton trucks and bus chassis to an annual capacity of 12,000 and the other to Standard Motors to produce yearly 1,500 one-ton truck chassis. The former scheme is proposed to be implemented by forming a new company, while manufacture in the latter case is to be taken up in the existing works. No further capacity, however, has been sanctioned as yet for the manufacture of cars. This is because of the limited foreign exchange available for the automobile industry and the lowest priority accorded to car manufacture. The first priority, after proclamation of emergency, has been accorded to the production of trucks and second to that of motor-cycles and scooters, the automobile products required to meet the defence needs. From the existing and the proposed capacity, production of cars, commercial vehicles, jeeps and station wagons and motor cycles and scooters by 1965-66, according to the mid-Plan appraisal, is estimated to go up to 25,000, 54,000, 10,000 and

45,000 respectively.

There have been complaints that the industry in the earlier years had not been exerting itself vigorously to raise the indigenous contents of its vehicles. This charge certainly does not apply to all units and some remarkably steady progress by individual manufacturers had been recorded almost from the beginning of their manufacturing programmes. Nevertheless, it is true enough that the advance in this direction has been particularly marked in more recent years. This has been assisted lately by USAID loans to the tune of \$15.8 million for Hindustan Motors, \$13.7 million for Telco and \$3 million for Premier Automobiles, which have helped finance the import of the necessary capital equipment. In October this year, Mr. C. Subramaniam stated in the Rajya Sabha that Hindustan Motors had raised the indigenous content of their Ambassador car to 76.9 per cent in value, while Premier Automobiles had stepped up the indigenous content of their Fiat-1100 to 64.1 per cent and Standard Motors, the indigenous content of their Standard-10 to 61.81 per cent. Similar progress has also been made with regard to trucks where the indigenous content of Dodge, Tata-Mercados-Benz, Bedford and Leyland Comet trucks have been taken up to 79.85 per cent, 74 per cent, 60.4 per cent and 71 per cent respectively. In the case of jeeps, the indigenous content is now around 71.3 per cent. This trend is likely to be strengthened further with the release of about Rs. 25 crores of foreign exchange by the Government in October this year, thanks to the World Bank agreeing to the utilisation of a part of its loans for truck manufacture. Hindustan Motors has secured additional external finance through a loan of £450,000 from the Commonwealth Development Finance Company. There are indications that the limitation of foreign exchange could be exaggerated. Provided the Government could adopt a truly dynamic policy for this industry, finance, internal or external, is hardly likely to be a bottleneck.



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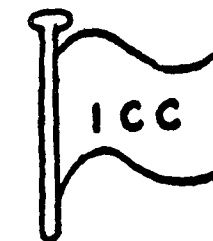
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Machine Tools: Mother Machines Need Mothering

THIS COUNTRY generally, and Hindustan Machine Tools in particular, have come a long way since a visiting expert from the United Kingdom, after inspecting the HMT at Bangalore, chose to describe it as a lady "all dressed up and nowhere to go". Hindustan Machine Tools is now rightly regarded as an outstanding performer not only in the public sector of industry in this country but also in the total industrial landscape. The spectacular success of one single unit, however, should not blind us to the fact that in the matter of machine tools, as in many other such matters, what has been done is a fraction of what needs certainly to be done and what perhaps could have been done. The industry today is credited with a capacity of about Rs. 11 crores of products in value and the actual output is also of the same order. But there are machine tools and machine tools and if we apply the rigid tests by which advanced industrial countries grade what they consider properly to be machine tools, it is possible that the size of the machine tool industry proper in this country may be considerably smaller than is imagined. This would imply that more effort is needed in this field than is perhaps assumed to be necessary. Secondly, this would also mean that the Government's policy of restricting the import of machine tools may not be the right policy. While it may be conceded that the domestic industry, in its development stage, needs some protection against imports, it is to be seriously considered whether this protection cannot be given by some other means than that of putting curbs on import of machine tools. It is often forgotten that machine tools are required even for the further production of machine tools. It follows that the curtailment of categories of machine tools which are not at present being produced in this country would in effect mean the curtailment of the growth of the domestic machine tool manufacturing industry itself. It seems to us that the Government's import policy with regard to machine tools needs to be re-examined and we would strongly suggest that if the Government is at all to have any prejudice in this matter it is well that the prejudice should be in favour of allowing the free import of all categories of machine tools which are not at present being manufactured here.

Rapid Progress

It is interesting to recall that in 1951 this country was producing barely some Rs. 34 lakhs worth of machine tools. Today not only has production increased but also the range of manufacture which covers high speed lathes, high precision central lathes, general purpose central lathes, turret lathes, lathe chucks, lathe cone-pulleys, milling, gear-cutting, shaping, slotting, grinding, special can making and planing machines, radial drills, power presses, tungsten carbide tipped tools and rock drills, gas welding and cutting equipments, portable electric and pneumatic tools, sheet metal machinery, boring machines, special purpose machines, hydraulic unit heads and

carbide grinders, besides other descriptions. Plans are now under way to start manufacture of machine tools on the turning principle, industrial furnaces, automatic lathes and various other complex types.

As the country's industrialisation proceeds, it is being found that the demand for machine tools is developing much ahead of its domestic production. The demand was originally expected to go up to Rs. 60 crores by the end of the third Plan, but even by the end of 1962, the nation's evident requirements of machine tools had grown to Rs. 41 crores. This amount is probably an under-estimate since, if more supplies are more easily available, a significant order of potential demand would probably come to surface. It is obvious that the Government's planning for this industry has no proposals for stepping up production to anywhere near prospective demand levels. It is estimated that the production might increase to Rs. 25 crores worth of machine tools by 1965-66. Here the main reliance is placed on the Hindustan Machine Tools which has a target of Rs. 10 crores for the third Plan, but is confident of exceeding it by another Rs. 6 crores. The HMT organisation has a programme of setting up one unit machine tool factory every year up to 1970. These units will each have a capacity of Rs. 5 crores in value of machine tools per annum. To its two existing units in Bangalore, the Hindustan Machine Tools recently added one at Pinjore in Punjab. Two more plants, one each at Kalamassery (Kerala State) and Sanatnagar (near Hyderabad), are expected to be commissioned in 1964 and 1965 respectively. These five units will have a combined output of Rs. 16 crores worth of machine tools by 1965-66: HMT I and II at Bangalore — Rs. 5 crores each; HMT III at Pinjore — Rs. 5 crores; HMT IV at Kalamassery — Rs. 1.5 crores and HMT V at Sanatnagar — Rs. 50 lakhs.

The third Plan target is Rs. 30 crores in value of machine tools. But despite the HMT's fine performance, this target is unlikely to be reached. One reason is that elsewhere in the public sector things have not by any means been going equally well. The expansion scheme of the Praga Tools Corporation, which is being carried out with Polish assistance, has fallen behind schedule. This programme aims at raising the output of that plant to Rs. 2.5 crores per annum in value. The Ambarnath Ordnance Factory, always a sick child, is having troubles with its scheme for turning out Rs. 1 crore worth of machine tools per annum for civilian use. The Heavy Machine Tools plant at Ranchi is now expected to go into production some time in 1966, but its output which could be of the order of Rs. 3 crores per year will not be available within the third Plan period.

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the Government's already considerable presence in this industry by the Heavy Machine Tools plant which is being built at Ranchi with Czech collaboration. This project is expected to go into production early in the fourth Plan period. While its capacity may be subsequently increased to 20,000 tons a year, it is designed to produce, at the completion of its first phase, the types of machine tools as given in the table below to an aggregate weight of 10,000 tons per annum.

Private Sector Lags

Meanwhile in the private sector too, development has lagged behind the third Plan production target of Rs. 10 crores. This is due in part, to some of the licensees having difficulties in raising internal resources or securing foreign collaboration. This difficulty can only be solved by more positive co-operation between the Government and entrepreneurs in the industry. In view of the high priority which the machine tool industry should necessarily enjoy, the issues

of external know-how and finance and domestic funds should be more positively dealt with than has been the case so far. This apart, it is also necessary to examine whether the Government's licensing procedures have not also been coming in the way. Some 200 applications for new schemes were reportedly received up to August this year, but it appears that only about half that number had been cleared by that date. The industry has also complained of delays in the clearance of capital goods requirements even after manufacturing licences have been granted. It is evident that there is need for a co-ordinated promotional policy in the case of this industry. The World Bank recently agreed to allow a part of its loans to be used for meeting the foreign exchange requirements for the expansion of the machine tools industry. This solicitude will not bear full fruit unless the Government of India, for its part, is prepared to be equally accommodating in such matters as the prompt and unrestricted licensing of capital goods needed by this industry.

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		Nos.	Weight (in tons)
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Radial Drilling Machines	Spindle dia 80 mm to 100 mm	36	412
Double Column Planing Machine	Table width 1000 mm to 2000 mm	38	1,410
Horizontal Boring	Spindle dia 100 mm to 160 mm	53	1,069
Vertical Boring and Turning Mills	Table dia 1250 mm to 4000 mm	31	1,029
Plano-Milling Machine	Table width 1250 mm to 1600 mm	20	1,000
Precision Cylindrical and Roll Grinding Machines	Swing 400 mm to 800 mm	30	429
Spares and Accessories			1,186
TOTAL		278	10,000

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ESTIMATED REQUIREMENT OF PLANT AND MACHINERY AND MACHINE TOOLS IN MANUFACTURING AND MINING INDUSTRIES DURING THIRD PLAN

(Rs. Crores)

Industry	Fixed Investment				Investment on plant and machinery					Investment on machine tools			
	Upto 1960-61	During third Plan			Upto 1965-66	During third Plan			Upto 1965-66	During third Plan			
		N.U.	S.E.	Total		N.U.	S.E.	Total		N.U.	S.E.	Total	
Metallurgical	1054.9	294.4	372.5	680.3	1735.2	685.5	191.4	324.7	524.9	1210.4	10.2	7.5	17.7
Iron and Steel (finished steel)	967.5	161.2	301.5	462.7	1430.2	628.9	104.8	271.4	376.2	1005.1	9.4	5.6	15.0
Alloy tool and special steel	41.6	83.2	56.0	139.2	180.8	27.0	54.1	42.0	96.1	123.1	0.4	1.4	1.8
Aluminium	18.2	50.0	15.0	65.0	83.2	11.8	32.5	11.3	43.8	55.6	0.1	0.4	0.5
Others	27.6	..	..	13.4	41.0	17.8	..	..	8.8	26.6	0.3	0.1	0.4
Chemical and allied industries	495.8	591.8	93.9	747.7	1243.5	335.1	362.1	76.1	485.3	820.4	2.9	4.0	7.1
Fertilisers	66.0	191.2	13.7	204.9	270.9	28.4	82.2	8.9	91.1	119.5	0.3	0.9	1.2
Caustic soda	15.9	21.3	15.9	37.2	53.1	10.8	14.5	11.9	26.4	37.2	..	..	..
Soda ash	9.9	7.4	1.4	8.8	18.7	6.4	4.8	1.3	6.1	12.5	..	..	..
Sulphuric acid	5.7	12.0	1.7	13.7	19.4	4.8	10.2	1.3	11.5	16.3	..	..	..
Soft coke (low carbonisation)	..	26.6	..	26.6	26.6	..	17.5	..	17.5	17.5	..	0.2	0.2
Hard coke by-product	5.6	3.6	0.8	4.2	9.8	3.6	2.3	0.6	2.9	6.5	..	..	0.1
Dye-stuffs	69.3	16.9	..	16.9	86.2	52.0	12.7	..	12.7	64.7	..	..	..
Intermediates	..	11.0	..	11.0	11.0	..	8.3	..	8.3	8.3	..	..	..
Drugs and pharmaceuticals	24.0	27.6	11.0	38.6	62.6	12.0	13.8	8.3	22.1	34.1	..	..	..
Plastics	7.1	22.5	6.0	28.5	35.6	5.3	16.9	5.4	22.3	27.6	..	..	..
Automobile tyres	22.4	29.4	..	29.4	51.8	16.8	22.1	..	22.1	38.9	0.2	0.2	0.4
Cycle tyres	5.8	7.5	..	7.5	13.3	4.4	4.9	..	4.9	9.3	..	..	0.1
Synthetic rubber	..	25.0	..	25.0	25.0	..	15.0	..	15.0	15.0	..	0.2	0.2
Paper and paperboard	99.0	67.5	39.1	106.6	205.6	79.2	54.0	35.2	89.2	168.4	1.2	1.3	2.5
Cement	112.5	75.0	..	75.0	187.5	73.1	48.8	..	48.8	121.9	1.1	0.7	1.8
Glass and glassware	12.6	8.6	4.3	12.9	25.5	8.3	5.7	3.2	8.9	17.2	..	..	..
Others	40.0	..	..	62.2	102.2	30.0	..	..	46.6	76.6	0.1	0.2	0.3
Food	201.0	72.4	21.1	102.5	303.5	153.2	56.8	19.7	81.9	235.1	1.3	0.7	2.0
Sugar	163.1	66.8	16.8	83.6	246.7	130.5	53.4	16.0	69.4	199.9	1.3	0.7	2.0
Vegetable oils	24.4	5.6	4.3	9.9	34.3	14.6	3.4	3.7	7.1	21.7	..	..	..
Others	13.5	..	..	9.0	22.5	8.1	..	..	5.4	13.5	..	..	..
Textiles	607.7	63.6	37.8	103.4	711.1	475.1	49.1	32.6	83.2	558.3	9.5	1.7	11.2
Cotton yarn	252.0	18.0	..	18.0	270.0	201.6	14.4	..	14.4	216.0	..	..	..
Cotton cloth	212.0	10.0	3.7	13.7	225.7	169.6	8.0	3.6	11.6	181.2	..	..	..
Rayon and staple fibre	66.2	15.6	34.1	49.7	115.9	49.7	11.8	29.0	40.8	90.5	..	..	..
Chemical pulp	..	20.0	..	20.0	20.0	..	15.0	..	15.0	15.0	..	..	..
Others	77.5	..	..	2.0	79.5	54.2	..	..	1.4	55.6	..	..	..
Petroleum refining and coal mining	422.9	300.9	81.1	382.0	804.9	260.3	193.9	60.8	254.7	515.0	9.1	8.7	17.8
Petroleum refining	78.3	61.7	..	61.7	140.0	50.9	40.1	..	40.1	91.0	1.0	0.8	1.8
Petroleum exploration	26.0	115.0	..	115.0	141.0	18.2	80.5	..	80.5	98.7	0.7	3.2	3.9
Lubricating oils	..	12.0	..	12.0	12.0	..	6.0	..	6.0	6.0	..	0.1	0.1
Coal mining	300.0	85.0	76.0	161.0	461.0	180.0	51.0	57.0	108.0	288.0	7.2	4.3	11.5
Coal washeries	18.6	27.2	5.1	32.3	50.9	11.2	16.3	3.8	20.1	31.3	0.2	0.3	0.5
Transport Equipment	146.1	39.2	55.5	114.7	260.8	100.8	25.0	43.9	81.9	182.7	54.0	41.7	95.7
Steam locomotives	10.0	..	..	..	10.0	6.5	..	..	..	6.5	2.6	..	2.6
Diesel locomotives	..	12.0	..	12.0	12.0	..	6.0	..	6.0	6.0	..	3.6	3.6
Electric locomotives	..	1.0	..	1.0	1.0	..	0.5	..	0.5	0.5	..	0.3	0.3
Wagons	7.8	..	1.3	1.3	9.1	4.7	..	0.8	0.8	5.5	3.5	0.6	4.1
Coaches	23.1	..	2.1	2.1	25.2	15.0	..	1.4	1.4	16.4	10.5	1.0	11.5
Cars	12.0	..	4.5	4.5	16.5	9.0	..	3.6	3.6	12.6	5.4	2.2	7.6
Commercial vehicles	38.4	15.5	25.0	40.5	78.9	28.8	4.1	28.0	32.1	60.9	17.3	19.3	36.6
Jeeps and station wagons	3.3	..	2.0	2.0	5.3	2.5	..	1.6	1.6	4.1	1.5	1.0	2.5
Automobile ancillaries (incl. trailers)	0.1	..	0.1	0.1	0.2	0.1	..	0.1	0.1	0.2	0.1	0.1	0.2
Motor cycle and scooters	1.3	1.0	0.5	1.5	2.8	0.8	0.7	0.4	1.1	1.9	0.4	0.6	1.0
Foundry forge*	22.5	N.A.	N.A.	20.0	42.5	14.6	..	..	13.0	27.6	4.4	3.9	8.3
Bicycles	8.8	..	..	..	8.8	5.7	..	..	..	5.7	2.9	..	2.9
Merchant ships	18.2	18.2	10.0	28.2	46.4	12.7	12.7	8.0	20.7	33.4	5.1	8.3	13.4
Cranes	0.6	1.5	..	1.5	2.1	0.4	1.0	..	1.0	1.4	0.3	0.8	1.1

(Contd. on page 10)

(Contd. on page 1406)

ESTIMATED REQUIREMENT OF PLANT AND MACHINERY AND MACHINE TOOLS IN MANUFACTURING AND MINING INDUSTRIES DURING THIRD PLAN (Contd.)

(Rs. Crores)

Industry	Fixed Investment				Investment on plant and machinery				Investment on machine tools				
	Upto 1960-61	During third Plan			Upto 1965-66	Upto 1960-61	During third Plan			Upto 1965-66	During		
		N.U.	S.E.	Total			N.U.	S.E.	Total		Upto 1960-61	third Plan	Upto 1965-66
Electrical Equipment	81.5	121.6	8.6	130.2	211.7	38.6	61.9	6.8	68.7	107.3	17.4	35.4	52.8
Electrical transformers (33 KV)	6.6	4.5	0.5	5.0	11.6	3.6	2.5	0.4	2.9	6.5	2.7	2.2	4.9
Electric Motors	4.6	5.5	0.5	6.0	10.6	2.5	3.0	3.4	3.4	5.9	1.9	2.6	4.5
A.C.S.R. conductors	1.1	0.7	0.3	1.0	2.1	0.7	0.4	0.2	0.6	1.3	0.4	0.3	0.7
V.I.R. plastic coated wires	7.5	4.5	..	4.5	12.0	3.8	2.3	..	2.3	6.1	1.9	1.2	3.1
Paper insulated cables	1.1	2.7	0.4	3.1	4.2	0.7	1.6	0.3	1.9	2.6	0.4	1.0	1.4
Dry core cables	4.7	..	3.7	3.7	8.4	2.8	..	3.0	3.0	5.8	1.4	1.5	2.9
Coaxial cables	1.5	..	..	..	1.5	0.3	..	..	..	0.3	0.1	..	0.1
Electric fans	3.1	0.4	0.8	1.2	4.3	2.2	0.3	0.6	0.9	3.1	0.7	0.3	1.0
House service meters	1.8	1.8	1.4	3.2	5.0	1.1	1.1	1.1	2.2	3.3	0.5	1.0	1.5
Lamps (all types)	3.0	..	..	..	3.0	1.8	..	..	..	1.8	0.1	..	1.1
Tubes	0.1	0.2	..	0.2	0.3	0.1	0.1	..	0.1	0.2	..	..	..
Radio receivers	1.6	0.2	0.7	0.9	2.5	1.0	0.1	0.6	0.7	1.7	0.1	..	0.1
Storage batteries	3.0	0.1	0.3	0.4	3.4	1.8	..	0.2	0.2	2.0	..	..	..
Dry batteries	2.8	..	..	..	2.8	1.7	..	..	..	1.7	..	..	..
Heavy electrical equipment	39.0	101.0	..	101.0	140.0	14.5	50.5	..	50.5	65.0	7.2	25.3	32.5
Other Industrial Machinery	141.3	279.7	85.2	364.9	506.2	89.9	194.3	67.1	261.4	351.3	46.5	121.4	167.9
Heavy machinery equipment	..	27.0	14.0	41.0	41.0	..	20.2	11.2	31.4	31.4	..	12.6	12.6
Foundry and forge equipment	35.2	52.6	35.7	88.3	123.5	22.9	34.2	28.6	62.8	85.7	6.9	18.8	25.7
Heavy plate and vessel works	..	24.0	..	24.0	24.0	..	15.6	..	15.6	15.6	..	9.4	9.4
Structural fabrication	25.0	15.2	8.8	24.0	49.0	12.5	7.6	6.6	14.2	26.7	7.5	8.5	16.0
Precision instruments	1.4	8.0	..	8.0	9.4	1.0	6.0	..	6.0	7.0	0.5	3.0	3.5
Surgical instruments	..	2.7	..	2.7	2.7	..	2.0	..	2.0	2.0	..	1.0	1.0
Ball and roller bearing	0.6	3.4	..	3.4	4.0	0.4	2.2	..	2.2	2.6	0.3	1.5	1.8
Machine tools	14.9	29.8	9.9	39.7	54.6	9.7	19.4	7.4	26.8	36.5	5.8	16.1	21.9
Coal and other mining machinery	..	32.4	15.0	47.4	47.4	..	24.3	12.0	36.3	36.3	..	18.1	18.1
Cotton textile machinery	5.0	6.0	..	6.0	11.0	3.2	3.9	..	3.9	7.1	1.6	1.9	3.5
Cement machinery	0.8	3.3	..	3.3	4.1	0.6	2.5	..	2.5	3.1	0.4	1.5	1.9
Sugar machinery	7.9	..	0.6	0.6	8.5	5.1	..	0.4	0.4	5.5	2.5	0.2	2.7
Paper machinery	0.7	7.8	..	7.8	8.5	0.5	5.8	..	5.8	6.3	0.3	3.5	3.8
Printing machinery	2.6	3.9	..	3.9	6.5	1.9	2.9	..	2.9	4.8	0.8	1.2	2.0
Jute textile machinery	1.2	0.7	..	0.7	1.9	0.8	0.5	..	0.5	1.3	0.4	0.2	0.6
Chemical and pharmaceutical machinery	..	21.6	..	21.6	21.6	..	16.2	..	16.2	16.2	..	6.5	6.5
Dairy machinery	0.1	0.5	..	0.5	0.6	0.1	0.3	..	0.3	0.4	..	0.1	0.1
Oil mill machinery	0.4	..	0.1	0.1	0.5	0.3	..	0.1	0.1	0.4	0.1	0.1	0.2
Rice, dal and flour mill machinery	0.4	..	0.1	0.1	0.5	0.3	..	1.1	1.1	1.4	0.1	0.1	0.2
Tea processing machinery	0.3	..	0.4	0.4	0.7	0.2	..	0.3	0.3	0.5	0.1	0.1	0.2
Industrial boilers	3.1	8.5	..	8.5	11.6	2.3	6.4	..	6.4	8.7	0.9	2.6	3.5
Constructional machinery	1.6	1.7	..	1.7	3.3	1.2	1.3	..	1.3	2.5	0.6	0.6	1.2
Crawler tractors	..	7.7	..	7.7	7.7	..	5.8	..	5.8	5.8	..	2.9	2.9
Dumpers and scrapers	..	7.7	..	7.7	7.7	..	5.8	..	5.8	5.8	..	2.9	2.9
Shovels	..	1.6	..	1.6	1.6	..	1.2	..	1.2	1.2	..	0.6	0.6
Agricultural implements	..	0.2	..	0.2	0.2	..	0.1	..	0.1	0.1	..	0.1	0.1
Diesel engines	2.8	0.2	..	0.2	3.0	2.2	0.2	0.1	0.3	2.5	1.3	0.2	1.5
Tractors	0.3	3.5	..	3.5	3.8	0.2	2.6	..	2.6	2.8	0.1	1.6	1.7
Power driven pumps	33.1	..	..	..	33.1	21.5	..	..	..	21.5	14.0	..	14.0
Air compressors	3.1	6.5	..	6.5	9.6	2.5	5.2	..	5.2	7.7	2.1	4.4	6.5
Watches	..	2.5	..	2.5	2.5	..	1.7	..	1.7	1.7	..	0.8	0.8
Sewing machines	0.8	0.7	0.5	1.2	2.0	0.5	0.4	0.3	0.7	1.2	0.2	0.3	0.5
N.U.: New Units	S.E.: Substantial Expansion												

N.U.: New Units S.E.: Substantial Expansion * Foundry forge for automobiles.

Industrial Machinery: A Problem in Planning

IT IS A favourite pastime of the Government to affirm on the slightest provocation, or without any provocation at all, that it is determined to develop heavy industries in this country and that nobody can stop it. Surely, there isn't anybody who is interested in obstructing the development of capital goods industries. Large-scale industrialisation would necessarily involve extensive installation of industrial machinery of all kinds. To some extent this equipment can be got from abroad. Indeed, imports up to a point are essential. This is because the fabrication of the equipment of modern industries demands a higher level of technology and a developing country by definition does not possess that order of technology. Nor does it have either the large industrial base or the considerable market which is necessary for the economic production of heavy or complex capital goods. Finally, if quality is important in all industrial products, it is particularly important in the case of capital goods where performance cannot fail to come up to specifications without giving rise to serious technical as well as economic problems in the running of the industries installing the equipment. For these reasons, the development of capital goods industries has got to be carefully planned and phased. If there is any criticism of the Government's attitudes in this matter, it is only that it frequently tends to place the cart before the horse. This kind of activity may indicate zeal but is unlikely to be rewarded by achievement.

Projects in Public Sector

At the present time four big projects in the heavy industrial machinery field are in progress in the public sector. The Government's Heavy Engineering Corporation aided by Soviet and Czech capital and know-how, is in charge of their implementation. The Heavy Machine Building Plant at Ranchi has the benefit of Soviet collaboration. It went into pilot production in November this year and is expected to be fully production in November the middle of the fourth Plan period. It is commissioned by the middle of the fourth Plan period. It is designed to produce diverse types of heavy machinery items such as equipment for iron and steel, mineral oil, coal mining, chemicals, fertilisers and cement industries, apart from some engineering items for general industrial use, such as 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, for the expansion schemes of existing steel plants as well as for the Bokaro and other new units. Originally planned to produce only 45,000 tons of machinery per annum, the capacity of this plant has now been raised to 80,000 tons, with provision to expand it further to 165,000 tons, if necessary. When in full production up to 80,000 tons capacity, this plant will be turning out annually the following quantities of various types of machinery, worth nearly Rs 42 crores:

Description	Output (In tons)
Coke Ovens and Bye-Product Equipment	.. 7,700
Blast Furnace equipment	.. 5,500
Steel Making equipment	.. 7,000
Crushing and Grinding equipment	.. 3,150
Crane equipment	.. 6,570
Rolling Mill equipment	.. 34,500
Spare parts of metallurgical equipment	.. 1,080
Heavy Mining equipment	.. 880
Excavators	.. 4,950
Press Forging equipment	.. 1,360
Heavy Oil Drilling Rigs	.. 5,500
Miscellaneous Heavy Machine parts & Assemblies	.. 1,810
Total	.. 80,000

Near the Heavy Machine Building Plant is being put up a Heavy Foundry and Forge Plant with Czechoslovak assistance. Castings and forgings of practically any type and composition, weighing from a few pounds to as much as 100 tons, are proposed to be manufactured here. When in full production by 1967-68 (pilot production may start in 1965), this plant will turn out castings and forgings to the following annual capacities: Grey iron foundry 46,600 tons; Steel foundry 88,382 tons; Non-ferrous foundry 700 tons; Forge shop 32,954 tons; Rough machine shop 64,015 tons. Machine and heat treatment shops for rolls 21,310 tons. Most of these products will be utilized by the Heavy Machine Building Plant. But some surpluses will be available for meeting the requirements of heavy castings and forgings of various other industrial units as well.

The third project in this series, which is being established at Durgapur with Soviet help, will be manufacturing, again by the middle of the fourth Plan (pilot production was started in November last), coal mining machinery to the tune of 45,000 tons per annum worth nearly Rs. 24 crores. Its product pattern will be as follows:

Description	Quantity	Weight in tons.
Coal Cutters	.. 600 pieces	1,704
Loaders	.. 250 pieces	1,371
Conveyors	.. 1,800 pieces	22,487
Trolley & Battery Type Electric Mine Locomotives	.. 150 pieces	1,300
Haulages	.. 400 pieces	3,804
Main Axial Fans	.. 100 pieces	1,154
Electric Winders	.. 25 pieces	1,167
Booster Fans	.. 250 pieces	50
Centrifugal Pumps	.. 500 pieces	998
Sand Pumps	.. 300 pieces	550
Automatic Cage Keps for use in vertical Shafts and Safety Detaching Hooks, Clips, etc.	.. ..	2,000
Light Drill Rigs for exploration drilling	.. 25 pieces	28
Spare parts	.. ..	8,323

Another giant project in the industrial machinery field is the Heavy Pressure Boilers Plant which is being set up at Tiruchirapalli in Madras State. This is also a public sector project, the collaboration in this case being provided by the Czech Government. This plant is an integral part of the plan for manufacturing heavy electrical equipment. It was originally planned to produce boilers upto 300 tons of steam corresponding to a 75 MW unit, with a pressure of 100 atmosphere and temperature of 530 degree C. In the light of the prospective demand, the range of its manufacture has now been extended to suit 100/120 MW and even larger steam turbines, including the "once through" types operating near critical pressures. Production is expected to start by 1966-67 and the annual capacity of the plant is designed for an output worth Rs. 20 crores in a year.

It is certainly true that these big projects in the industrial machinery field will in due course lend weight and substance to the industrial structure of the nation. Their orderly progress will therefore be watched with keen interest. As has been emphasized earlier, the important thing is to maintain a high level of productivity and high order of quality in the product. The standards of technical expertise and business management which these projects are able to command both during construction and after commissioning con-

sequently, are of material significance. So far as ambition goes, the Government certainly has not been lacking in it in the contemplation of these projects. It remains to be seen whether this ambition will be matched by ability in performance. Already a certain concern has been occasioned by the fact that the Ranchi Heavy Machinery Building Plant has been taking more time and money than was originally expected. This plant is now passing into the production stage and its performance will certainly be relevant to an informed judgement of the efficiency of the Government's plans and programmes in the heavy industries field.

Expansion in Private Sector

Apart from these spectacular projects, there has been some expansion of the production of industrial machinery of various types, chiefly in the private sector, in the last ten years. The manufacture of cotton textile machinery which was only of token value before 1951 has now widened into a range of manufacturing and processing equipment such as carding machines, ring frames, looms (plain) Augusta pneumatic suction and high draft conversion systems equipment, washing machines, water mangles, dyeing jiggers, cloth printing and stentering machines, drying cylinders, soapers, kiers and heaters. Similarly, the manufacture of jute mill machinery has also developed fairly rapidly, thanks to the modernisation programme put through by the jute industry. Items of jute mill machinery now being manufactured in this country include light and heavy yarn spinning frames, drawing frames, broad looms, cone winders, pre-beamers, dressing machines and automatic machines (one neck).

Of more recent development is the manufacture of complete plants for the sugar, cement and chemicals and pharmaceuticals industries. Sugar mills machinery manufacturers claim to be in a position to fabricate 14 new standard sugar plants every year, besides equipment equal to another nine such plants. The production of high speed centrifugal and heavy duty gears for milling plant for the sugar industry has also been started. Cement machinery manufacturers are now able to undertake the fabrication of complete plants of 600 tonnes of cement capacity per day. The installed capacity of the industry, it is claimed, will go up to nine such plants per annum in the near future. In the case of paper machinery, the capacity is mainly for the fabrication of plants upto 10 tons of paper capacity per day. But it is said that some capacity is also available for the manufacture of plants with capacities up to 50 tons of paper per day. The tea industry has put up capacity to produce practically all tea processing equipment. As regards coal mining machinery, capacities are available for the manufacture of haulage equipment, conveyors and coal-cutters. Three units have been licensed recently for the manufacture and installation of complete coal washery plants in collaboration with British or American firms. Another interesting recent development is the project for the manufacture of flatbed printing machines.

Table I on page 1409 shows the present position of the various industrial machinery industries with regard to capacity and production (the capacities expected in as well as planned for, 1965-66 are also shown for comparison).

It will be seen that, whereas the third Plan capacity targets for cotton textile, jute, sugar, cement and tea machinery

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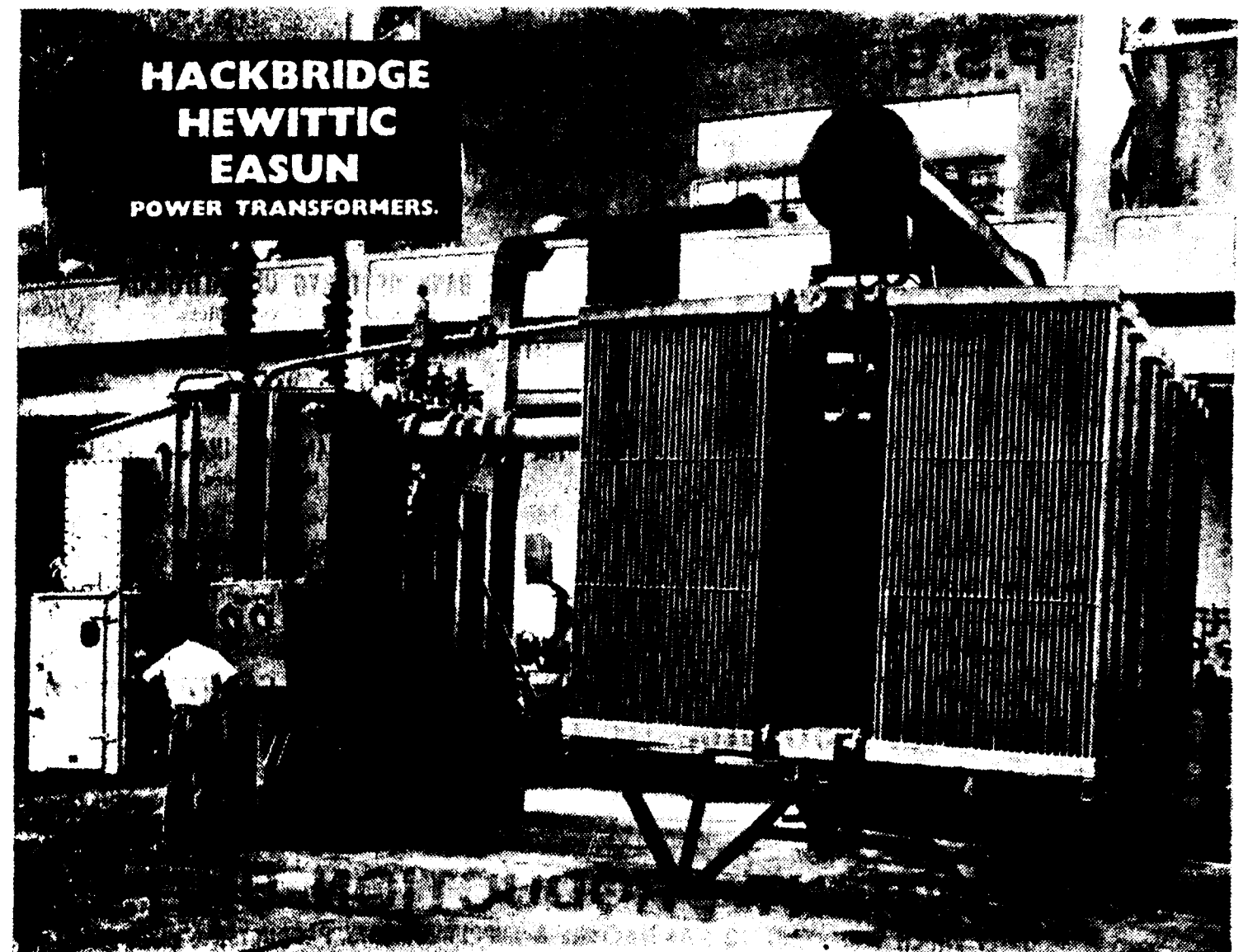
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	7500	69.3/33	1
SURENDRANAGAR	7500	66/23.1	1
JAMNAGAR	5000	66/11	1
	5000	66/33	1
	5000	66/33/11	1
BARODA	5000	66/34.65	1

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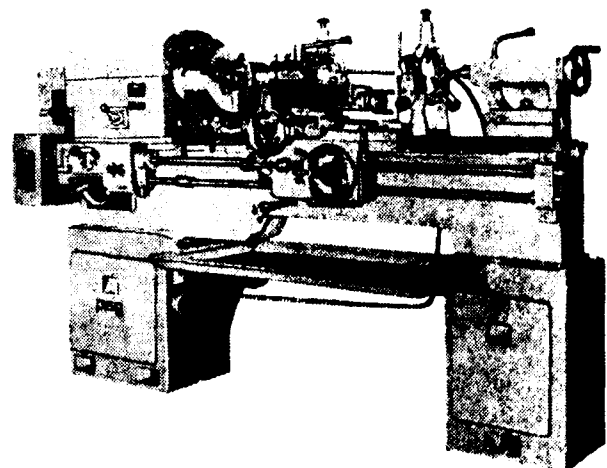
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are likely to be achieved, considerable shortfalls are to be expected in the case of paper and ceramics machinery and cranes. The lag in the manufacture of paper machinery, however, does not seem to be causing concern in view of lack of the orders for such machinery. The manufacture of cranes continues to be under the open licensing list and it is believed that some new schemes may come up in this line.

Perhaps a more serious problem than the lag in the expansion of capacity in some lines of machinery is the partial utilisation of installed capacities in several others. With the exception of the cotton textile machinery and jute machi-

TABLE 1.
CAPACITY AND PRODUCTION OF INDUSTRIAL MACHINERY INDUSTRIES

Machinery	1962 Capacity	1962 Production	1965-66 (Rs. crores)	
			Expected	Target
Cotton textiles	13.0	13.0	22.0	22.0
Sugar	15.0	6.42	15.0	15.0
Cement	5.25	0.7	8.0	4.5
Paper	4.9	0.85	6.5	8.5
Jute	2.7	—	2.7	2.7
Chemicals and Pharmaceuticals	5.0	2.84	18.0	—
Tea Processing	2.0	1.69	To meet full requirements of the tea industry.	
Coal Mining	1.5	0.38	—	—
Ceramics	1.6	0.09	3.5	6.0
Solvent Extraction	N.A.	0.76	—	—
Dairy	N.A.	0.31	2.5	2.5
Boilers	8.5	2.17	30.0	29.0
Drilling Equipment	N.A.	0.60	—	—
Cranes	—	—	48,000	60,000

nery industries, the underutilisation of capacity seems to be a serious problem in these industries and it is possible that this is perhaps part of the more general problem of under-utilisation of capacities in the engineering industries as a whole. Among the factors responsible for the situation are the insufficiency of raw materials, particularly certain categories of steel products and non-ferrous metal products, many of which have to be imported to a considerable extent. The shortage of power in many parts of the country has been another limitation. To the extent that the manufacture of industrial machinery is considered to be of urgent importance, this unhappy situation has to be corrected by assigning relatively high priority in their requirements of power and also raw materials, domestic or imported. It is also necessary for the Government to consider ways and means of liberalising the allotment of foreign exchange for the import of essential components and capital goods including machine tools.

It is necessary here to bear in mind that, in the case of industrial machinery mere production is not enough, the products have got to come up to certain standards. Otherwise the technical and economic foundations of the industrial development of the country would become vitiated. In the case of most items of industrial machinery manufactured in this country, there is still a lot to be done before international levels of performance can be claimed. In the case of many items of domestic industrial machinery, the user-industries are found complaining of manufacturers' reluctance to guarantee deliveries or performance. This is certainly not a very satisfactory situation and besides dramatically affirming in Parliament its anxiety to develop basic industries in this country, the Government should address itself to the more prosaic, but certainly more relevant, task of providing foreign exchange to the industrial machinery industries for import of capital goods, components and technical know-how, so that they may be organized on sound lines and function as a source of strength for and not as a cause of weakness in the national industrial structure.

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Jute: Dangerous Corners Ahead

SUPERFICIALLY THERE does not appear to be much that is presently wrong with our jute industry. The industry is working to full capacity and production, in recent months, has touched an annual rate of 1.3 million tons which is the target fixed for the final year of the third Plan. And even more than the third Plan target, the export target of 900,000 tons for the end-year of the Plan has also been hit already. The industry, by exporting 891,000 tons of manufactures, earned Rs. 156 crores in the year ended March, 1963, which makes it the nation's leading earner of foreign exchange. Incidentally, the value of exports of jute goods in the last year of the third Plan is estimated in the Plan at only Rs. 140 crores. It is true that, lately, export trends have not been altogether bright, particularly with regard to the trade in sacking, but there is also a considerable improvement in the outlook for trade with the Soviet Union and some of the East European countries.

Nevertheless, there is a serious problem of production in the jute industry. Actually, this problem is a problem of production in the sense that every industry produces only in order to sell. The problem for the jute industry is whether it will continue to be able to sell well to the rest of the world in competition with the jute industry in Pakistan. It is undoubtedly odd that this critical issue was not discussed even casually in the report of the Jute Committee set up by the Ministry of Commerce and Industry in March, 1962, and which reported to the Ministry of International Trade in January, 1963. In the Introduction to its Report, this Committee courteously apologises for not having been able to consider the possible effects of the national emergency which arose when the Report was in the final stages of preparation. This meticulous attempt at underlining its sense of responsibility would have been more impressive had the Committee deigned to explain in its Report why it did not regard the issue of Pakistan competition as of sufficient importance to have found a place in its discussion of the problems and prospects of the jute industry. It should be interesting to know whether the Committee had received any informal or unwritten directive from the Government in this matter or whether its attitude to this question was influenced by the prejudices of preferences of one or more of its members.

Mischief Undone

Whatever might have been the motives for the curious conduct of the Committee in this matter, the mischief that might have been caused by its silence on the vital question of Pakistan competition has been undone to some extent by the Export Study Group on Jute manufactures presided over by the present Jute Commissioner. The Study Group concedes in its Report that the emergence and rapid expansion of the Pakistan industry presents a very serious challenge to Indian mills. With the growth of Pakistan's jute production, India's exports of sacking have been correspondingly declining. The following table will bring out this fact:

EXPORTS OF SACKING FROM INDIA AND PAKISTAN

Year	Total Tons	From India	From Pakistan
		%	%
1957	482,300	87.6	12.4
1958	417,500	81.5	18.5
1959	482,500	72.3	27.7
1960	429,600	71.6	28.4
1961	417,100	66.9	33.1
1962	449,500	64.0	36.0

It has been repeatedly represented to the Government by the industry that Pakistan has made substantial inroads into our traditional markets for sacking, such as Australia, Burma

and Cuba. As a result, a sad position has been reached in which India is only left with orders which the Pakistan industry cannot handle with its present production. Pakistan now has an installed capacity of about 10,000 looms and has recently announced plans for adding to this number another 5,000 to 6,000 looms over the next few years. As the loomage in Pakistan increases, that country will be able to offer more sacking for export and this would cut further into Indian exports of this material. The threat, however, is not confined to sacking, although Pakistan has so far been concentrating on this line of production. As Pakistan industry expands and becomes more sophisticated, it is bound to turn to increased production of hessian as well and offer more quantities of this type of manufacture to world markets.

Balance Sheet Struck

In a systematic study of the problem of Pakistan competition, the Export Study Group has listed the advantages enjoyed by the Indian jute industry over the industry in Pakistan and the advantages enjoyed by the Pakistan industry over the Indian and struck a balance sheet. This part of the report is reproduced here in view of its great importance for a proper understanding of the main problems which India's premier export industry now faces:

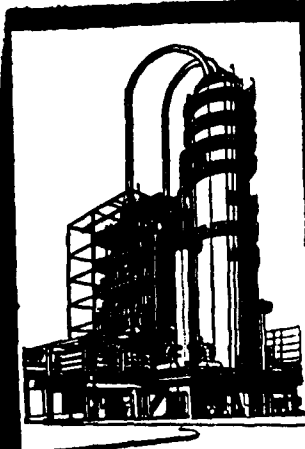
"Advantages of India over Pakistan:

- (a) Power charges in India are lower than in Pakistan.
- (a) Labour is more efficient in India than in Pakistan, resulting in better output per man per hour.
- (c) With better results of research and technique, it will be possible to lower the cost of jute batch in India.
- (d) Depreciation cost in India is lower because part of the machinery has already repaid its value (excluding modern preparing and spinning machinery installed) and because Pakistan's capital outlay is proportionately several times higher than that of the Indian industry.
- (e) The Indian industry gets almost all supplies of stores and accessories from indigenous sources at cheaper rates, whereas Pakistan industry has to pay import duties on many of its stores items.

"Advantages of Pakistan over India:

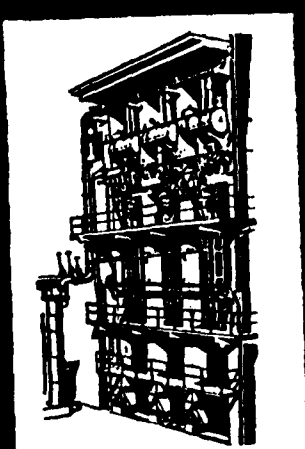
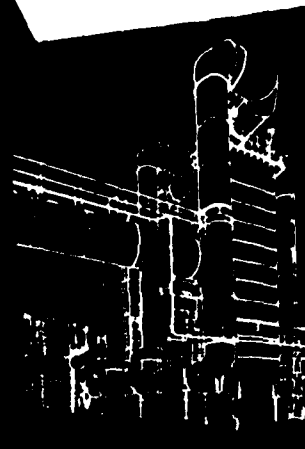
- (a) Pakistan possesses the most modern machinery, with higher productive capacity per man.
- (b) Pakistan has abundant good quality of raw jute. The industry gets jute of superior quality at lower prices. The use of good quality jute gives a better quality of product. Pakistan has fixed its minimum raw jute prices at rates which are about Rs. 6.00 per maund below that for the comparable Indian variety. Stock operations are at 10 per cent below even the minimum prices. The incidence of freight from the cultivator's fields to the mills is less than a third of that in India. The Pakistan industry is also protected by an export duty on raw jute. The overall advantage enjoyed by Pakistan in the price of jute and cuttings amounts to about Rs. 168.00 per ton.
- (c) Pakistan has got abundant supply of cheap labour which only needs to be trained. The efficiency of the Pakistan worker is gradually increasing with experience.
- (d) Pakistan's industry is not required to spend as much on modernisation as the Indian industry.
- (e) Pakistan's industry sells a part of its production at present in the internal market at high prices. The benefit so accruing is used to subsidise export prices.
- (f) Pakistan's industry enjoys the benefit of export bonus, the impact of which is about Rs. 180.00 per ton on hessian and Rs. 120.00 per ton on sacking.

"A careful study of the advantages in favour of India will reveal that most of them are of a temporary nature and will



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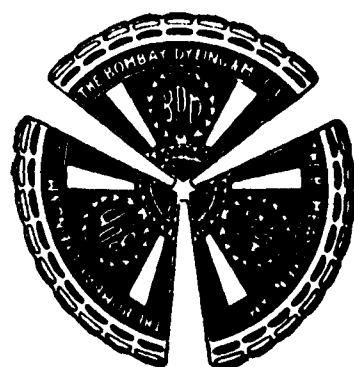
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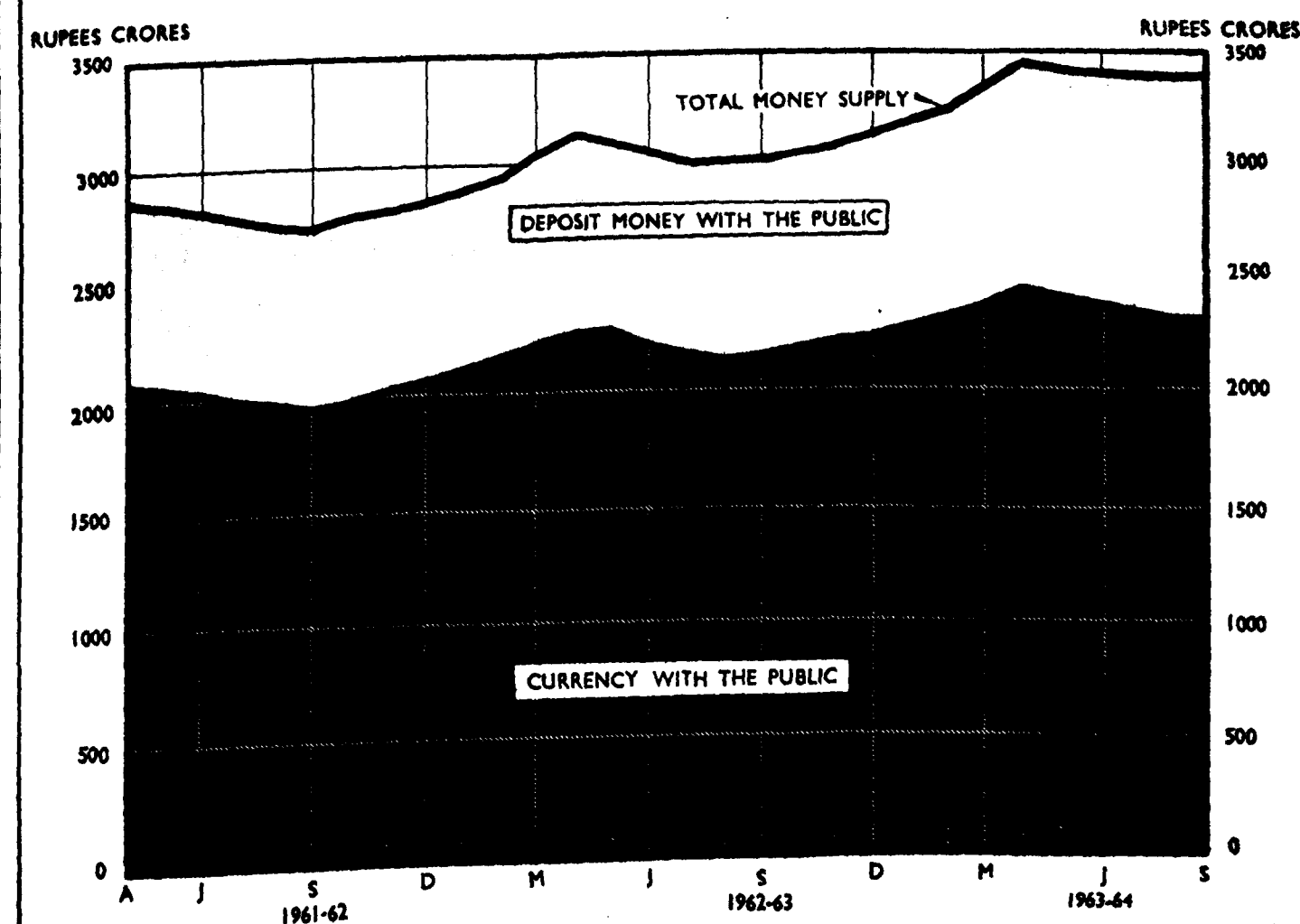
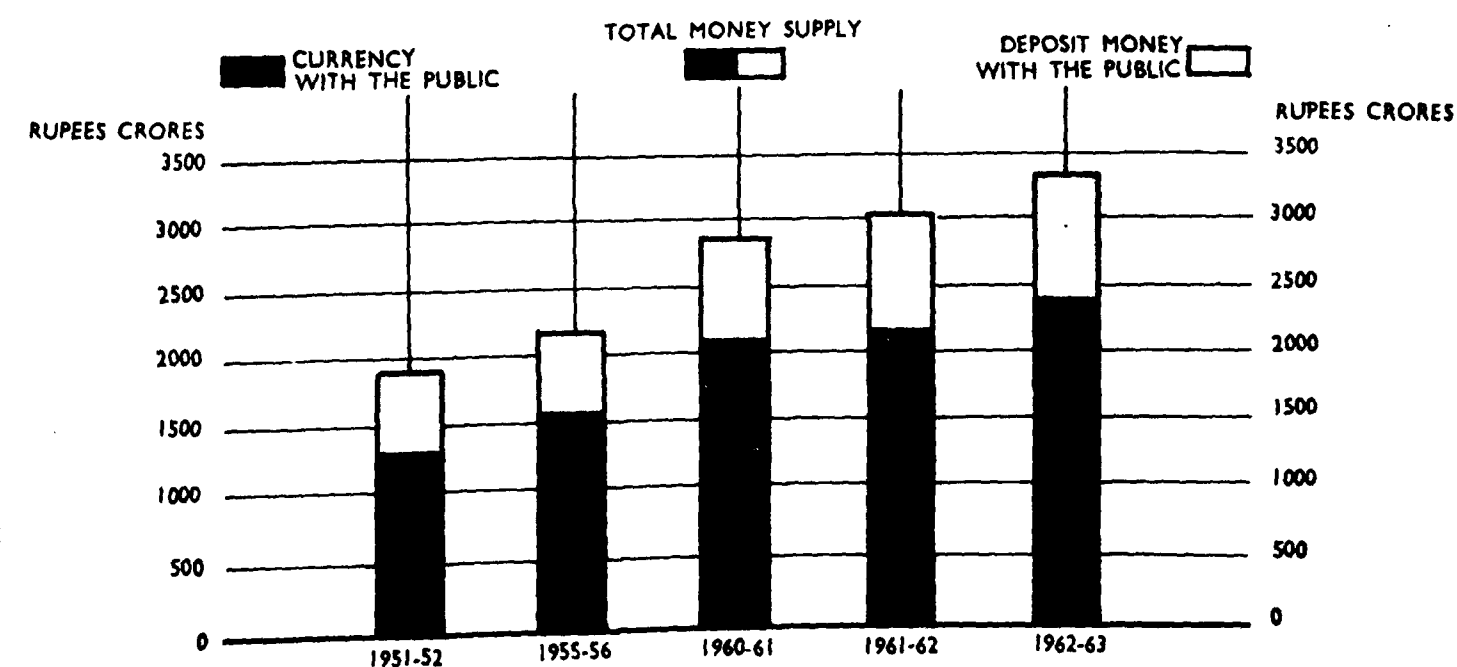
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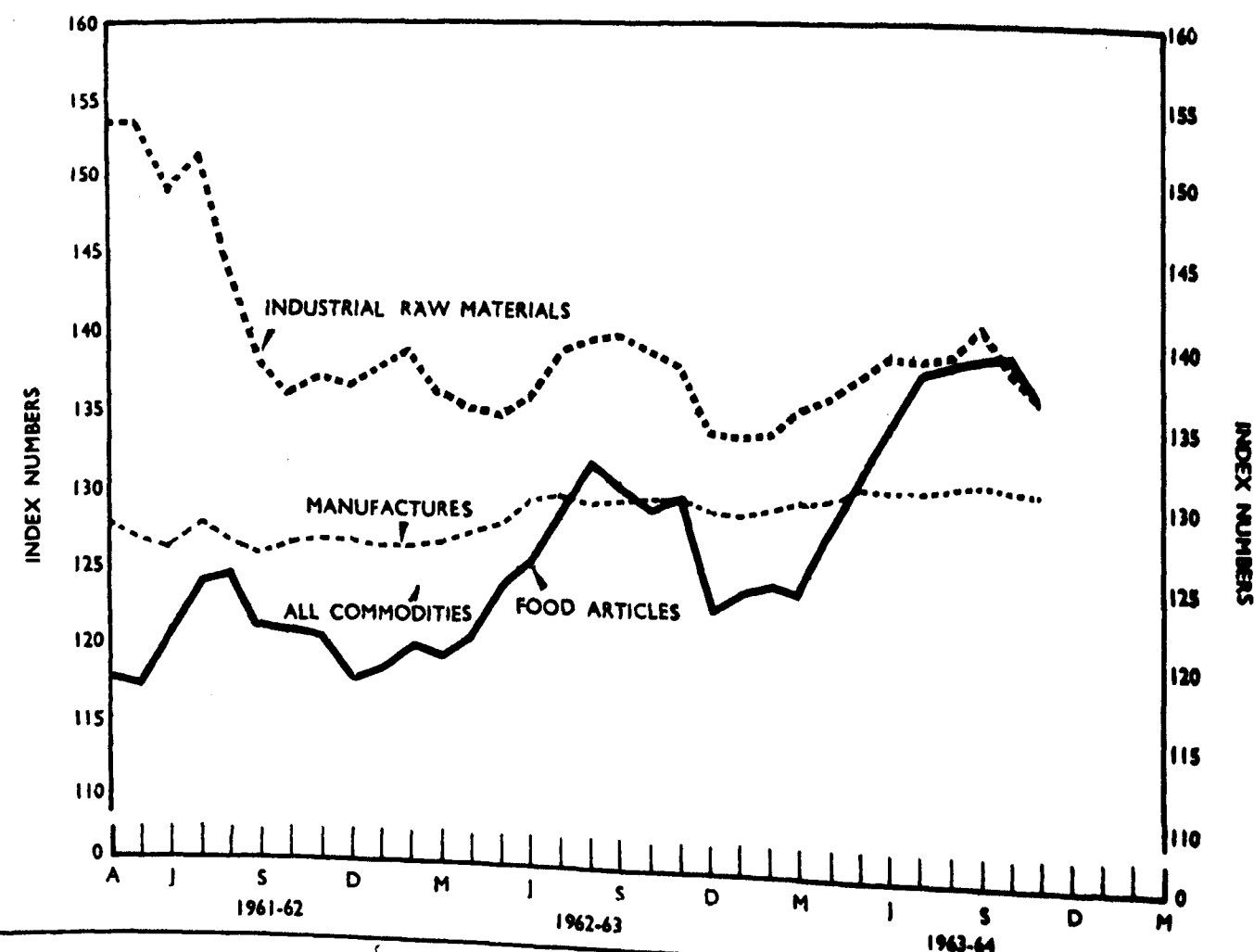
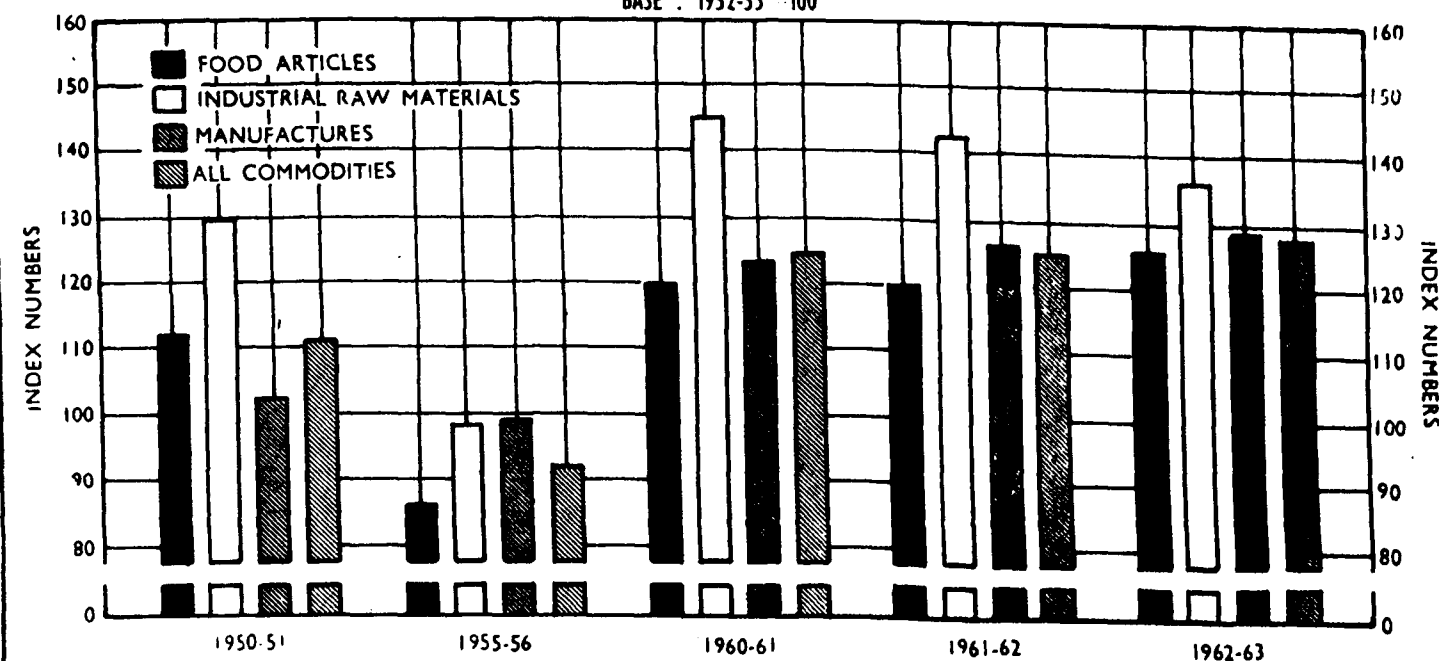
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ANNUAL NUMBER 1964

gradually disappear in years to come with progress of the Pakistan Industry. As for example, Indian power charges are gradually increasing and the labour productivity in Pakistan should also gradually improve through experience and training. With modernisation in weaving, the relative depreciation cost in India will also be on the higher side. On the other hand, if India's depreciation cost is based on the replacement prices for purposes of comparison with Pakistan's depreciation cost, the quantum of benefit will certainly be very much lower than what is seen by comparing figures as per books of accounts.

"The picture of Pakistan's cost advantages over Indian jute goods in the export markets makes the necessity of an all round productivity drive vitally important to meet the challenge although it is appreciated that only a part of the deficit can be met by cost reduction through higher productivity. It is necessary for the Indian Industry to diversify its production and take to more and more sophisticated manufactures. In this connection the role of Research and Market Development is of vital importance. The serious competition from Pakistan at present, applies to jute goods of sacking quality, but very soon it will start having serious repercussion in respect of hessian and speciality goods also.

Immediate Measures

"The Study Group recommends that immediate measures be taken to work out a suitable solution to the problem and an appropriate machinery set up for dealing with it."

It may be added here that according to one estimate the cost difference in favour of Pakistan works out to about Rs. 454 a ton for sacking as per the following details:

Cost of raw jute	= Rs. 224
Labour cost	= Rs. 60
Export bonus	= Rs. 165
Emergency Risks Insurance	= Rs. 5
TOTAL	= Rs. 454

It is clear that, if the Government of India is serious about protecting the large export earnings from the industry, it cannot afford to ignore the implications of this analysis indefinitely. The time has certainly come for the Ministry of International Trade to summon sufficient courage to look the facts in the face and impress upon the Government generally and the Finance Ministry in particular the need for taking bold and adequate steps for dealing with the dangerous potential of increasing Pakistani competition.

It is perhaps not irrelevant to return at this stage to the Report of the Jute Committee which, while fighting shy of dealing directly with the issue of Pakistan competition, nevertheless thought it proper to salve its guilty conscience by blaming the Working Time Agreement of the Indian Jute Mills Association for promoting the manufacture of jute to take shape in Pakistan. The Jute Committee has argued that by restricting production through the Working Time Agreement, the Association has been guilty of creating conditions for the emergence of a rival industry in Pakistan. This surely is a childish complaint. After all, once Pakistan had secured 80 per cent of the jute - growing area of undivided India, it was bound to develop a jute manufacturing industry in due course. India could never have prevented and cannot now prevent Pakistan from having a sizable jute industry. What can and ought to be done at the present time is that the Pakistan industry is not assisted by any of our acts of commission or omission in growing too big, too fast.

As it is, India's loomage of 72,960 represents 50 per cent of the world loomage as against Pakistan's loomage of 8,726 working out to 6.85 per cent of the world loomage. Since, however, the Pakistan industry is working at 2½ shifts, whereas

Indian loomage is based on the equivalent of single shift working, the proportion of Pakistan's effective loomage actually works out to about 30 per cent of India's capacity. The problem is to see that this proportion is not upset by a more

EXPORTS OF SACKING CLOTH AND BAGS TO THE PRINCIPAL COUNTRIES SINCE 1958-59

(In thousand metric tons)

Country	1958-59	1959-60	1960-61	1961-62	1962-63
U.S.A. and Canada					
U.S.A.	5.7	8.5	6.4	9.3	6.3
Canada	0.1	0.1	0.2	—	0.1
Latin America					
Argentina	2.0	3.2	1.1	1.2	0.8
Cuba	40.9	21.6	45.2	32.8	25.3
Chile	4.3	5.2	6.4	8.4	6.2
Peru	8.2	6.7	5.1	2.9	3.4
Central America	4.0	1.4	1.3	1.9	1.9
Dominican Republic	0.4	4.4	2.3	—	—
Uruguay	—	—	—	—	—
Australia and New Zealand					
Australia	66.0	51.2	60.1	33.8	38.8
New Zealand	12.5	11.7	11.8	12.1	8.6
U.K. and Western Europe					
U.K.	12.8	12.1	10.5	9.4	6.3
Belgium	6.6	13.1	7.7	5.8	4.0
Denmark	—	—	—	—	0.4
Germany (West)	0.7	1.6	1.2	1.4	0.7
Netherlands	2.4	1.9	1.3	1.0	2.8
Italy	0.1	0.1	2.1	0.4	3.4
Norway	1.3	2.1	0.1	—	—
U.S.S.R. and Eastern Europe					
U.S.S.R.	—	0.1	—	—	1.1
Czechoslovakia	—	—	—	1.1	1.9
Hungary	0.1	0.3	0.4	2.5	1.8
Yugoslavia	—	—	0.1	4.2	1.3
South-East Asia					
Burma	0.1	0.5	0.3	0.3	0.8
Ceylon	1.6	1.4	1.5	1.6	1.3
China	—	4.1	8.0	—	—
Hong Kong	0.4	0.7	0.6	0.8	0.5
Philippines	5.1	4.9	3.1	1.2	1.0
Indonesia	0.2	1.0	0.6	0.3	0.2
Malaya	0.1	0.1	0.3	0.1	0.2
Singapore	0.2	0.2	0.2	0.1	0.3
Thailand	0.1	—	0.3	0.7	1.2
Middle East					
Iraq	0.8	1.1	0.2	0.6	1.1
Iran	0.4	2.2	2.8	3.3	4.7
Syria	0.6	2.4	2.0	2.3	2.1
Turkey	4.6	3.0	4.4	5.5	13.5
Africa					
Egypt	7.1	10.7	10.9	11.9	9.7
Ethiopia	0.2	0.1	0.2	0.5	0.3
Ghana	—	—	0.1	—	0.1
Kenya and Uganda	1.5	1.6	1.4	2.3	1.8
Mozambique	1.2	0.3	1.6	0.6	1.5
Mali	—	0.1	—	0.4	0.5
Nigeria	0.4	0.3	0.4	0.7	0.8
S. Rhodesia	0.6	1.5	2.3	3.7	2.7
Sudan	0.8	4.6	3.6	4.7	5.5
Tanganyika	0.5	0.5	0.4	0.5	0.7
Total:	325.3	356.7	306.1	289.5	285.9
(Including other countries)					

rapid growth of the industry in Pakistan than in India. From this point of view the Jute Committee was not only barking up the wrong tree when it condemned the Working Time Agreement, but it also chose to forget a much more relevant fact that if India's production of jute goods did not go up as much as it could have done during the decade 1950-1960, it was not because of the Working Time Agreement, but because of the crippling export duties of Rs. 1,500 a ton on hessian and Rs. 350 a ton on sacking which the Government of India insisted on maintaining long after the harm they were doing to our export capacities had become obvious. Apart from the fact that such high export duties were an invitation to Pakistan to go ahead with the development of its jute industry, the heavy export taxation necessarily cut into the resources of the Indian jute Mills in this country and thereby made it more difficult for them to modernise and rationalise their plant and machinery.

Amusing Assertion

This is not to say that the utility or propriety of the Working Time Agreement should not be examined from time to time. On the contrary, no such arrangement can be regarded as sacrosanct and the jute industry is certainly under an obligation to demonstrate whenever it is called upon to do so the continuing justification for such arrangements. The Jute Committee, however, was merely amusing itself by delivering 'obiter dicta' when it asserted that the Working Time Agreement was "essentially restrictive." It is no doubt true that the Indian jute industry was working around 10 per cent below capacity for most of the years between 1950-60, but that was not because there was any organised attempt on the part of the Indian Jute Mills Association to curtail production in order to benefit Pakistan or fleece the raw jute growers of this country or the consumers of Indian jute goods abroad. We have already referred to the high export duties which were bearing down heavily on exports. The devaluation of the Indian rupee in 1949 and the fact that Partition had left the Calcutta jute mills at the mercy of uncertain and irregular sources of raw jute supplies from Pakistan were other factors which came in the way of the orderly functioning of this industry in those years. It was not until 1955, when Pakistan had also devalued its currency and the cultivation of raw jute and mesta within India had reached respectable proportions, that there came into the functioning of the Indian jute industry some elements of relative stability. The Working Time Agreement, in its true substance, was in the nature of a device for spreading out evenly through the industry the impact of the extraordinary stresses and strains of this period. The Agreement was designed to adjust in a flexible manner the production of jute goods to the world demand for it. Every industry, indeed every unit of an industry, is not only entitled but is even obliged to carry out such adjustments in production. If it does not do so, it will only run into losses and ruin itself.

It may also be explained here that by adjusting production to demand, the Indian jute industry could also obtain for the country the maximum possible export earnings out of a given amount of exports. This consideration became all the more important when due to short jute crops during those years, the output of jute goods had in any case to drop to a lower level. It is no doubt true that high prices of jute goods had encouraged substitutes, but where fluctuations in prices are of a seasonal character relative to the vagaries in the harvesting of the agricultural raw material, consumers of the finished product do generally appreciate the fact that price increases in those circumstances are of a passing nature. The real mischief is done only when extraneous factors such as the unwise export taxation leads consumers abroad to assume that the Government of the exporting country is attempting to exploit for fiscal purposes foreign buyers of its products. It is therefore wrong to blame the Working Time Agreement either for the growth of the Pakistan industry or for the

development of substitutes for jute manufactures in the world at large.

Although the Jute Committee has dubbed the Working Time Agreement as essentially restrictive, the basic restrictive

EXPORTS OF HESSIAN CLOTH AND BAGS TO THE PRINCIPAL COUNTRIES SINCE 1953-59

(In thousand metric tons)

Country	1958-59	1959-60	1960-61	1961-62	1962-63
U.S.A. and Canada					
U.S.A.	192.0	193.3	189.1	200.8	242.3
Canada	36.6	40.0	40.1	38.8	46.9
Latin America					
Argentina	63.2	55.8	25.3	24.6	43.2
Cuba	3.0	3.1	4.1	4.4	2.3
Chile	0.1	0.2	0.5	1.0	1.3
Peru	0.3	3.2	3.3	2.1	3.0
Central America	1.3	1.0	0.4	1.1	1.9
Dominican Republic	—	—	—	—	0.3
Uruguay	4.7	5.1	2.1	2.4	3.7
Australia and New Zealand					
Australia	15.7	15.6	16.3	14.6	17.8
New Zealand	5.7	4.0	4.6	3.8	3.9
U.K. and Western Europe					
U.K.	42.4	36.2	36.1	28.3	31.6
Belgium	0.4	0.3	2.0	2.4	1.5
Denmark	6.1	3.9	0.6	1.3	5.2
Germany (West)	4.8	13.7	12.5	10.5	7.3
Netherlands	3.8	2.1	3.7	2.1	5.5
Italy	0.3	0.1	0.1	0.2	1.2
Norway	0.9	1.1	1.3	1.3	1.4
U.S.S.R. and Eastern Europe					
U.S.S.R.	16.3	22.0	21.6	25.4	29.0
Czechoslovakia	—	0.4	0.3	3.8	2.7
Hungary	—	0.3	2.3	4.9	2.6
Yugoslavia	—	0.6	0.9	6.0	3.4
South-East Asia					
Burma	5.4	16.2	4.5	7.2	7.7
Ceylon	0.1	0.5	0.1	0.2	0.2
China	7.7	49.7	21.1	—	—
Hong Kong	5.0	3.2	4.2	0.6	0.2
Philippines	0.2	0.5	0.6	0.1	—
Indonesia	16.2	25.5	8.5	20.6	25.3
Malaya	0.4	1.3	1.3	1.7	0.9
Singapore	2.0	1.5	1.4	2.3	0.8
Thailand	11.5	11.5	10.4	10.2	8.3
Middle East					
Iraq	1.8	3.3	0.3	1.2	1.9
Iran	—	0.3	0.3	1.1	2.1
Syria	1.5	4.1	4.0	5.4	8.3
Turkey	6.0	2.8	3.5	1.0	8.1
Africa					
Egypt	11.7	12.9	10.0	3.2	6.8
Ethiopia	1.7	0.9	0.8	1.8	2.3
Ghana	4.5	3.1	6.0	12.8	9.0
Kenya and Uganda					
Mozambique	7.7	5.8	5.9	6.8	2.5
Mali	7.2	1.8	3.4	5.0	1.9
Nigeria	5.7	3.6	2.8	7.5	3.6
S. Rhodesia	18.0	8.4	12.8	22.5	26.0
Sudan	0.4	2.0	2.0	5.8	3.5
Tanganyika	8.1	14.1	6.7	19.5	14.2
	5.3	4.9	2.1	2.7	6.2
Total:					
(Including other countries)	428.9	442.6	419.9	432.6	531.0

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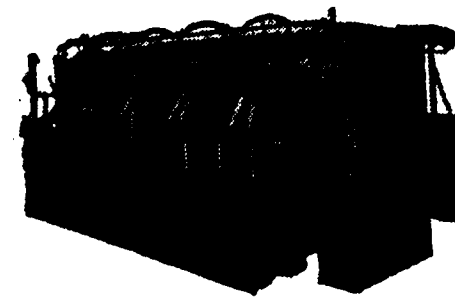
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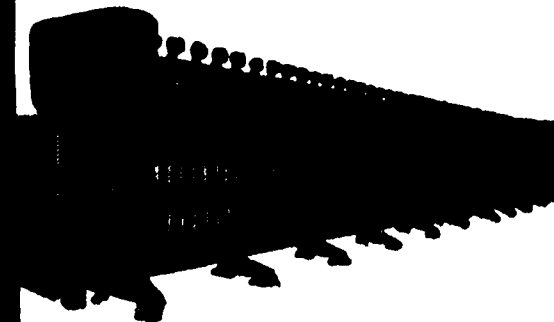
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factors in the jute industry are the vagaries in the availability of raw material or power. The Working Time Agreement is only a device for distributing evenly and fairly over all units of the industry the disadvantages of such bottlenecks. If the Working Time Agreement was "essentially restrictive," the industry could not have been operating at full capacity from the beginning of last year when comfortable supplies of raw jute and favourable trading conditions have made it possible for the industry to do so. More important still, if the Working Time Agreement was a restrictive instrument, the jute industry could not and would not have undertaken and carried out an extensive modernisation programme on which it has spent about Rs. 30 crores, including loans amounting to over Rs. 7 crores given to the industry by the Government through the agency of the National Industrial Development Corporation. Thanks to this modernisation programme, the Indian jute industry has been able to incorporate into the various stages of the processing of jute prior to the weaving operation, the latest technological developments which have taken place in that field.

Modernisation Plan

The industry is now planning to take up the modernisation of its post-spinning equipment. The old winding equipment is being replaced by new high-speed machines and additional pre-beaming equipment is also gradually being installed to increase the productive efficiency. Plans for the modernisation of the weaving process could go ahead once conditions such as the availability of foreign exchange, the expansion of the domestic jute mill machinery and a smooth solution of the probable impact of automation on employment have been satisfactorily negotiated. Meanwhile, there has been a remarkable readiness on the part of the Indian jute industry to take advantage of the phenomenal growth in the demand for carpet-backing cloth in the U.S. market in recent years. Since 1955, the mills in India have installed about 2,300 carpet-backing looms and it is estimated that another 500 of these looms will have been installed by the end of the third Plan and a further 1,000 looms by the end of the fourth Plan. Production is currently running at the rate of about 112,000 tons, representing about nine per cent of the industry's total production. The entire production is exported and the principal export market is at present the United States.

The Jute Committee has argued that the Working Time Agreement has afforded artificial protection to inefficient units in the industry. This particular contention needs to be seri-

ously examined. It is possible that there are some aspects of the Working Time Agreement or some particular applications of its principles which have given unnecessary or undesirable protection to less efficient mills. Specifically, it is necessary to find out whether the Working Time Agreement has resulted in situations in which some mills are enabled to transfer their loomage entitlements to other mills for a consideration. No arrangement is ever perfect and if there are aspects of the Working Time Agreement which could be dropped or modified with advantage, the matter should certainly be examined dispassionately by the industry and the Government. The Indian jute industry is fortunate in having one of the best organised trade associations in the country to speak for it and thanks to the development of the Jute Commissioner's organisation in Calcutta over the years, machinery for adequate and effective liaison between the Government and the Indian Jute Mills Association has been brought into being. This advantage should be enough to permit a full and frank discussion between the industry and the Government on matters which are relevant to the continued good health of this important export industry. In these circumstances, the Jute Committee certainly did not show sufficient sense of responsibility when it sweepingly and arbitrarily condemned the Working Time Agreement. This, however, should not prevent the Indian Jute Mills Association from taking the initiative in discussing with the Government such modifications in the Agreement as may be found to be desirable for the further growth of the jute industry in the critical years ahead when Pakistan will be making a strong bid for increasing its share of the world market in jute goods of all kinds.

Mutual understanding and cooperation between the Government and the industry are certainly vital requirements at the present time when the planning of the further development of the industry in terms of the fourth Plan has to be taken up. There is general agreement in the Government and the industry that the industry should aim at producing jute goods to the extent of 1.7 million tons and exporting its products to the extent of 1.1 million tons by the year 1970-71. These targets call for an additional annual output of 400,000 tons and additional annual exports of 200,000 tons. From the supply side, there should be no difficulty whatsoever in the industry achieving the increased output. The cultivation of raw jute seems to have been stabilized at a fairly high level and while there is certainly room for improvement in the yield per acre and the quality of the crop, it is not only fairly well

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known what should be done in these directions but it is also well recognised in the industry and the Government that improvement in raw jute production should be pursued with vigour and on sufficient systematic basis.

As for manufacturing capacity, the Exports Study Group expressed the view that additional capacity could be easily created in the existing units by the installation of additional preparatory and spinning machinery as the extra loom capacity is already available with them in terms of multiple shift working. The Study Group had also pointed out that, as the expansion of existing units would be more economical and easy to implement, there was no need for new units at this stage. This argument is further strengthened by the fact that there are a certain number of units in the industry with capacities below 500 looms. It is desirable to encourage them to raise their capacity to that figure so that their scale of operation could be made more economic.

A bottleneck for the jute industry has been the shortage of power. Relief in this respect is tied up to the general development of power facilities in Eastern India, but it would be legitimate for the Central and State Governments to provide relatively high priority to the needs of this industry in view of its export importance.

Intriguing Picture

The demand side presents a more intriguing picture. Although the jute industry is an export industry, some part of its production is being consumed within the country. The internal consumption is now about 370,000 tons per year and it may go up to 400,000 tons by the end of the third Plan. It is considered prudent to provide for a further increase of 200,000 tons over the fourth Plan period. This would absorb half of the additional production proposed for the fourth Plan. It follows that in order to utilise the planned addition fully, this country should be able to step up its exports by 200,000 tons from 900,000 tons at the present time (or in 1965-66) to 1.1 million tons by the end of the fourth Plan. The question whether this country could expand its export of jute goods (or even maintain them at the present level) is related primarily to the problem of dealing effectively with the competition from Pakistan, actual and potential. Assuming that the Government would at some stage, but not at too late a stage, wake up to the need for dealing with the threat from Pakistan in an effective manner, the problem of additional exports would then have to be discussed in terms of the prospective growth in the world demand for jute goods.

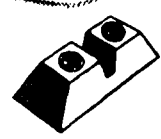
The Food and Agriculture Organisation of the United Nations, after studying this subject in 1960, argued that the world consumption of jute goods was not likely to rise significantly in the following decade. This view was probably too

cautious even when it was recorded. Subsequent events have shown it to have been, in fact, unduly pessimistic. World consumption of jute goods had risen from an average of 1.5 million tons a year during the period 1946-50 to 2.65 million tons a year in 1960, a rise of about 77 per cent. The FAO was certainly justified in foreseeing some restriction of the demand for jute goods as a packaging material, particularly in the industrially advanced countries, as a result of the continuing competitive development of substitutes for jute cloth, such as multi-wall paper and polythene bags. But while the substitution would certainly prevent an increase in the consumption of jute cloth in the industrialised countries, there was—and there is—the likelihood, of which the FAO also was aware, of the industrially advanced countries increasing their consumption of sophisticated varieties of jute fabrics in new uses, such as floor coverings, furnishings, automobile upholstery and the like. The FAO could have allowed more liberally for the growth of this kind of demand than it did. It was also too conservative in providing for increased off-take of jute goods in the primary producing countries of Africa, West Asia, South-East Asia and Latin America where both population and agriculture are expanding. Here again, while the FAO noted the possibility, it failed to assess its significance.

Potential Demand

A third relevant factor to which the FAO study did not make due allowance is the potential demand in the centrally-planned economies of Eastern Europe as well as the Soviet Union. A delegation of the jute industry which toured the Soviet Union and the East European countries earlier this year has been considerably impressed by the possibilities of increased exports to those parts of the world. The Soviet Union, in fact, has already signed a long-term trade agreement providing for a fast and substantial increase in its off-take of jute manufactures. In these circumstances, it is now generally believed that there is no need to take too gloomy a view of the probable increase in the world demand which it is expected may well be of the order of about 3.8 million tons by 1970. On the basis that India's share of the world production of jute goods was around 45-50 per cent during 1958-61, it is considered reasonable to aim for the Indian jute industry a level of production of about 1.7 million tons by 1970. If out of this output about 600,000 tons are to be retained for domestic consumption, the Indian export effort in jute goods must be directed towards increasing the trade to 1.1 million tons, or 200,000 tons more than the present level. In the case of sacking, Pakistan already holds 32.5 per cent of the world market and it should be the endeavour of this country to see that the position does not change still further to its disadvantage. The sacking trade will be of special significance in the coming years since a great part of the total world demand for jute goods will be in the form of sacking required by the developing countries of Asia, Africa and South America. In the case of hessian, where the Indian jute industry today com-

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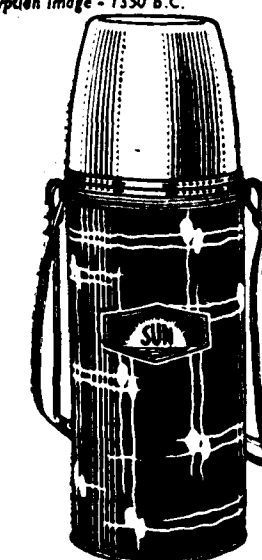
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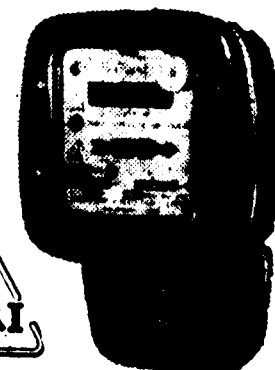
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mands a leading position, the potential competition from Pakistan cannot with prudence be ignored. Pakistan has the two great advantages of good quality raw jute and modern machinery. Both advantages are bound to count heavily in favour of that country so far as the hessian trade is concerned. There is, therefore, no room for complacency. It is just because the production target of 1.7 million tons and export target of 1.1 million tons projected for the fourth Plan are eminently reasonable, it would be a tragedy if there is to be failure in terms of the framing and pursuing of proper industrial and trade policies needed for ensuring the fulfilment of those goals.

Mutual Agreement

It would, however, be wrong to leave this subject without making it clear that while India should certainly take measures promptly for countering and containing the competition from the jute industry in Pakistan in the export markets of the world, it will be extremely short-sighted on our part not to be thinking simultaneously of a mutually satisfactory long-term agreement with our neighbour on the development of the jute industry of the two countries. So long as Pakistan is committed to special fiscal and other measures for facilitating exports of jute goods, this country cannot avoid thinking in terms of compensatory relief for its own industry in the export trade. Nevertheless, competitions on these lines, if carried beyond a point, are bound to prove mutually frustrating. Secondly, a policy of hot-house development of the jute economy will do no good in the long run either to Pakistan's interests or ours. As the only two significant raw jute producing countries and as the principal jute goods manufacturing and exporting nations, India and Pakistan have to deal with certain common problems in relation to the world outside. The problem posed by the challenge of substitutes is one which concerns equally the jute industry of Pakistan and the jute industry of this country. Pakistan has so far been exporting some part of its raw jute production to other countries of the world. So long as the Pakistani industry itself could use only a part of its raw jute output, this might seem a profitable course to follow, but in the long run Pakistan is bound to suffer through a policy which assists the operation of highly protected jute manufacturing facilities abroad. This is a consideration which the Pakistan Government must sooner or later come to recognise in framing its raw jute policy.

There is also another aspect of this problem of raw jute. After partition, India has been forced to expand the cultivation of raw jute. With one of its most important export industries being based on this raw material, India must necessarily consolidate its raw jute production and put it on a firm and stable level. At the same time, an indiscriminate expansion of acreage, whether in India or Pakistan, is bound to weaken the competitive positions of the jute industries of the two countries in the world export markets. Such a trend will also

not be to the advantage of the jute growers either in India or Pakistan. The jute growers are already among the poorer sections of the population in either country. Their position in Pakistan is, if anything, worse than their position in India since the level of raw jute prices is considerably lower in Pakistan than here. It is true that the grower in East Bengal is compensated to some extent by a higher yield per acre, but it is surely not right to argue that the benefit of a higher yield per acre should not accrue as a positive net gain to the raw jute producer. Although in the short period it may be considered an advantage to the Pakistan industry that the Calcutta mills are having to pay a higher price for the jute, a gross disparity between the raw jute prices between the two countries is, in the long run, bound to prove detrimental to the cultivation of raw jute in Pakistan.

For all these reasons, it is very desirable that the representatives of the two countries should decide to come together and discuss the common problems of the jute economies in terms of a far-sighted joint-planning of the healthy growth of jute cultivation and jute manufacturing in both countries. All over the world the tendency is for primary producers to come together in some way or the other to safeguard their interests in world markets. It has been shown that where such commodity agreements are properly planned and pursued, they do not exercise any restrictive effect on production, trade or consumption. On the contrary, they result in an orderly development of production, trade and consumption. It is nothing less than a tragedy that Pakistan and India, which are neighbouring countries and which share the problems as well as the possibilities of one of the world's leading export trades, should not only not be co-operating even to a minimum extent, but should be actually indulging in mutually harmful bouts of short-sighted scoring of advantages over each other.

Despite the political difficulties that persist in keeping the two countries apart, there has also always been a modicum of sanity in both countries which has refused to stop believing that an effort cannot be made at least in the economic field to bring the two countries together in joint endeavours for at least obvious and important commercial gains. Jute offers an excellent field for constructive effort of this kind. It is very much to be hoped that the Government and the jute industry in this country will take the initiative in exploring the possibilities of initiating with Pakistan a discussion on the common problems confronting the jute economies of the two countries with a view to the achievement of at least basic agreement on the less controversial particulars. We have no doubt that, while each country would naturally be vigilant in safeguarding its own interests in this export industry and trade which are so vital to both, the path of wisdom for both would seem to lead in the long run towards intelligent and responsive co-operation in the joint planning of the common progress of the jute economies of Pakistan and India.

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Jute Tarpaulins										
Belgium	..	..	..	..	250	567	1,029	2,049	173	300
Czechoslovakia	..	..	..	..	..	..	188	363	219	420
Denmark	342	508	110	141	39	67	..	..	1,028	1,811
Germany (West)	220	308	978	1,444	1,219	1,697	2,741	6,112	714	1,445
Hungary	..	..	..	..	..	..	307	589	122	248
Netherlands	24	40	..	..	284	601	100	213	230	412
Norway	26	39	185	265	80	155	371	764	..	..
Poland	..	..	..	..	..	..	445	755	1,013	1,852
Yugoslavia	..	..	..	..	..	..	64	114	300	551
Other Countries	5	9	..	..	6	8	55	134	154	292
Total:	617	904	1,273	1,850	1,878	3,095	5,300	11,093	3,053	7,331
Jute Mat and Matting										
Australia	382	1,000	367	910	393	962	126	321	208	516
Other Countries	65	167	92	224	121	295	37	122	46	157
Total:	447	1,167	459	1,134	514	1,257	163	443	254	672
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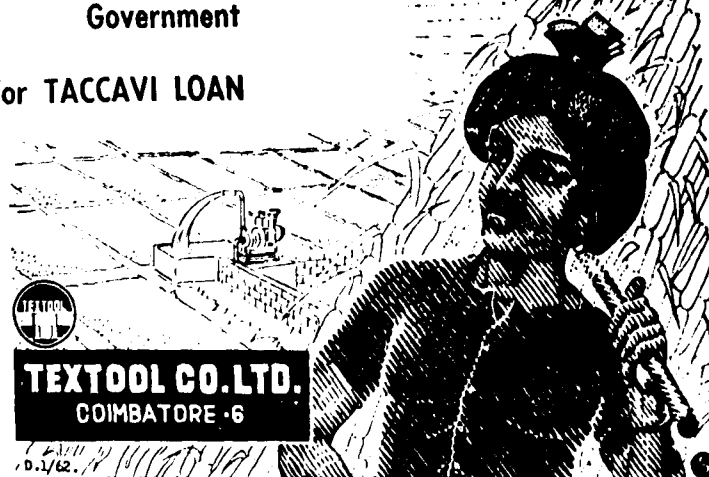
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Are you a small industrialist?

LET GOVERNMENT HELP YOU THROUGH N. S. I. C. FOR

MACHINES on easy instalment payment basis.

PRODUCTION of prototypes of machinery and machine tools and

TRAINING to skilled and unskilled workers at the Prototype & Production Centres
at Okhla (Delhi), Rajkot & Howrah.

CONTRACTS assistance from DGS & D and Railways for supply of stores

EXPORT assistance for export marketing through Footwear Procurement centres at Agra,
Delhi & Bombay.

DISTRIBUTION of Radio and Transistor valves manufactured by M's. Bharat
Electronics Ltd., to small radio manufacturers.

PUBLICITY by displaying small scale industries' products in major exhibitions in
the country & abroad.

For further particulars, you are welcome to call on or write to:

THE NATIONAL SMALL INDUSTRIES CORPORATION LIMITED

RANI JHANSI ROAD, NEW DELHI.

EXPORT OF JUTE GOODS OTHER THAN HESSIAN AND SACKING SINCE 1958-59

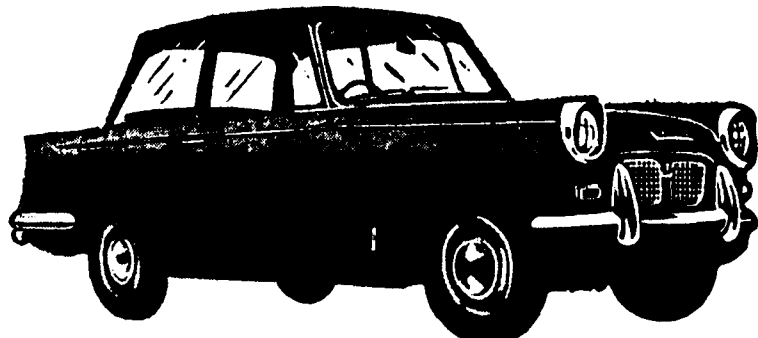
Country	1958-59		1959-60		1960-61		1961-62		1962-63	
	Qty. in Mt. Tons	Value in '000' Rs.	Qty. in Mt. Tons	Value in '000' Rs.	Qty. in Mt. Tons	Value in '000' Rs.	Qty. in Mt. Tons	Value in '000' Rs.	Qty. in Mt. Tons	Value in '000' Rs.
Australia	360	454	385	569	327	604	540	1,059	750	1,330
Belgium	7	7	2	3	100	291	85	243	478	1,020
Br. West Indies	439	889	260	516	259	530	424	920	396	809
Canada	64	73	300	350	82	101	49	102	43	73
Germany (West)	42	85	385	802	736	1,960	721	1,950	792	1,887
New Zealand	—	—	280	356	256	495	70	154	141	252
Netherlands	1,932	3,448	1,722	3,397	2,400	5,424	1,748	3,919	1,996	4,125
U.K.	1,283	2,092	1,390	2,445	1,297	2,719	959	1,962	215	371
U.S.A.	348	515	224	213	173	276	278	451	92	162
Other Countries	—	—	—	—	—	—	—	—	—	—
Total:	4,475	7,563	5,148	8,651	5,630	12,400	5,045	11,068	5,265	10,752
Jute Canvas	66	133	110	220	120	274	101	259	140	357
Australia	90	172	51	122	61	128	135	316	1	2
Burma	170	383	80	157	148	311	99	243	154	392
New Zealand	—	—	86	172	109	288	182	386	61	141
Tanganyika	95	139	67	135	90	215	53	99	16	41
Other Countries	—	—	—	—	—	—	—	—	—	—
Total:	421	827	394	806	328	1,216	570	1,3030	372	933
Jute Webbing	193	469	207	458	163	394	116	304	168	433
Australia	146	388	133	252	133	257	96	212	174	379
Canada	74	67	72	140	44	85	45	104	126	269
Denmark	920	2,235	1,080	2,316	938	2,247	1,082	2,798	1,242	2,962
U.K.	2,040	4,146	1,827	3,314	1,704	3,593	1,544	3,535	1,962	4,326
U.S.A.	257	537	501	803	257	468	196	523	268	698
Other Countries	—	—	—	—	—	—	—	—	—	—
Total:	3,630	7,842	3,800	7,283	3,239	7,044	3,079	7,476	3,940	9,067
Jute Rope and Twine	439	414	495	362	112	192	291	429	700	753
Burma	168	138	95	60	45	54	220	386	157	166
Cambodia	617	497	380	353	162	280	522	805	4,445	509
Ceylon	69	70	109	130	49	95	75	123	50	62
Ethiopia	3	3	281	328	29	46	15	32	—	—
Germany (West)	54	57	120	115	102	120	410	641	—	—
Ghana	482	370	494	400	397	638	445	639	244	273
Hong Kong	574	502	1,482	1,191	1,478	2,309	1,292	1,916	947	1,062
Indonesia	87	96	2	2	16	35	413	706	273	305
Iran	298	303	276	264	21	37	185	330	169	237
Iraq	125	104	77	68	47	69	101	154	871	91
Kenya and Uganda	548	432	442	379	275	403	536	763	871	921
Malaya	373	303	41	29	18	29	49	73	213	227
Mozambique (P.E.A.)	200	254	36	40	—	—	—	—	10	17
Netherlands	313	284	151	136	146	229	395	656	349	413
Nigeria	379	314	138	107	47	71	272	401	205	233
Rhodesia (South)	1,326	1,059	1,036	848	489	757	247	333	449	509
Singapore	53	42	24	19	7	10	127	171	98	107
Sudan	146	124	66	50	17	25	86	136	79	85
Tanganyika	1,150	985	760	688	456	766	1,504	2,227	751	783
Thailand	480	506	569	600	289	527	561	916	518	669
Other Countries	—	—	—	—	—	—	—	—	—	—
Total:	7,890	6,847	7,074	6,169	4,203	6,892	7,751	11,837	6,612	7,422
Jute Bagging for Raw Cotton	400	595	39	55	66	118	166	356	—	—
Egypt	24,030	14,053	39,956	24,236	6,843	45,572	52,804	72,156	53,144	46,823
U.S.A.	—	—	—	—	—	—	261	293	140	135
Other countries	—	—	—	—	—	—	—	—	—	—
Total:	24,430	14,648	39,995	24,291	56,909	45,690	53,231	72,805	53,284	46,958

(Contd. on page 1426)

It's a new experience in motoring

with the **STANDARD** Herald!

A thoroughly practical car that is designed to give trouble-free motoring under any conditions.



82-111A

- * Easy to handle
- * Independent suspension on all four wheels
- * Twentyfive feet turning circle.

Manufactured by:
THE STANDARD MOTOR PRODUCTS OF INDIA LTD,
MADRAS-2

With the best compliments of

BRITISH ELECTRICAL & PUMPS PRIVATE LIMITED

Regd. Office :
1-1B, Mission Row

CALCUTTA - 1

Telegrams :
'Bhowmkal' Calcutta

Head Office :
4, Dalhousie Sq. East

Telephones :
22-7826, 27 & 28

December 27, 1963

ANNUAL NUMBER 1964

A N N O U N C E M E N T

This is not a Prospectus but only an announcement of a proposed issue of Debentures. Interested persons may obtain copies of the Prospectus from the Company's Registered Office and the Bankers, Underwriters and Brokers of the issue.

KESORAM INDUSTRIES & COTTON MILLS LTD.

(Incorporated on the 18th day of October, 1919 under the Indian Companies Act, 1913)

Registered Office: 15, India Exchange Place, Calcutta-1.

A EXISTING AND PROPOSED ACTIVITIES:

The Company is engaged in the business of manufacturing various types of cotton textile goods. The Company has also established two Filament Viscose Rayon Yarn Plants (known as Kesoram Rayon Unit No. I and Kesoram Rayon Unit No. II) and a Transparent Paper Plant.

The Company has now decided to implement its Cast Iron Spun Pipe Project with an installed capacity (on double shift working) for the manufacture of 30,000 tons of Cast Iron Spun Pipes ranging from 3" to 12" nominal bore and fittings per annum. The construction work in respect of this Project has already commenced and it is expected that by the end of 1964 it will go into production.

The Company has entered into agreements with M/s GHW-Gesellschaft Fuer Huetttenwerksanlagen, M. B. H. of West Germany for the supply of plant and machinery, drawings, instructions, standards and specifications, etc. for installation of a complete plant of the said Cast Iron Spun Pipe Project and delegating skilled staff for supervision of erection, commencement of operation and fulfilment of guarantee, as well as for training the Company's basic staff for the purpose. Besides, a tripartite agreement between the Company, the said M/s GHW-Gesellschaft Fuer Huetttenwerksanlagen, M.H.B. and M/s Buderus' Sche Eisenwerke of West Germany under which the foreign collaborators have inter alia agreed to render all technical know-how for production and process control, technical consulting services and all research development to the Company.

B. LOCATION OF THE INDUSTRY:

The Textile Unit of the Company is situate at 42, Garden Reach Road, Calcutta-24 and its Filament Viscose Rayon Yarn Plants and Transparent Paper Plant are situate at Tribeni, District Hooghly.

The Company's Cast Iron Spun Pipe Project is located at Bansberia, District Hooghly.

C. BOARD OF DIRECTORS:

1. Shri Basant Kumar Birla (ex-officio),
"Basant Vihar,"
18, Gurusaday Road,
Calcutta-19.
Merchant.
2. Shri Prabhu Dayal Himatsingka,
11, Queens Park,
Ballygunge,
Calcutta.
Solicitor.
3. Shri Ram Kumar Bhuwalka,
38-C, Garcha 1st Lane,
Ballygunge,
Calcutta-19.
Merchant.
4. Shri Mahall Ram Sonthalia,
503, Keyatala Road,
C.I.T. Scheme,
Ballygunge,
Calcutta-19.
Merchant.

5. Shri Hiralall Somany,
13, Gurusaday Road,
Ballygunge,
Calcutta-19.
Merchant.

6. Shri Krishna Gopal Maheshwari (ex-officio),
Maheshwari House,
36, Napean Sea Road,
Bombay-6.
Business.

D. AUDITORS:

Messrs. Price Waterhouse, Peat & Co.,
Chartered Accountants,
B4, Gillander House,
Calcutta-1.

E. SOLICITORS TO THE ISSUE:

Messrs. Orr, Dignam & Co.,
29, Netaji Subhas Road,
Calcutta-1.

F. MANAGING AGENTS:

Birla Brothers Private Ltd.,
15, India Exchange Place,
Calcutta-1.

G. SHARE CAPITAL:

(a) AUTHORISED CAPITAL:

- Rs. 5,00,00,000/- divided into
- (i) 20,000 10% Cumulative Preference Shares of Rs. 100/- each,
 - (ii) 1,40,000 7.85% Redeemable Cumulative Second Preference Shares of Rs. 100/- each (redeemable at par on 31st March, 1967), and
 - (iii) 34,00,000 Ordinary Shares of Rs. 10/- each.

(b) ISSUED, SUBSCRIBED AND PAID UP CAPITAL:

- Rs. 3,19,92,590/- divided into
- (i) 20,000 10% Cumulative Preference Shares of Rs. 100/- each,
 - (ii) (a) 99,844 7.85% Redeemable Cumulative Second Preference Shares of Rs. 100/- each, (redeemable at par on 31st March, 1967),
(b) 156 7.85% Redeemable Cumulative Second Preference Shares of Rs. 100/- each aforesaid, with a partly paid-up capital of Rs. 8,190/- forfeited by the Company; and
 - (iii) (a) 19,99,566 Ordinary Shares of Rs. 10/- each,
(b) 434 Ordinary Shares of Rs. 10/- each in respect of which Application money has been received but allotments are pending.

H. PROPOSED ISSUE OF DEBENTURES TO THE PUBLIC:

Rs. 1,75,00,000/- Registered Debentures (1975/78), divided into 17,500 Debentures of Rs. 1,000/- each.

bearing interest at the rate of 7% per annum, at par, payable in full on application.

I. OPENING AND CLOSING OF THE SUBSCRIPTION LIST :

The Subscription List will open at the commencement of banking hours on the 9th January, 1964 and will close at the close of banking hours on the 18th January, 1964 or earlier at the discretion of the Directors, but not before the close of banking hours on the 11th January, 1964.

J. Application Forms along with copies of the Prospectus may be had from the Registered Office of the Company or from the Bankers/Underwriters/Brokers, whose names and addresses are given below.

(a) Bankers :

1. State Bank of India,
3, Strand Road,
Calcutta.
2. The United Commercial Bank Ltd.,
2, India Exchange Place,
Calcutta-1.
3. The Central Bank of India Ltd.,
33, Netaji Subhas Road,
Calcutta-1.
4. Canara Bank Ltd.,
71, Canning Street,
Calcutta-1.
5. The American Express Company, Inc.,
21, Old Court House Street,
Calcutta-1.

(b) Underwriters :

1. Life Insurance Corporation of India,
'Jeevan-Kendra'
Jamshedji Tata Road,
Bombay-1.
2. Messrs. Harkisondass Lukhmiddass,
Stock Exchange Building, 5th Floor,
Apollo Street, Fort,
Bombay-1.
3. Messrs. G. M. Pyne,
Allahabad Bank Buildings,
14, India Exchange Place,
Calcutta-1.
4. The Central Bank of India Ltd.,
Mahatma Gandhi Road, Fort,
Bombay-1.
5. The United Commercial Bank Ltd.,
2, India Exchange Place,
Calcutta-1.
6. West Bengal Financial Corporation,
23, Rajendra Nath Mukherjee Road,
Calcutta-1.
7. The Oriental Fire & General Insurance Company,
Ltd.,
Oriental Buildings,
Mahatma Gandhi Road,
Bombay-1.
8. Messrs. Batliwala & Karani,
Union Bank Building,
Dalal Street, Fort,
Bombay.
9. Messrs. Maconochie & Co.,
Mercantile Bank Buildings,
Madras-1.
10. Canara Bank Ltd.,
71, Canning Street,
Calcutta-1.
11. Messrs. Jhawar & Co.,
7, Lyons Range,
Calcutta-1.

12. Messrs. Murarka Brothers,
7, Lyons Range,
Calcutta-1.

(c) Brokers :

1. Messrs. G. M. Pyne,
Allahabad Bank Buildings,
14, India Exchange Place,
Calcutta-1.
 2. Messrs. Place, Siddons & Gough (Private) Ltd.,
6, Lyons Range,
Calcutta-1.
 3. Messrs. Jhawar & Co.,
7, Lyons Range,
Calcutta-1.
 4. Messrs. Murarka Brothers,
7, Lyons Range,
Calcutta-1.
 5. Messrs. Kishanchand Jhunjhunwala,
7, Lyons Range,
Calcutta-1.
 6. Messrs. Harkisondass Lukhmiddass,
Stock Exchange Building, 5th Floor,
Apollo Street, Fort,
Bombay-1.
 7. Messrs. Batliwala & Karani,
Union Bank Building,
Dalal Street, Fort,
Bombay-1.
 8. Messrs. Lewis & Jones,
Bank of Baroda Building,
Apollo Street, Fort,
Bombay-1.
 9. Messrs. A. B. Pandit & Co.,
32, Apollo Street, Fort,
Bombay-1.
 10. Messrs. Navalchand T. Shah & Co.,
15, Union Bank Building,
Dalal Street, Fort,
Bombay-1.
 11. Messrs. P. Roy Company,
3/8, M. M. Road,
Jn. Panchkuin Road,
New Delhi-1.
 12. Messrs. Harbans Singh Mehta & Co.,
33, Regal Building,
Parliament Street,
New Delhi-1.
 13. Messrs. M. R. Dhawan & Co.,
4/8, Asaf Ali Road,
New Delhi-1.
 14. Messrs. Maconochie & Co.,
Mercantile Bank Buildings,
Madras-1.
 15. Messrs. Kothari & Sons.,
Oriental Buildings,
Armenian Street,
Madras-1.
 16. Messrs. M. Naniappalah Jahgirdar,
181, Cavalry Road,
Bangalore-1.
- (d) Head Offices or Main Offices of the Bankers at:
Ahmedabad, Amritsar, Bangalore City, Baroda, Bombay, Calcutta, Cochin, Darjeeling, Delhi, Ernakulam, Gauhati, Goa, Hyderabad, Indore, Jamshedpur, Kanpur, Madras, Nagpur, New Delhi, Poona, Simla, Srinagar, Surat, Tuticorin.

Calcutta,
Dated 28th December, 1963.

BY ORDER OF THE BOARD.
M. L. Bagrodia
Secretary.

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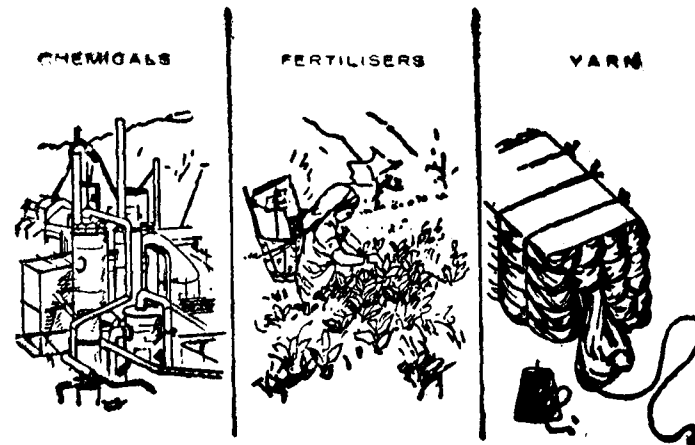
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INDIA AND THE WORLD

Industrial Growth and Social Justice

CHESTER BOWLES

IN PLANNING and promoting their industrial growth, developing countries face a dual problem, both aspects of which are perplexing.

The first half of the problem is how to encourage the most efficient use of the capital, raw materials, and skills which are immediately available. What are the needs? What are the priorities? Is steel more important than cement? Are rails more important than roads, freight cars more important than trucks? And what about the 'pace' of industrial development? How should it be balanced with that of other sectors of the economy?

The second perplexing aspect of industrial development involves its impact on people and institutions. While industry must be stimulated to grow as fast as possible, we must be sure that it does not generate more evils than it eliminates. In Gandhi's words, "Scientific truths and discoveries should cease to be mere instruments of greed. The supreme consideration is the man."

In mid-nineteenth century Europe, Karl Marx, impressed by the harsh process of early industrialization, produced a theory of economic development and revolutionary change which profoundly influenced the views of millions of people. Marx's thinking was powerful largely because it was based on shrewd observation of life around him; it was limited because he saw only those facts which time, place and inclination permitted him to see. What Marx saw were the grim realities of everyday life in the crudest years of the industrial revolution. He saw the London slum-dwellers, crowded into hovels, working themselves to exhaustion under the insensitive demands of an ever-expanding economy. He saw their helplessness as individuals before the power of the men who owned the factories in which they worked and who controlled the governments under which they lived. Marx did not overstate the social evils and the injustice of man to man during the earlier decades of the industrial revolution. What he did do was gravely to underestimate the resiliency and capacity of democratic societies to change these conditions and to establish a socially responsible framework in which rapid development could take place.

Striving for Balance

In my own country we have been striving to create and maintain this balance between economic and social justice on the one hand, and rapid economic growth on the other, since the earliest beginnings of our Republic. Inevitably this has resulted in continuing conflict between those who saw the accumulation of wealth as an 'end' in itself, and those who looked on the economic process as the 'means' by which the individual can be set free in an atmosphere of opportunity, dignity and justice. The American Presidents who have been most respected are the ones who effectively upheld the interests of the people against those whom Theodore Roosevelt once described as "malefactors of great wealth". The list of Presidents includes Jefferson, Jackson, Lincoln, Cleveland, Theodore Roosevelt, Wilson, Franklin Roosevelt, Truman and John F. Kennedy.

Not only in America but in Japan, Britain, Sweden, Germany and other economically advanced democratic countries, Marx's assumption that a ruthless class struggle was inevitable between "the exploiters and the masses" has proved to be mistaken. Experience has demonstrated that men can in fact become the masters of the machines which they have created, that they can prosper in material things and at the

This is the third of a series of four lectures, which was delivered at the Delhi School of Economics on December 12, 1963

same time live in freedom.

In the developing nations of Asia, Africa and Latin America the necessity for this balance is now widely accepted. The difficulties occur when the concepts of social justice and industrial growth are related to means and techniques. Often the result is a sterile confrontation of economic and political clichés which diverts the public dialogue into channels which are wholly irrelevant to the questions at hand. It is for this reason that I have been at considerable pains to define my own terms of reference.

I

Having accepted the premise that rapid industrialization, however essential, cannot be allowed to proceed at the expense of the public interest, let us turn our attention to a strictly pragmatic consideration of the means by which industrial production can be expanded most rapidly and effectively within this moral framework.

Development, in the end, means improving people, not feeding statistics. We want the things industry can give us. It is our task to figure out how to get them in a free and just society and in a manner that will further the entire process of nation-building in its broadest sense.

We may start with an obvious fact: In any developing nation, the government must play a central and critically important role. Only through government planning, government capital and government supervision can many of the basic tools be provided which are required to start things moving—and moving in the right direction. For instance, the so-called infra-structure—the roads, rail transport, schools, power, the communications network—are in large measure a governmental responsibility.

Even in the United States where private enterprise has played such a central role, the government has often been forced to carry a heavy share of the responsibility. Shortly after the formation of the American Republic in the late eighteenth century, federal subsidies were provided to build our privately-owned and operated Merchant Marine. In the 1830s, the Erie Canal, the first effective transportation link between the American East Coast and the fast-developing new West, was built with public funds—most of them borrowed in England. Thirty years later the privately-owned and managed railroads were given massive federal grants of public lands to finance the unprecedented programme of railroad construction which rapidly spanned the American continent. Following the outbreak of World War II, the United States Government, acting on an emergency basis, took over the planning and much of the control of the economy. Even in peacetime the U.S. Government continues to subsidize railroads, shipping, airlines, public housing, all levels of education, much scientific development, a large percentage of our agricultural output, many electric power plants, and other enterprises.

The people of Africa, Asia and Latin America at the dawn of a new age face a 'continuing' emergency. Their people, pressed by poverty and aroused by the promise of the new technology, are in a hurry, anxious to catch up. In such circumstances, government planning, investment and manage-

ment will inevitably have a bigger role to play than in the United States where the foundations for growth were largely created in the more leisurely atmosphere of the past. Yet the experience of the last fifteen years has demonstrated that in a developing nation there are practical limits to the share of the industrial load that the government can effectively carry. For instance, in the emerging nations of Africa, Latin America and Asia, administrative experience is rarely adequate even for such basic needs as education, electric power, and transportation. The amount of capital that can be raised by taxation or government borrowing from the underprivileged majority is limited, and the well-to-do minority is very small. In many cases the surviving traditions of the colonial civil services place more emphasis on regulating the people than on creating opportunities for them to prosper and grow.

In regard to the direct management of government enterprises, democratically oriented governments face an additional hurdle: In every industrial operation growth is dependent on thousands of day-to-day decisions, large and small, many of which require a trial-and-error approach. Any industrial manager who is unwilling to risk mistakes will almost certainly fail to create an efficient and expanding operation. Here we run into a paradox. In a thorough-going police State this essential risk-taking process can proceed unhampered by opposition attacks. The managers of private enterprises in a democratic nation are also politically free to seek answers through experimentation without regard for the second guessers. When the inevitable mistakes occur, they are marked off against more profitable operations elsewhere. But when mistakes are made in the 'public' sector plants of a 'democratic' society, the political opposition may be expected to fill the air with charges of incompetence, corruption and worse.

The Ford Example

A few years ago, the Ford Motor Company invested some \$300 million in building a car called the Edsel which, as it turned out, very few people wanted to buy. The company balanced its losses on the Edsel against more favourable investments elsewhere, and that was the end of the story. I shudder to think of the political uproar that would have occurred if the ill-starred Edsel had been built by a government agency under a Democratic or Republican administration. The party in power might have lost the next election.

Each mistake thrown up by a public sector enterprise in a developing nation will almost certainly be seized upon by the opposition as an instrument with which to belabour the party in power, and these attacks in turn undermine the administrative process on which further development depends. Civil servants, anxious to avoid further political chastisement for errors, actual or alleged, freeze into rigid attitudes. The already slow process of bureaucratic decision-making is further slowed and a damper placed on the vigorous experimentation which is essential to industrial expansion.

Since conditions vary widely among the developing nations of Asia, Africa and Latin America there can be no precise formula to govern the size and domain of the public sectors. But because of the awesome problems facing their governments, an increasing number now undertake in the public sector only those essential enterprises which cannot be financed through other means.

II

Once a developing nation has defined in general terms the scope and responsibilities of its public sector, it faces a second decision: how best to manage those enterprises financed by public funds. The first step is usually the obvious one: to assign the management responsibilities for publicly owned industries directly to the relevant ministries; thus steel mills are placed under a Heavy Industries Ministry, power plants become the responsibility of a Ministry of Power and so on. By and large this means that the already over-burdened,

understaffed ministries are asked to assume highly specialized, complex operating responsibilities in brand new fields where every move may be subject to opposition attacks. The second stage develops when the political and economic limitations on the direct Ministerial-Civil Service responsibility for the management of the public sector plants have become apparent. A search then begins for a system which will speed up decision-making, encourage experimentation and otherwise assure greater efficiency.

Although political opposition and press criticism is only a marginal factor in the communist nations, it is instructive to note that even they are now delegating greater responsibility and encouraging more managerial initiative.

Russian Experience

In an effort to speed up industrial production, the USSR, for instance, has created a system of integrated economic districts which have been given considerable authority by the central government in Moscow. Each factory in a given district can now order directly from or sell to any other enterprise in the same district. Each plant manager is given a considerable degree of autonomy in the operation of his plant, including substantial control over personnel. Soviet managers and their subordinates are judged increasingly by the overall results with less regard for the mistakes that may occur in the process. Of particular importance is the fact that they are also 'paid' accordingly. Indeed, some economists believe that the spread between the highest and lowest incomes after taxes is now greater in the USSR than in the United States.

Yugoslavia has gone even further in delegating operational responsibility for public sector industrial plants to professional managers. The central ministries in Belgrade now function largely as planning and regulatory agencies for the whole economy. The day-to-day and even year-to-year operation of the factories has been placed in the hands of the factory managers and workers' councils.

Western Europe

Yet paradoxically, the most effective techniques for the management of public sector enterprises have been developed in the basically capitalistic economies in Western Europe.

In France after World War II, government enterprises were defined as "public establishments of an industrial and commercial character provided with a civil personality and with financial autonomy". That is, public enterprises became legal corporations in which the government was the sole stockholder. Operating decisions are in the hands of professional managers who are wholly responsible for the operations of each plant and who now receive salaries and bonuses comparable to those of their counterparts in private business. The central government ministries are largely restricted to broad policy determinations.

In Germany many major enterprises are also government-owned and operated with the same delegation of responsibility. Indeed, the pragmatic Germans have gone one step further: Whenever private interests appear able and willing to manage a government-owned enterprise in the public interest, they may buy it at a fair price from the government. Thus the highly successful government-owned and managed Volkswagen Company was sold to private interests in 1961 at a handsome profit to the tax-payers.

In the United States the Tennessee Valley Authority is a public corporation which operates in much the same way the French public sector industries do, though on a larger scale. Its Presidentially-appointed three-man TVA governing board is responsible for a wide range of activities including flood-control and the production of electricity and fertilizer. Recently, the TVA was authorized to issue bonds to finance the expansion of its generating and transmission facilities.

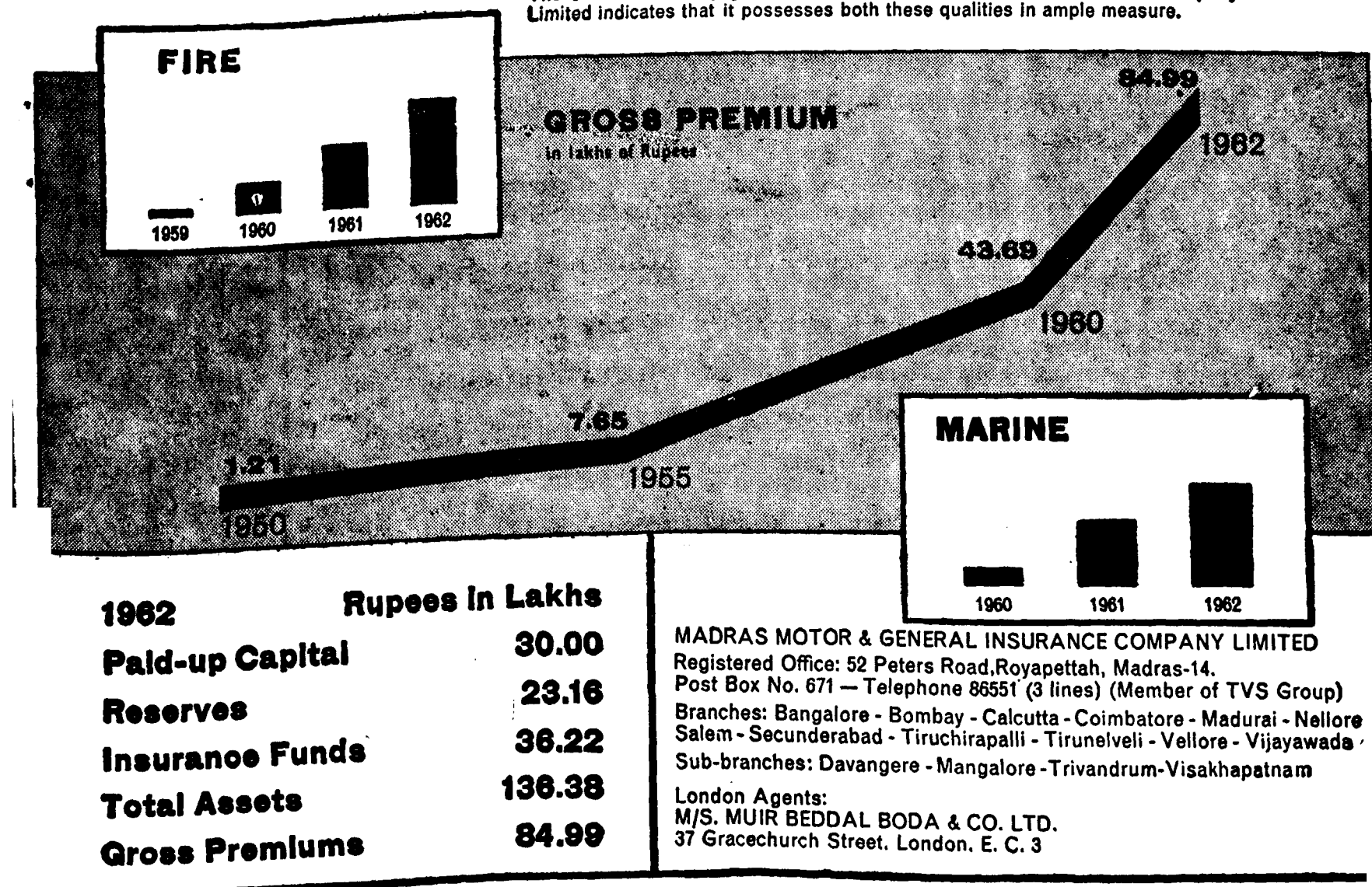
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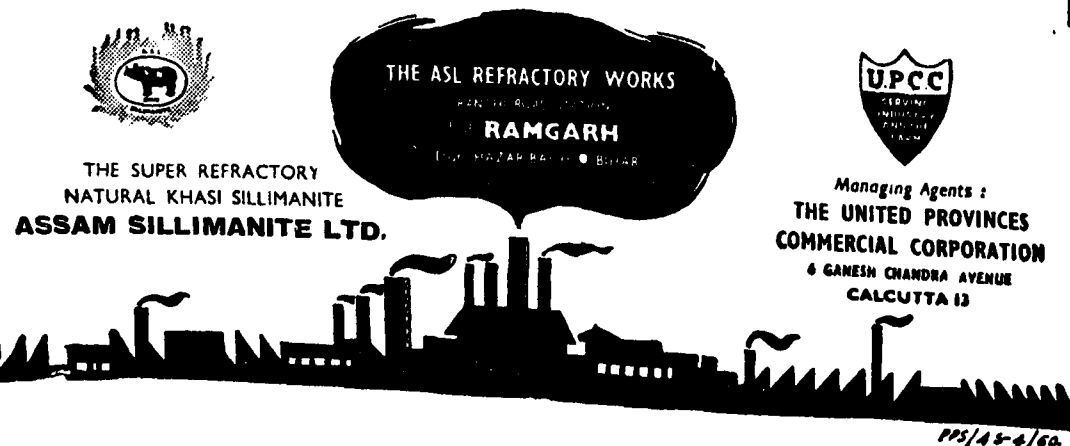
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Machinery, recently announced the initiation of a notable experiment in managerial autonomy at the government-owned Durgapur Steel and Sindri Fertilizer plants. As in Germany, France, Italy, Sweden and other European countries, these two public sector plants are to take on some of the aspects of a private corporation, and shed some of the characteristics of government agencies. Henceforth, the managements of these plants are to have the power to hire and fire, and to make the day-to-day operating decisions. Their financial affairs will be audited by regular public auditors. In announcing this bold new approach, Mr. Subramaniam said, "The idea that public sector management can be so hedged about with checks and balances that mistakes cannot occur is mistaken. Effective management will always make interim mistakes. Mistakes are the price of progress. It is the end result that counts." This sophisticated step reflects the best world-wide experience.

III

The government in a developing nation, as we have seen, has the primary task of setting national, economic and social objectives, creating realistic plans and priorities in securing these objectives, providing the capital and direction for the basic infra-structure, and developing other essential production facilities for which private capital may be lacking.

In most of Asia, Africa, and Latin America this leaves a vast area of the economy open for a vigorous private sector operating within a clearly defined framework of national objectives and social and economic justice. With the right balance of profit incentives and respect for the public interest, experience demonstrates that this proven economic instrument can make a decisive contribution to national growth and well-being that cannot be duplicated by the government. Private enterprise, for instance, can enter every nook and cranny of economic life. It can draw out and thrive upon small pockets of indigenous capital and management skills which would otherwise remain untapped. By encouraging competition it can help generate initiative, research and the development of new products and methods which invigorate the whole economy. It can provide opportunities for individual advancement to people with intelligence, experience and energy. In particular it can sharply increase opportunities for employment not only in the great urban centres but in the rural towns. In Africa, Asia and Latin America, imaginative business leadership in the rural centres plus technical training and low interest capital loans can produce goods and services that the rural population will eagerly absorb. The recent surge of economic activity in the Indian Punjab is illustrative of the possibilities. Hundreds of small shops, factories, and services are being organized to meet growing consumer demands. Some 18,000 technicians are being trained annually to run them with thousands of additional non-skilled jobs also being created.

Profit Incentive

The prospect of reasonable profit incentives and political security can also attract substantial amounts of private 'foreign' capital which, in most developing nations, is sorely needed to supplement foreign exchange earnings and loans from foreign governments. To this may be added foreign 'experience' in complex industries that may lower prices and improve quality, plus modern marketing techniques that may sharply reduce the cost of distribution and help to open up export markets.

The self-regulating characteristics of the private sector are an additional factor which many developing countries are only beginning to appreciate. Privately owned and managed plants operating within the framework of the national plan more or less automatically shape production along the lines most acceptable to the consuming public. If enough people want bicycles, their willingness to pay for them provides a powerful inducement to their manufacture. Conversely, the public's dislike of a specific model is an automatic curb on additional production, at least of that particular bicycle at that particular price.

The fact of the matter is that no government is flexible enough to adjust itself effectively to consumer preferences which often vary from place to place and from year to year. The self-regulating market system, on the other hand, guides the allocation of capital and skills to those products and services which the public wants in the style and quality that it prefers. What appears on the surface to be a wasteful process of trial and error, as small entrepreneurs feel out the needs of the public, is in fact a vital process of experimentation and growth.

Regulation by Market

Although this system of "control by the market" is usually associated with the democratic nations of the West, it is interesting to note that here, as in other economic situations, the communist nations are being forced to adopt similar tools. As the USSR moves increasingly toward a consumer-oriented economy, its government faces a growing dilemma. How can a totalitarian economic system with arbitrary control from the top provide the wide and inviting consumer choices of colour, style, model, pattern and price which are necessary incentives to stimulate the public to greater efforts? In other words, what can the Soviet Government substitute for the relatively free-market system of the West? I believe that experience will demonstrate that there 'is no' effective substitute. If this is so, the communist nations, as in the case of worker and management incentives, will again be forced to abandon dogma and to adopt the marketing mechanism of free consumer choices as the ultimate guide at least to the production of consumer goods. Although this may cause Stalin to turn over in his grave, it will not be for the first time.

IV

In describing the potential role of private enterprise in a developing nation, I stressed that it must operate within a framework of established national objectives and economic and social justice. But how can such a framework be provided without creating a maze of controls that foster the very stagnation we are striving to avoid? The market mechanism is by no means a guarantee that private enterprise will always function even in its own best interest, much less in the public interest. Price-fixing monopolies can exploit the public, dishonest practices can lead to black markets and tax evasion; labour may be exploited.

The task of a developing nation, therefore, is not to forgo the creative aspects of private enterprise for fear of its excesses but rather to find the means to discourage those excesses without discouraging responsible initiative. This means that side by side with adequate profit incentives there must be realistic rules laid down by the government to ensure that private energies will be devoted primarily to creative enterprise rather than to speculation, that scarce resources are not used for frivolous or wasteful ends, and that the broader public interest will be given the highest priority.

Through the process of democratic debate and adjustment, we in the United States have gradually established a system of regulatory laws and agencies which police the activities of almost every segment of our private sector. In large measure we have succeeded in this delicate task of regulation without stifling the initiative of our entrepreneurs. As a result most American businessmen have come to see that what is good for the public is, in the long run, also good for them. This has been accomplished by the establishment of economic and social ground rules, administered by the Federal Government and the States, which have served to domesticate American capitalism and to help turn it into a socially responsible force for national growth and for increasing opportunity for the individual. For instance, the Sherman Anti-trust Act passed in 1890 and the Clayton Anti-trust Act of 1914 were designed

to assure competition in regard to quality and price so that the market can act effectively as the public's instrument for regulating the flow of goods. These are only two of several laws prohibiting price-fixing monopolies and combinations in restraint of trade. Other government regulatory agencies govern the actual performance of many of our major basic industries—such as transportation, communications and power. The Pure Food Act of 1906 and the Food, Drug and Cosmetics Act of 1938 prohibit mislabelling of products as well as deceptive packaging, adulteration and sale of unwholesome products. All the ingredients that go into every package of food, every box of pills, and every tin of cooking oil must be clearly stated on the label. These laws are rigorously enforced. In addition to such controls on business operations and behaviour, there are minimum wage laws, legislation guaranteeing the rights of labour unions and individual workers within those unions, social security tax laws, workmen's compensation for workers who suffer an injury on the job, and many more which serve to make private enterprise in the United States responsible to the public interest. In all but a few cases businessmen have willingly adapted their operations to these rules and even extended them voluntarily. Our tax system, also, has been a major factor not only in providing the revenue needed for governmental services, but in creating a mass market to help assure business expansion. Each United States corporation pays nearly half its gross profits to the Federal Government which spends the money for schools, roads, hospitals, defence and public services which in turn create millions of additional jobs at good wages.

Faulty Taxation

In my opinion, however, our tax system has failed adequately to distinguish between profits made through speculation or trading, where no additional value is created, and profits made from the creation of manufactured and agricultural products or services.

Indeed, I know of no nation, either developed or underdeveloped, which has dealt effectively with this challenging opportunity to lure private capital into the most socially productive uses. What is required is a tax system which offers extra profit incentives for the creation of goods and services and which strikes sharply at profits made by pure speculation in land and commodities. This is an area in which the developing nations of Asia, Africa and Latin America have a particular opportunity for initiative and imagination.

Another crucial factor in this process of industrial expansion within a framework of social justice is organized labour. Responsible unions, whose leaders respect the right of management to a fair profit and to the right to manage while insisting on favourable working conditions and a fair share for the worker, are an indispensable element in a free and expanding society.

IV

From this discussion certain basic principles emerge. First of all, private enterprise in a moral sense is neither more nor less to be preferred than public enterprise. With genuine encouragement on the one hand and the responsible regulation on the other, the private sector operating under a sound National Plan can provide a major share of the economic dynamism which is essential to national growth. This means that the overburdened governments of the developing nations can be freed for the primary task that they alone can accomplish—the spelling out of national priorities and the plans best calculated to serve them, plus the creation of the all important economic infra-structure of education, mass transportation and those basic industries for which private financing and management are unavailable and government subsidies impractical. Such a balance also allows these new governments to limit their political responsibilities for the day-to-day operation of

much of the country's economy. This relieves them in a major degree from the harassment of an opposition in search of political issues.

Questions in regard to degree and emphasis will arise in different ways in different countries. They can only be settled by trial and error and by enlightened public discussion. In most developing nations there are deep-seated differences about the proportions of public and private enterprise which are appropriate to a modern social welfare economy. On my return to India, for instance, I find that the priorities and financing of industrial development is a special subject of debate. Although the debate is often heated, India is steadily freeing herself from some of the more negative concepts which grew out of her long and frustrating experience under colonialism.

It was logical that the Gandhian Revolution should closely associate industrialization with colonialism and that in leading the fight against colonialism, Gandhi should oppose industrialization. While accepting some large-scale industries as "necessary evils" he felt that they should all be owned and run by the State so that they would disturb the moral fabric of society as little as possible.

However, events in the last ten years have made the old colonial-capitalist association largely irrelevant. In Africa as well as Asia colonialism has been smothered under the rush for freedom while new governmental techniques are being introduced which in large measure correct the abuses to which Gandhi referred. Thus the new India can move vigorously to develop her industries without contravening the moral values she inherited from Gandhi. With her traditional pragmatism, I believe that India will develop a realistic balance between government planning and government investment in the essential infra-structure, on the one hand, and a fast growing, socially responsible private sector on the other.

India's Assets

In its efforts to achieve this balance India has many advantages—dedicated leaders, a competent Civil Service, rapidly increasing experiences and skills. In addition, India unlike most developing nations has a substantial amount of domestic savings which now lie idle. These savings exist even in many villages. I once heard an old Punjabi grandmother express her concern over the tendency of the younger generation to put their savings into "iron" (meaning machinery) rather than into the traditional land and gold. Let us hope that in this case the initiative of the grandchildren will increasingly assert itself. The money that now flows into real estate speculation also represents major pools of savings that may be tapped for economic development by the combination of profit incentives and selective taxation that distinguishes between the creative enterprise and sterile and uncreative trading to which I referred. At present a vast reserve of human skills and energies, as well as savings, is going to waste for want of the profit incentives needed to create new enterprises and to provide consumer goods. I have in mind particularly the opportunities for building small factories and service establishments with from half a dozen employees to a few hundred that can play a major role in providing the products and jobs that India needs so urgently. With a little more encouragement these energies could provide a dynamic force for India's national development.

Other nations with a strong tradition of democratic socialism, such as Britain and Sweden, have long since struck a realistic balance between the public and private sectors. Having lost their doctrinal concern over private enterprise, they have learned to encourage it, to give it scope, while moulding it to the national objectives. In so doing I believe they have pointed the way for the developing nations of Asia, Africa and Latin America which are in a hurry for material progress but which insist that individual dignity and opportunity are the proper goal of a just society.

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State Should Partner Business in Development Aid

WALTER SCHEEL

THE SUBJECT "Co-operation of the State and private business in the development process" seems to me to call first of all for a brief look at the relationship between the state and private business in the so-called donor countries themselves. In these industrial countries, many important tasks are today in the hands of the government; these include nuclear engineering, rocket research, construction of satellites and, in Europe, in some cases also the aircraft industry, a large number of public utility works and services, and quite a series of other economic fields. In the light of this situation, would it not seem natural that in the developing countries, modern technical and economic entities of a magnitude and concentration of capital hitherto unprecedented there should be organized by the government; particularly in cases where the traditional commercial and industrial firms are not willing to take new risks because of their lack of either capital or experience; and certainly in cases where private business is virtually non-existent?

By stating this fact, nothing is implied yet as to the system of economic order connected with that situation. State operation or control of specific industries and the functioning of a free-market economy are by no means incompatible. As we all know, the essential features of a free-market economy include free choice of consumption, unhindered access to the market, the free interplay of supply and demand, and the unceasing stimulation of efficiency by free competition undistorted by direct or indirect subsidizing or by enforced regulations. If these elements are present, a free-market economy will not be impaired by the state holding shares of companies. Nor is the relationship between private business and the state a question of an ideological creed; it is rather a question of applying pragmatic solutions to definite and specific problems of economics and of development policy. A glance at history will confirm this. In the course of the developing process of nations, the co-operation between the state and private business has passed through changing patterns which always reflected the actual relation of strength of two partners and the needs of the specific tasks of the time.

State versus Private Sector

Today we are once again confronted with the question of the relationship between the state and private business in economic development.

In the developing countries, the struggle for independence made it a matter for the acting executive forces to assume leadership and conduct political, economic and social changes. It was simply impossible for the new tasks to be carried out by the traditional forces of society alone. The developing countries are faced with the hard necessity of having to work, to organize and intensify this work, to form capital and to pay interest on it, and most important of all, to enable all sections of the population to co-operate productively in the vast task by providing and instituting broad education programmes. It will hardly be possible to accomplish all this without a large measure of reasoned planning and of far-sightedness. The basis of any development — an educational system adapted to the needs of the developing country — cannot be created without the public authorities. Also the social reforms which are so urgently needed in many countries — especially land reforms accompanied by assistance to the new independent farmers through a modern advice and credit system, possibly in the reliable form of co-operatives — can, as experience has shown, be carried through if the state puts

Mr. Walter Scheel, Minister for Economic Co-operation of the Federal Republic of Germany, was in India in November - December 1963 in order to study the working of Indo-German co-operation. After visiting the Rourkela Steel Plant, he had discussions with the Government of India on such important issues as the utilisation of West German development credits and protection and fair treatment of West German investments. Mr. Scheel is a firm believer in the principle that private capital in industrialised countries should play its full role side by side with inter-Governmental assistance in promoting the economic progress in developing countries.

a certain pressure on the feudal landowners. As to the industrial sector there exist no basic objections either against the state taking the initiative in risky ventures, not even from the point of view of a liberal economic and developmental policy.

The problem then is how to achieve a balanced co-operation of public and private forces; the factual situation very definitely calls for such a fruitful complementary co-operation of the two sides. Paralyzing state control on the one side and excessive private profit-seeking on the other—the latter particularly strong and unpleasantly visible in certain forms of trade, in money-lending and in the construction of luxury apartments—mark the two extremes both of which must be avoided in the developing countries in favour of an efficient co-ordination of state initiative and private business activity.

The difficulties to be overcome in achieving this objective are obvious at once. The first obstacle that must be mentioned is the lack of entrepreneurs willing to, and capable of, assuming the risks of a new production, or fulfilling some other function, as long as safe profits can be had in the traditional fields of activities. Then there are the different difficulties caused by the lack of skilled labour, by the narrowness of markets, by the absence of market reviews and by an inadequate infra-structure, for example in power supply and transportation. Finally there is the uncertainty resulting from the latent threat of possible nationalization sooner or later.

I would like to stress very definitely the conviction of the Clay Committee that free enterprise is of considerable importance in any development programme because it is the private sector, operating with the co-operation of a vital and democratic labour movement and enlightened management which will make the greatest contribution to rapid economic development. At the same time, however, I am fully aware that, in quite a number of sectors, public action must come first and lay the ground for the subsequent entry and expansion of private business. There is no alternative of state or private business in the process of economic growth; we must recognize the dualism of the two. The initiative, strength and special qualities of both are required, and their relationship to one another can only reflect shifts of emphasis in the course of economic development.

As far as assistance to developing countries is concerned, the alternative of private business or state makes, in the donor country, just as little sense as it does in the recipient country. As a rule, both private business and the state have specific tasks to fulfil within the framework of development policy.

1. Development aid provided by the state in the form of

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public funds, technical assistance and educational and social assistance is aimed at creating or extending the infra-structure which includes power plants, transportation facilities, basic material industries, assistance in the training of experts, in the expansion of health services, of education etc.

2. Private business initiative seeks opportunities for profitable investments in the developing country, predominantly in the industrial sector. Private business furnishes capital, undertakes market research, trains the necessary personnel and provides middle and top-level management. Under the customary form of a "joint venture" the developing country receives not only industrial plant and equipment which benefits its income and employment situation, but in addition it has, through contacts with the foreign staff, access to invaluable experience in modern plant operation, in calculative and organisational planning, in regard to thinking in terms of cost and revenue, and in other matters.

In the ideal pattern, public development aid represents the pre-investment for the subsequent investments of private enterprise. An effective aid programme should have the objective of combining the efforts of public and of private enterprise. It should from the start be designed with that goal in mind.

I realize the difficulties on the side of private enterprise which time and again prevent the translation of the ideal pattern into actual practice even though the external prerequisites or the possibilities for this are given. Not every private foreign investment promotes development. Some may be without either positive or negative effect, and others may even have adverse repercussions. For example, the construction of a plant for mass production at low cost may force the promising, but not yet competitive local, small and medium-sized industries off the market.

Joint Ventures

Still more strongly felt are the reservations of many developing countries in regard to foreign private capital. They are by no means invariably caused by fears of a "neo-colonialist infiltration". One possible solution in such cases is the "joint venture", that is the combined participation of local and foreign enterprise in the project. Under that form of co-operation, the fear of too much foreign influence seems to be less strong because part of the control and of the profits rests in the hands of nationals of the developing country. The main in the hands of nationals of the developing country. The favourable evaluation of this kind of assistance on the part of the developing countries is visibly reflected in the legislation of many of these countries where provisions for financial co-operation and for the composition of the joint management are recommended or made mandatory. The drawback, however, is that foreign investors are not too interested in this sort of arrangement. It is just not possible to enforce partnership by law.

The greatest difficulties which even under liberal circumstances work against an unlimited entry of foreign capital naturally arise out of the effect of this inflow on the balance of payments situation of the country concerned. As they transfer their profits and require additional imports, the new foreign subsidiaries will cause losses of foreign exchange to the developing country, as long as they are unable to replace other imports with their own products or to export these products. Whether the external debt capacity of the developing countries will increase concurrently with their general economic growth depends on their import situation and, even more, on their ability to sell their raw materials and manufactured goods to foreign countries. The assistance of the industrial countries in industrializing the developing countries must in any event be supplemented with "aid by trade"

for a long time to come, if the adjustment process initiated by the assistance is to be made effective. "Aid by trade" means continued willingness to include certain industrial products in the imports from the developing countries. It also means willingness to transfer manufacturing facilities for certain products to these countries and to accelerate by long-term planning the process of a new division of labour in the world which is in any event inescapable.

The idea of private business investments following in the wake of the pre-investment activities of the state in developing countries cannot be carried out in actual practice unless the special risks awaiting the private investor in developing countries are in part offset by government incentives. The principles regarding the promotion of private foreign investments in developing countries as outlined by President Kennedy in his Message of Foreign Aid of April 1963, agree widely with the German considerations which have led to the establishment of the present system of support measures for private business activities in developing countries.

As early as 1959, the German Government began to guarantee direct investments of private German business in developing countries against special risks such as expropriation, war, moratoria and transfers, and conditions for these guarantees have continually been made more favourable. Apart from the capital invested profits up to a total of 25 per cent of the initial investment may be covered by the guarantees. In addition, special low-interest loans may be granted from a special fund. Agreements for the promotion of investments and for the avoidance of double taxation have been



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concluded with a number of developing countries, thus creating the basis for the spreading of a favourable climate for investments.

Since 1961, German enterprises have been allowed to establish reserves which may be deducted from taxable profits. Moreover, export guarantees and sureties are granted. Private financing credits, too, may be covered by government guarantees and sureties. Additional measures of encouragement are in the preparatory stage. These measures concern in particular special depreciation allowances for German investments in developing countries, tax-exemption to developing countries of wholly or partly depreciable assets, and other measures. Every expert will realize that the special depreciation allowance (the German Government suggested a rate of 15 per cent) may be highly attractive.

German Development Co-operation

In September 1962, the German Company for Economic Cooperation was set up as a commercial company under private law. Its capital of DM 75 million is provided by the German Government. The purpose of the undertaking is to promote cooperation between German enterprises and enterprises in the developing countries on the basis of genuine partnership and of private business rules. In order to contribute to the growth of politically stable and economically solid middle classes in the developing countries, the establishment of small and medium-sized enterprises is to be supported by means of participations (which are to be sold to private buyers after the enterprise has started making profits), loans with equity features, guarantees, sureties and special funds, and also by advice in matters of investment.

These are the various means we employ to try and lay the foundation for economic systems where the vast potential of individual enterprise and initiative can unfold itself to great effect.

But even more important than the raising of capital is perhaps the imparting of technical, economic and organizational knowledge and know-how to developing countries, either by way of training nationals from these areas in our countries, or by way of sending experts and instructors to the countries in need. At the present time, 12,000 trainees from these countries are receiving training in West Germany.

Role of Executive

The strong position of the executive is in most developing countries the outcome of the struggle for political and economic independence. Apart from traditional trade and some processing industries for the single-crop farming produce, the necessary counterpoise in terms of efficient, manifold private business enterprises is seldom found. The crafts and small-scale trades have neither the technical know how and knowledge of organization nor enough capital to follow the Western development pattern—the transition from small beginnings to modern industrial enterprises which, when linked with the names of Siemens, Daimler or Krupp, is characteristic of Germany's industrial development. Today, the absence of these factors in the developing countries has meant the assumption, by the government, of promoting, co-ordinating and controlling functions and its growing influence in business life, leading to the concept of a mixed economy. In most of these cases revolutionary social movements provide the ideological background.

In the moderate form of a mixed economy the government takes over those sectors in which private business is not interested either because of lack of experience, the size of these sectors, their inherent economic and technical risks, or unsatisfactory yields; these sectors include social infrastructure, transport infra-structure, water engineering and

soil improvement as well as major industrial projects. Incidentally this kind of mixed economy—usually with the exception of the industrial plants—is found quite frequently in Europe.

When public business activity is more accentuated economic considerations are very often overlaid with concepts of social order in the developing countries. Priority is given to the necessity of reorganising a loose society after the disintegration of its traditional sociological structures. Nationalization programmes and movements to form co-operatives knowingly or unknowingly aim at establishing a new structure of society and regard the expanding public sector of economy as a primary instrument of social policy.

Experience seems to show, however, that a tendency to take to total state control is inherent in a mixed economy. Nationalization trends seem to evolve their own peculiar rules. Very often economic and political factors have the same effect: in most cases governments neglect to draw a clear line between the public and private field of activity. Nationalization beyond convincing and visible bounds gives rise to growing suspicion among private entrepreneurs and slows down private business activity which in turn induces the government to forge ahead more rapidly, intent on accelerating economic growth. In this manner the well-known process of apprehensions fulfilling themselves finds exemplary practical application; there ensues a vicious circle fostered by fear of nationalization on the part of private entrepreneurs. The result of such a development is total state control under a most incompetent administration which is by no means equal to these tasks—in fact, nationalization without a proper administrative apparatus. This process can be observed in a number of developing countries. In addition, there is the effect of every partial government intervention in private business which, if it is to be carried out consistently, almost necessarily entails supplementary controls.

Totally Planned Economy

The question is how to obviate this tendency towards totally planned economy. And reversely, is it possible to shift from a mixed economy to a free market economy? It is obvious that the conditions for such a development are growing private initiative and strongly promoted possibilities for private entrepreneurs to form capital, favourable conditions for investing and financially concrete opportunities for profit-making in those sectors of the economy which have hitherto been in the hands of the government due to the lack of private interest or for political, financial, strategic and other reasons. But even if a government is prepared to allow private entrepreneurs to enter branches which have, up to that time, been wholly state-controlled, the very existence of public enterprises will cause private entrepreneurs to show reluctance with regard to new investment in these branches. After all, the principle of enterprises maintaining their real assets holds true also for public business, and it is understandable that a nationalized banking system will grant them preferential treatment in the matter of loans, and that in case of foreign exchange controls, it will be easier for them to obtain import licences for vital materials, spare parts, etc. Also for other reasons private entrepreneurs fear competition with government-owned enterprises; genuine competition is doubtful from the outset because of possible direct or indirect governmental measures of support for state-owned enterprises. That which is considered a prerequisite for the functioning of a mixed economy as a whole applies also to the individual branches: The fields of activity of public and private enterprises must not overlap.

Programmes aimed at putting public enterprises into

private hands, in fact, require the government of a developing country to be prepared to withdraw completely from a particular branch, i.e., to sell the state-controlled pilot plants which were established in the first stage of economic development to private entrepreneurs after it has been demonstrated that these branches of economy, too, offer an interesting activity for private business.

Italy has successfully embarked on this venture for the purpose of new industrialization, and Pakistan is engaged in similar plans.

It is true that such endeavours often fail owing to the strained budgetary position and the low yields on the capital market. The achievement of a satisfactory rate of increase in the national income, as it is, presumes the corresponding rate of investment which often enough can be reached only with a certain measure of government pressure. When the possibility of tax increases and the prospects of more or less voluntary public loans on the capital market and of inflationary creation of money are completely exhausted, the government does not always feel inclined to abstain from financing new investments by re-investing the profits of state-owned enterprises, provided that such profits are made at all. To exaggerate somewhat, the situation could be outlined as follows: either state-owned enterprises make profits and the fiscal interest prevails, or they suffer losses and offer no incentive for private business.

This is to say that the shift from a mixed economy to a free market economy is by no means an automatic result

of the general development but requires a purposive and well-considered government policy of putting public enterprise into private hands. Since—as is well known—few developing countries pursue such a policy, a gradual strengthening of private business can hardly be expected from this side.

In general, therefore, we shall not move from the mixed economy at present prevailing in the developing countries to a free-market economy and thus to a dynamic growth out of indigenous forces unless we give private business direct and clear support.

Strengthening Private Business

The conclusion to be drawn from this is that in our development efforts we must conceive forms of aid which strengthen private business in the developing countries, without affecting the existing order. To give one example: we could adopt the procedure of granting credits and loans from development aid funds to construction or development banks which finance private projects. We are already studying, in different contexts, a number of such possibilities. In future, more attention should be devoted also to the importance of the consultancy firms for the strengthening of private business in the developing countries. It is true that independent consultancy firms are highly qualified teams of engineers which also accept, adapt and carry out government orders for planning, but still remain private enterprises. In carrying out infra-structure projects, for instance drinking-water supply, sewerage, power supply or the construction of roads, they introduce concepts and initiatives of

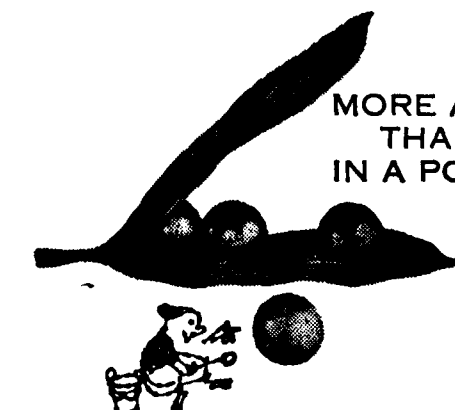
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private business into the public sector.

But most valuable of all is their cooperation in planning long-term investments in agriculture and trade and industry. In doing so, they set the points for further action. Here a competent consultancy firm can translate the public impulses into private business activity. The danger is that consultancy firms become either agencies of the domestic export industry and lose their independence and impartiality which is so valuable to the developing countries, or become dependent on their public employers and lose initiative and mobility. Neither of these dangers exists if a sufficiently large number of consulting firms are engaged in keen yet fair and equal competition. Surely these methods could, if only indirectly, loosen up the economic system in the developing countries which shows a tendency towards a planned economy, without our intervening in the internal affairs of these countries.

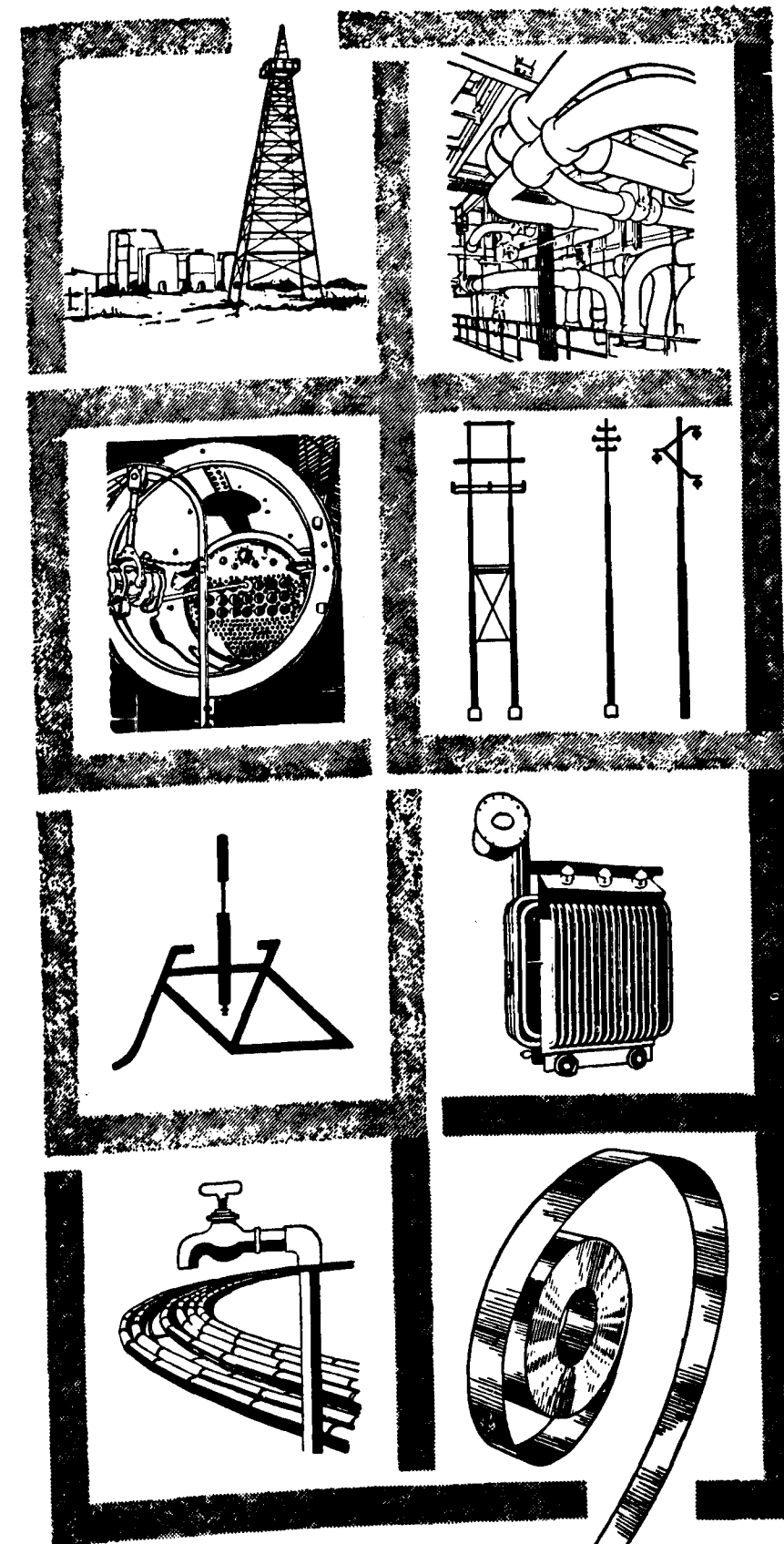
History teaches us that the driving forces in the destiny of peoples spring from clear ideas. The idea of freedom, after the war, has demonstrated its regulative power also in the economic and social field. The astonishing reconstruction of the destroyed countries of Europe would never have been achieved without the dynamic activity of free private entrepreneurs and the responsible attitude of freedom-loving labour.

Let us jointly endeavour to refute through practical de-

monstration the wrong thesis according to which state control brings order whereas free market economy brings anarchy and exploitation, and at the same time help the developing countries to become independent partners in a community of free nations.

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Credit-amount in million DM		Date of agreement:	Purpose:	Duration of credit in years:	Interest rate:
I. For Rourkela					
660	(165)	26. 2. 58	steelworks construction	3	6.3
98	(24.5)	30. 1. 61	prolongation of the Rourkela-credits	4	5.75
230	(57.5)	29. 4. 61	dto.	13	5.50
85	(21.25)	4. 5. 62	dto.	12	5.50
56	(14.—)	12. 12. 62	improvement of production at Rourkela	20	3
175	(43.75)	12. 12. 62	maintenance imports from Germany	20	3
400	(100.—)	25. 4. 63	Rourkela expansion to 1.8 million t/a	20	5.75
50	(12.5)	25. 4. 63	Rourkela expansion (release of the same amount of 12. 12. 62)	20	5.50
61	(15.25)	25. 4. 63	financing of debts to Germany for initial construction work at Rourkela	13	5.75
1815	(455.75)				
II. Other Specific Credits					
168	(42.—)	5. 1. 59	import of investment goods from Germany	20	5.50
125	(31.25)	27. 5. 60	dto.	20	6.25
125	(31.25)	15. 11. 60	dto.	15	5.50
100	(25.—)	29. 4. 61	support for payment balance	20	5.50
179	(42.5)	14. 9. 61	dto.	20	3.00
(50)	(12.5)	(12. 12. 62)	(institutes for industrial financing)	(20)	(5.50)
(released on 25. 4. 63 in favour of Rourkela)					
189	(47.25)	12. 12. 62	to be agreed upon		5.50
82	(20.5)	25. 4. 63	improvement of infra-structure projects	20	3.00
959	(239.75)				



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deteriorated steadily in spite of the multiple and substantial contributions of foreign aid.

Practically none of them has managed to pass the half-way mark to development. On the contrary: despite all their efforts, they seem to be sinking deeper into poverty with every year that passes.

This is hardly surprising when one reflects that the average economic expansion rate in these countries is between 2 and 3 per cent per annum, whereas the figure is 4 to 6 per cent in our own well-equipped countries.

This is as much to say that, at the present rhythm, the gap is growing wider instead of smaller.

When this unsatisfactory state of things is complemented by the demographic factor — which is distinctly to their disadvantage, since their population growth rate is 1.5 per cent per annum whereas ours is generally lower than 0.5 per cent — it is hardly astonishing that the aid provided up to now has given such little practical benefit.

This becomes particularly apparent from the relative share of the under-developed countries in world trade: their share, which stood at 32 per cent in 1950, fell to 25 per cent in 1962 and preliminary figures available for the current year show that this proportion will be smaller still for 1963.

This, of course, does not mean that the volume of the products sold by the under-developed countries on world markets has diminished. In actual fact, it has increased, but very little when compared to the total figure of trade among the industrialised nations themselves, which is constantly growing.

One reason for this phenomenon can be found in the fact that the bulk of exports coming from the developing countries consists of primary products or raw materials, the price of which is falling in proportion to that of the manufactured products and capital goods which those countries are obliged to purchase abroad — in most cases, from us.

Deteriorating Terms of Trade

The deterioration of what are known as the "terms of trade" helps to reduce still further the value of the only natural resources these countries are so far able to valorise for the purpose of earning their daily bread.

It is not surprising, therefore, that a situation which grows worse despite all the remedies that have already been attempted has caused great concern among those who are the victims of it, to such an extent that they have conceived a certain degree of animosity for other nations whose wealth increases day by day.

Their alarm and resentment, initially voiced in an isolated fashion by one government or another in Asia or Africa, has gradually become a unanimous outcry since the Bandung Conference took place.

At other meetings, such as those held in Belgrade, Cairo and, more recently, in Addis Ababa, the under-developed countries formed themselves into a concerted group and began to look for ways and means of collectively extricating themselves from their perilous position. Although economically weak, they discovered that they were politically strong.

By comparing their problems and collating their aims, they managed to coordinate their policies and gradually build up a common front.

But no front can stand if there are no enemies to fight.

So, little by little, they elaborated a doctrine of claims on all the industrialised nations — East and West alike.

Faced with these claims, the wealthy nations consulted with each other and sought for a fitting reply. A number of confrontations have already taken place. Under pressure from the under-developed countries, the World Trade and Development Conference is being organised by the United Nations, while G.A.T.T. has been approached in regard to a programme of action on behalf of the developing countries, to be implemented by a special committee known as the "Committee of Action".

In essence, this marks the end of multitude of bilateral arrangements. In future, whatever they think about it and whether they like it or not, the industrialised nations will have to join forces in order to provide a coherent response to the questions, claims and demands collectively submitted to them.

Decisions on aid to the under-developed countries must be made collectively, and the new foundations for co-operation between the two worlds—rich and poor—will have to be laid in G.A.T.T. this autumn and at the famous World Conference which is due to open in March next year, so that methods acceptable to all may be found for concerted and harmonious progress towards the greater welfare of all mankind.

Economic Independence

If I had to summarise the present hopes and desires of the under-developed countries in a single phrase, I would say that, after securing their independence, they have realized that the power to make a number of important economic decisions is denied to them. Consequently, what they are out to conquer today is their complete independence which, from the economic standpoint, is a bold target indeed.

In actual fact, it is not so much a principle as a worry that inflames the nationalist element in the young states of Asia, Africa and Latin America, for practical autonomy of this kind, carried to extremes, would only end in a progressive return to a hand-to-mouth economy.

Let us therefore assume that the economic independence so ardently desired by the under-developed countries is, in actual fact, merely the right to discuss economic matters with any nation on a footing of absolute equality.

And, in the final analysis, I would like to ask you whether the industrialised countries—such as Belgium, for instance — are indeed economically independent.

As Minister of Foreign Trade, I believe I am in a position to reply emphatically that such is not the case.

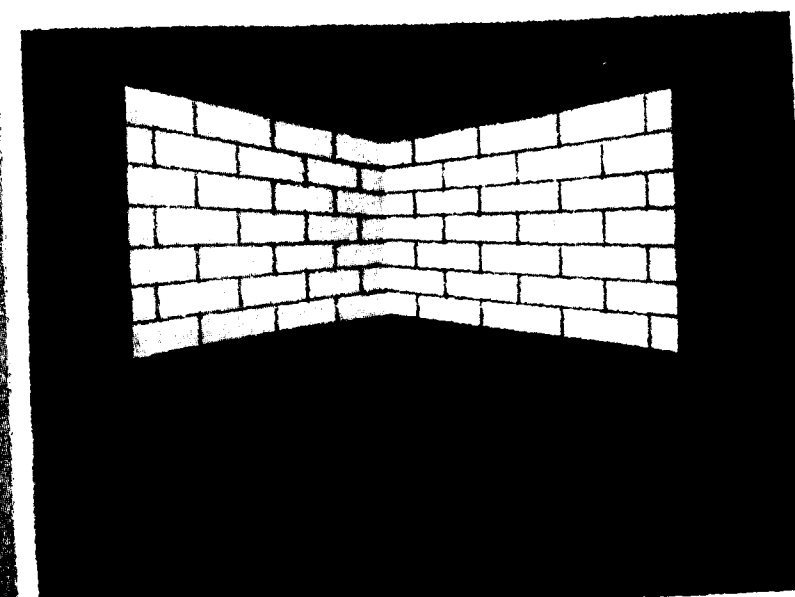
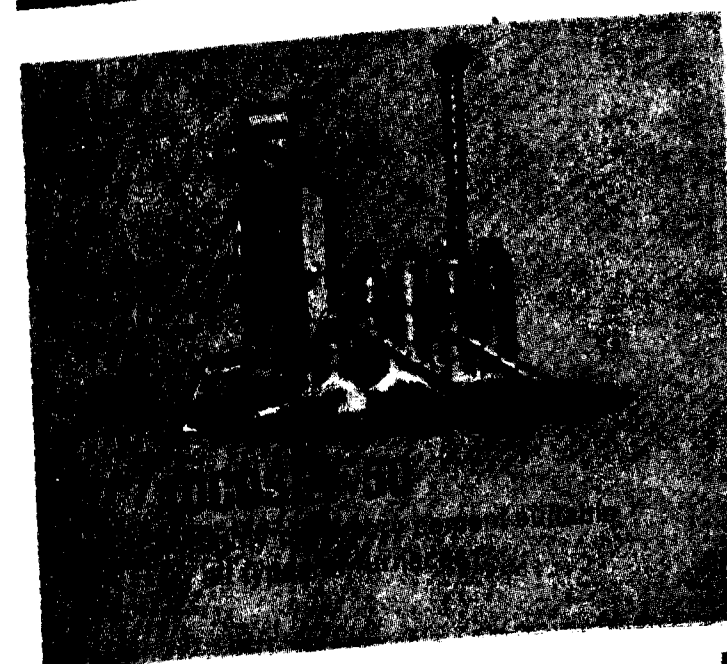
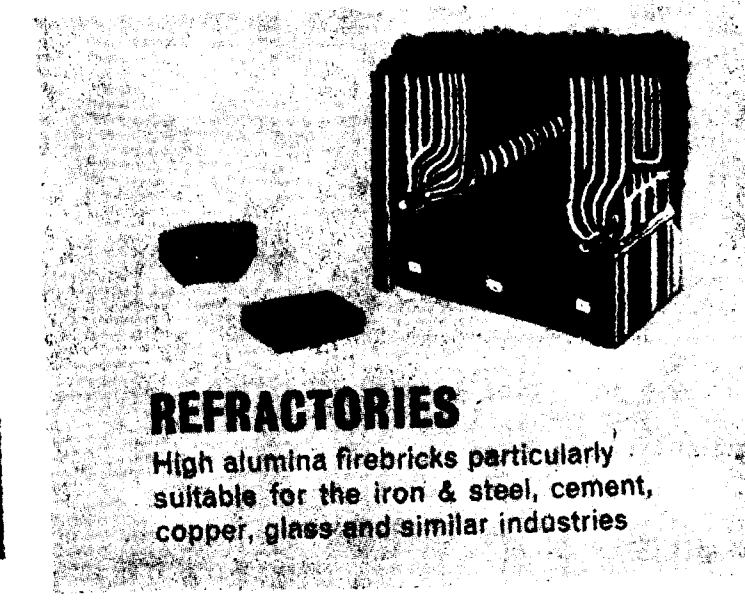
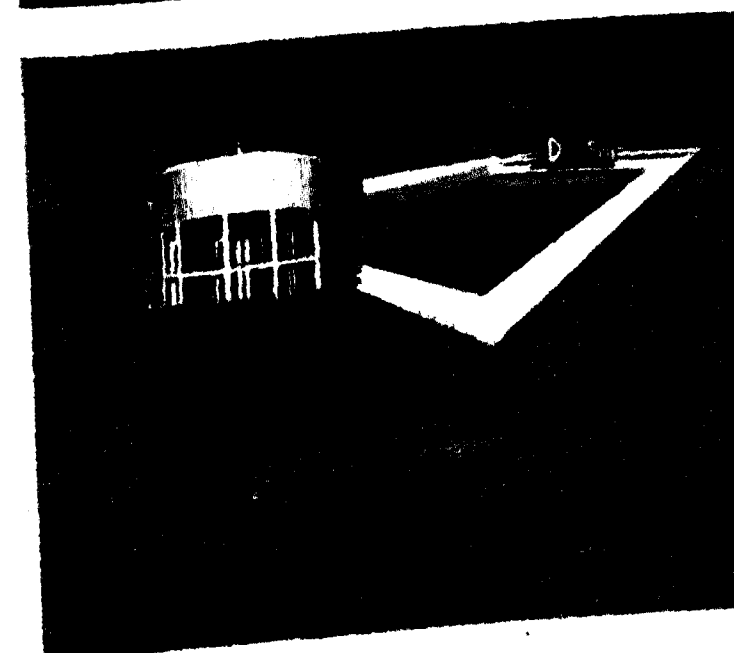
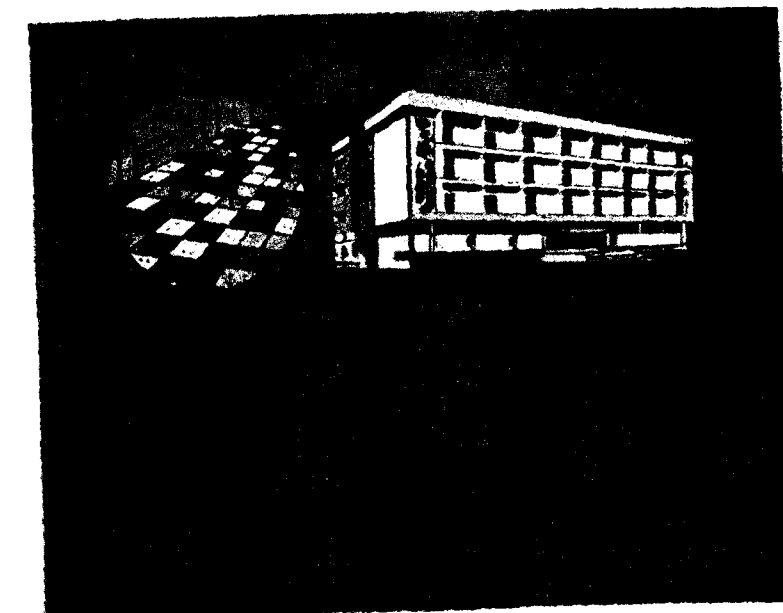
Quite the opposite, in fact: the prosperity of our own economy is bound up with that of other markets. It was not for nothing that we fought for free trade since we ourselves became independent, and that we are members of the Common Market today.

The state of interdependence in which we live has never prevented us from being a sovereign, respected nation.

But it does oblige us to weigh our external engagements carefully, and to display a great deal of political caution. Only by doing so were we able to derive the fullest advantages from technological progress, and on the strength of the wealth and experience we have thus acquired, we must do our utmost—today more than ever—to help the world at large to do the same.

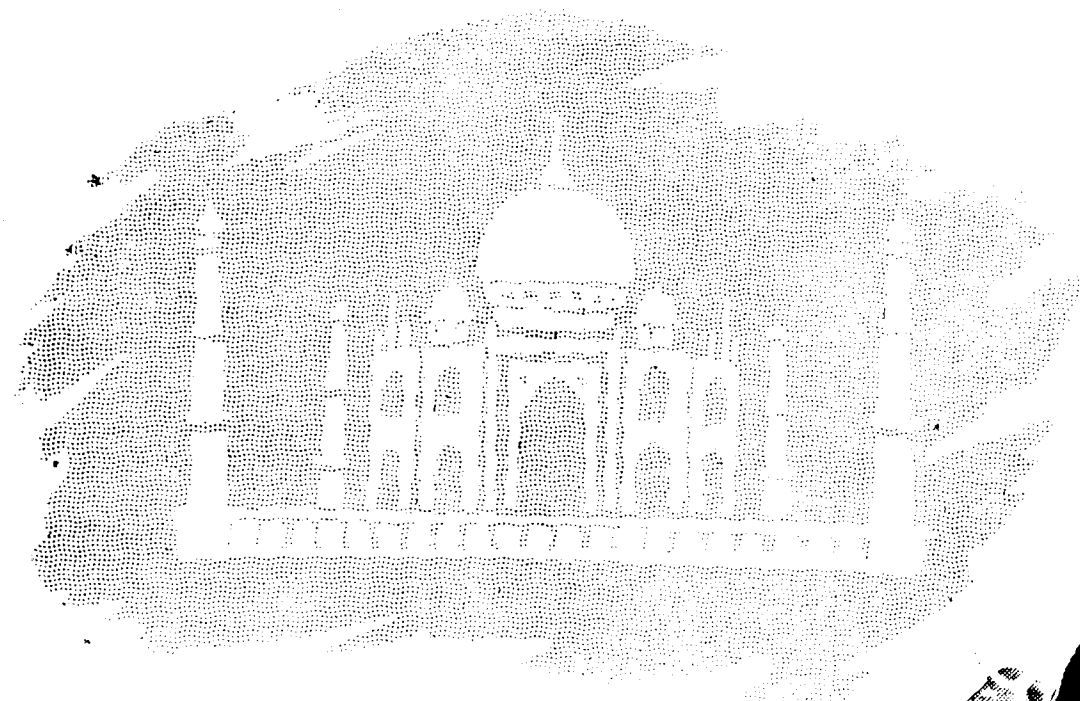
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parity and interdependence between nations. Without help and support from the industrialised countries, without the backing of their material means and know-how, the developing countries would be condemned to trudge along the hard and weary road which Europe has travelled from the sixteenth century down to the present day in order to develop its resources, techniques and manpower.

On the other hand, the industrialised countries need basic products and raw materials from all over the world in order to maintain their economic activity at a consistently high level.

In all countries, rich and poor alike, the principle is generally recognised that means must be found to eliminate trade barriers and develop extensive currents of exchanges of all kinds.

An increased volume of world trade would indeed be beneficial to everybody: to the developing countries in the first place, since it presupposes an increase in their share of international economic relations and, consequently, increased domestic production; and to the industrialized nations in the second place, since the creation of new outlets stimulates greater exports and leads to the improved structural adaptation of their industries.

Stabilizing Prices

If true exchanges are to be developed, it is necessary to begin by working out a system whereby the prices of raw materials can be stabilized. This problem is a very serious one, especially since it is very difficult to come up with definite solutions. And it is of equal concern to the rich countries and the poor.

It is, indeed, useless to attempt to co-operate financially and technically in a country's development if, in a slump on the world market for its basic products, that country runs the risk of losing far more than it received in five years under the heading of aid from abroad.

This is a case that really happened, and there are others. It becomes truly evident, therefore, that the stabilization of world market prices for raw materials is one of the major problems of under-development. A solution in this sphere would be as advantageous to the purchasing countries as it is to the producing countries.

Now, let us take the case of a highly developed economy such as ours. For generations past, our country has imported vast quantities of raw materials and primary products for conversion and processing in our factories by our skilled workmen into semi-finished or manufactured goods, which are then exported to foreign markets where they have to compete with similar products from other industrialized countries.

However difficult it may be to secure a foothold on a foreign market, it is equally difficult, if not more so, to maintain it once we have acquired it.

In former days, the quality of our products was sufficiently appreciated to minimize the importance of the price factor in so far as competitors were concerned. Today, on the basis of more or less equivalent quality, we are meeting strong competition from other producers and the price factor has become the determining one.

If the cost of raw materials does not remain stable — I am talking now in general terms — it will be difficult to preserve a stable price on foreign markets for finished products, to which we have contributed labour and little else. Consequently, with every increase in the price of raw materials, the pattern of trade threatens to become disorganized and these fluctuations are likely to weaken our own position on international markets.

Then, again, should prices suddenly fall, the producing countries are forced to place restrictions on the import of

manufactured goods in order to preserve their balance of payments, and their markets are therefore closed to exports from countries such as ours.

Finally, persistent deteriorations in the primary products market will, in the long run, discourage the producers. Even if there are occasional complaints at a certain amount of over-production of basic products, this phenomenon should normally be of short duration. We must have faith in the future; on a long-term basis, world production is inevitably bound to increase in proportion to expanding population and industrial development throughout the world. This will demonstrate how essential it is to safeguard and promote the production of raw materials in the interests of all.

So far, the methods put forward for the solution of this vast problem are only partial ones.

Price ceiling and floor systems, coupled with stockpiling, are already operating more or less successfully for certain products, such as tin and wheat. The United Nations, moreover, has been putting the final touches to a vast plan to control these markets by means of an international Stabilization Fund of 1,800 million dollars.

The European Economic Community has also devoted much thought to the problem. I myself, speaking in the name of Belgium, made a statement in Geneva to this effect. My personal belief is that isolated efforts are doomed to failure.

Bold measures must be taken on an international scale. Only on that condition will it be possible to find a final, acceptable solution.

There may, however, be another way of achieving the long-term development of the poorer countries.

These countries will no longer be the defenceless victims of fluctuation in the prices of raw materials when the latter are no longer the only products they have to offer.

Scattered and Unilateral

Now, if this is to be accomplished, the only radical way is to industrialise the non-industrial countries. Many projects aimed at this target have been drawn up already, but they were too scattered and their objectives were too unilateral for them to produce good results.

Without co-operation on a general scale, without being scientifically apportioned, reasoned and decided upon by mutual consent, the industrialisation of the under-developed countries has little prospect of showing returns in the immediate future.

If, on the other hand, all the parties concerned were to agree to join forces in creating industries capable of participating in world trade; if, at the same time, the wealthy nations were to agree to facilitate the disposal of these new products on their respective markets for a given length of time; finally, if the new industries were to take advantage of these initial facilities to develop outlets on their home markets as well, where consumption is bound to grow — then there would be some chance of success.

But such a vast undertaking requires a high degree of co-operation between the industrialized and the less developed countries. And such co-operation will not be possible unless and until there is a prior attitude of general willingness to take into consideration the minimum demands formulated on either side of the conference table.

Take the industrialized nations first. Generally speaking, the under-developed countries tend to over-estimate their cohesion and to attribute to their respective governments more freedom of action and authority than they actually possess.

But these countries — or at least those which belong to the Western hemisphere — are, in most cases, democracies

where power is anything but absolute and cannot be exercised without reference to public opinion, Parliament and other, often conflicting interests.

It is doubtless possible to influence such pressures on the government; it may even be possible to modify them; but it is certainly not possible to act counter to them or disregard them completely.

In so far as their public opinion is concerned, the industrialized states are in duty bound to maintain the expansion rate of their economies. To do so, they must watch over the soundness of their industries and the solidity of their economic structures.

This is why, although they are prepared to throw their markets wide open to competition as being the necessary spur to development, they must also be careful to prevent their markets from being disrupted or weakened by abnormal or destructive competition.

Moreover, their contribution to world development calls for increasing sacrifices on the part of their citizens and the appropriation of a growing portion of their resources in order to meet the requirements of foreign countries. If these sacrifices are to be acceptable to public opinion, they must at least serve some useful purpose.

By this, I mean that steps must be taken to avoid setting up huge industrial complexes in the young countries that would never find adequate outlets for their products, as also the creation of industries unable to withstand competition on world markets.

Let us now turn to the other side of this hypothetical conference table. However great their understandable and legitimate impatience to forge ahead may be, the developing countries must also obey certain imperatives if this gigantic attempt at world solidarity is to be brought to a successful conclusion.

Division of Labour

Their fundamental interest is to promote a division of labour, especially as between neighbouring countries. It would indeed be a sad and pointless business if their new industries were to duplicate each other, thus preventing any possibility of making a profit on account of the restricted markets available.

Take a steelworks, for instance. It is generally acknowledged that the output of an industry of this kind must reach 1,500,000 tons a year if it is to show a profit. And returns of this kind will never be forthcoming if all the under-developed countries on one continent or in one area are determined to have their own heavy industry despite the fact that their individual home markets could never absorb more than one-fifth or one-tenth of the minimum output.

Consequently, in creating a new industry, care must be taken to ensure that it is certain of having wide outlets in its home or regional market so that it may attain the degree of productivity necessary to compete successfully in world trade.

It is therefore absolutely necessary to disregard the seductive aspect of narrow economic nationalism which might incite to the simultaneous creation of the complete range of modern manufacturing industries in a single country. In the long run, the domestic market will nearly always be far too small even if this kind of industrial development were restricted to the production of consumer goods alone.

On the other hand, the under-developed countries must understand that Europe — and more particularly the Common Market — while in favour of the development of all the young countries, nevertheless acknowledges special responsibilities in regard to certain overseas countries that were united to it by special ties in former years.

There is one last principle I would like to mention which is that the young countries must be able to scale their ambitions down to size.

They must, of course, be daring but not reckless, and it would be reckless to try to create industries in the developing countries that are far too large for local needs and resources.

This is a matter of chronology. A century of delay can be made up in the space of a few years, but over-ambitious views and excessive impatience can definitely ruin future prospects.

In this connection, I shall revert to my former instance of the steelworks. This would be a justifiable project for a group of four or five countries whose present markets, taken together, could absorb the output of the mill. Given the general rise in living standards, consumption is bound to grow until, one day, it attains twice the present figure; then, and only then, will it become necessary to contemplate setting up a second steelworks in the same group of countries — and this time the mill could be built in another member state of that group. And so the process continues until, finally, each of the countries involved is able to achieve industrial development in the true sense of the term.

Lenin's Prediction

Lenin went further than the predictions of Marx when he said that Capitalism and its brand of civilisation would one day be strangled by the circle of under-developed countries who would refuse to allow their natural resources to be exploited any longer.

But it so happens that, since then, it has become evident that the link between cause and effect is a very tenuous one where the wealth of some nations and the poverty of others are concerned. More — the claims and demands of the developing countries are aimed today at all the industrialized countries, including the Soviet Union, the birth-place and home of Marxism.

Far from trying to strangle each other, both sides are seeking to establish contact with each other.

Tense though some of their discussions have been, they have never been strained to breaking-point, and almost certainly never will. Each side needs the other too badly not to strain every nerve and sinew to reach an understanding.

The coming months will require a special effort of comprehension on the part of all, in return for which a foundation could at last be laid for a common approach devoid of all political passions, which would make it possible to advance through rapid and practical stages towards a final solution to the problem of under-development.

The malady must be attacked at the root.

But the root is not a matter of politics, population figures or even finances.

Ideologies have their heyday and fade into oblivion; nations become more civilized; science forges ahead and capital investment goes all over the world.

But one thing which is non-transferable — or barely so — is the opportunity to work.

What we must give the developing countries, therefore, is the opportunity of remunerative work, and if the remuneration is to be adequate, the manufactured products must be sold, i.e. they must find outlets which are immediately available, stable as to volume, and showing good prospects for enlargement later on.

If this project succeeds; if it meets with the approval of all concerned — that of our own industrialized nations and that of governments in the three less favoured continents — then, I believe, we will have made another great step forward towards progress and international solidarity, which is the only real guarantee of world peace.

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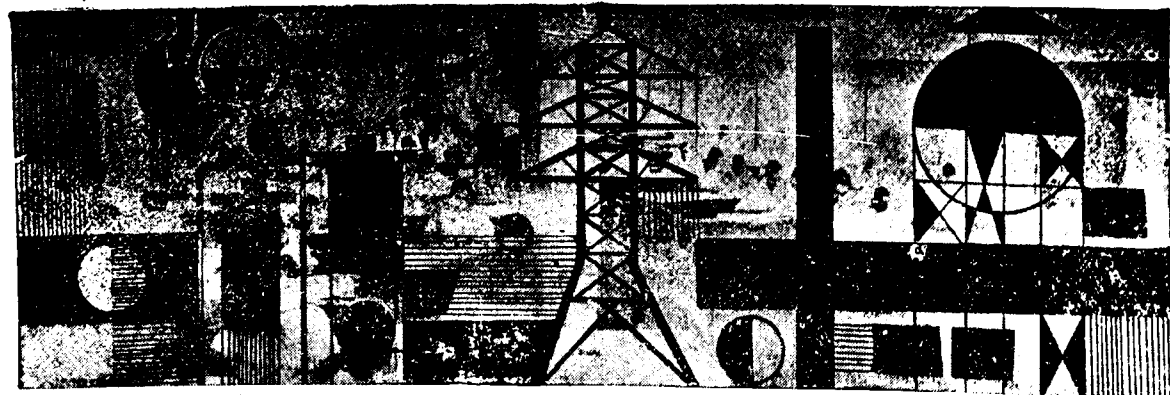
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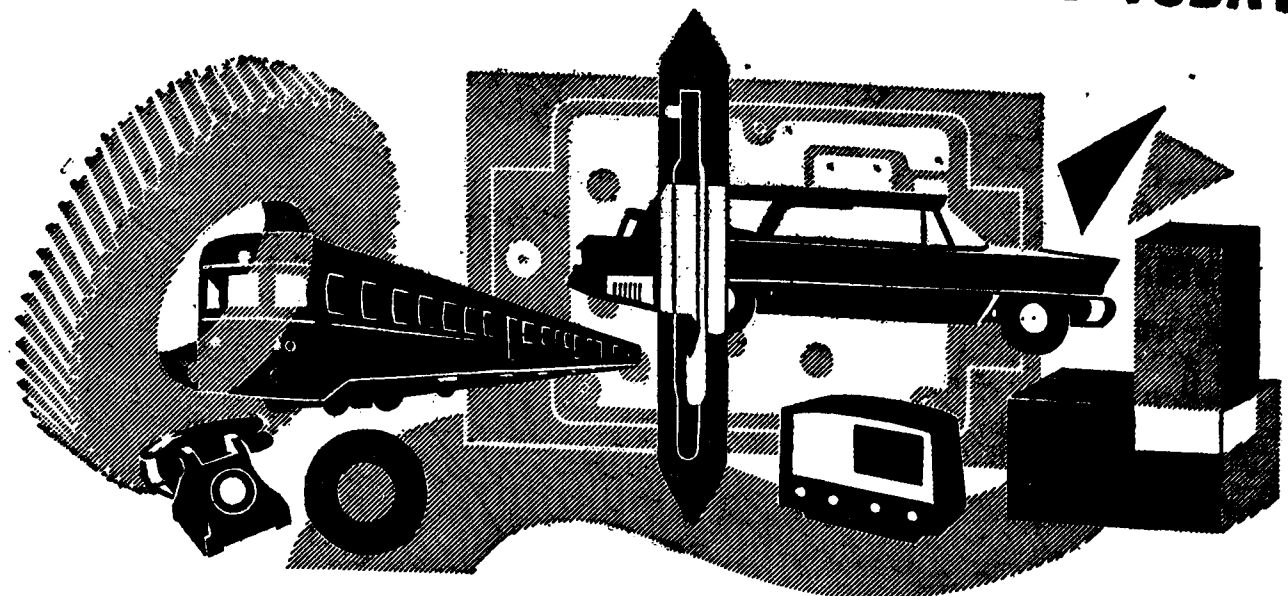
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The Changing Face of Europe

Our Correspondent in Western Europe

"PEOPLE ARE always talking of the mechanisation of life," said the novelist-minister Andre Malraux lately, "but they forget this fact: in Paris a century ago 3,000 people went to the theatre each day but nowadays it is three and a half the million Parisians that each evening go into the world of make-believe. Machines are less powerful over material things than the dream-machines are over our spirit". All over Europe each day at nightfall a hundred million people are transported by dream-machines to worlds their fathers never knew. In fact the dream-machine business—television, cinema, radio and the like—has been one of the fastest growing sectors of the European economy since the war, and yet its importance is still greater than could be reflected by its weightage in any industrial output index number. It is one of the things that has contributed to the qualitative transformation of European life. This transformation is not an incidental by-product of general economic progress for it often its motor and purpose. Once we discard the unfortunate "materialism" to which economists are inevitably prone, we can see that the soaring output of oil, steel and chemicals are the by-products of, or at most the mere means to spiritual or immaterial or non-economic changes that are hard to measure but are the real substance of a way of life.

At the risk of outraging the materialist prejudice of economists, let us take another example of this transformation of human life from a quite different quarter, and reflect on the rarefaction of the "commodity" grief. Without us being able to measure at all exactly the amount of grief in a society at various times, its decrease is sure, notably in countries like Italy and Rumania since the war. Taking less favoured parts of Europe so as to fit the process into a short span of time (but the same thing has happened everywhere in Europe in the last century and a half), one can find cases where a few generations ago a child lost its mother or father at the age 14 (supposing it lived to be 14), whereas in the same place today a man loses his first parent at 50. Yesterday, by the time he was 50, a man had mourned nine deaths in his immediate family; both parents, one grandparent (the other three were dead before he was born), three of his own children and as many brothers and sisters. Today, at 50, he has been to one funeral that deeply concerned him.

Toning Up Life

Again, I know a small town in the south of Europe that has lived for two millennia inside the stone walls that the Romans built to protect it, and it was still confined by those ramparts in 1945. Since then its population has not grown at all—but suddenly it has burst its walls and covers twice the area of before the war. And so one could continue collecting facts that are of the first importance to the life people actually live but which find no expression in economic indicators. This is without appealing to the obvious cases, such as the revolution of the tone of existence introduced by the motor car. Even in that familiar case, the effects strike deeper than is sometimes noticed. In a village 40 miles from Paris, I know a woman who has been twice to the metropolis since her marriage 20 years ago, and who regards herself and dresses as a provincial, whereas her daughter, newly married, goes to Paris every week, regards herself as a Parisian and dresses as one.

Of course, once one starts collecting such facts one runs the risk of losing oneself in trivial anecdote, and the economist can still prefer to stick to his abstract, anonymous figures as a safer guide to what is happening when nations progress economically. For example, if there is any signifi-

cance at all in my illustration of a daughter who lives and dresses differently to her mother, it will show up in the statistics for retail commerce, the textiles industry and transportation. That is correct, but unless one can read the trivial, anecdotal human facts behind the statistics one will encounter numerous paradoxes. The circumstance that in Europe now private persons' outlays on automobiles, petrol, garages and car insurance are about 40 times State outlays on roads only gets its full meaning when translated into terms of nervous strain and irritation in mounting traffic jams. The figure of seventy minutes for the time taken by an average worker to get from his house to one of Europe's biggest motor car factories has to be interpreted personally and emotionally as hours spent in crowded underground trains before one sees its connection with wildcat strikes and political indifference due to fatigue.

Consequences of Progress

Indeed it is in the conflicting psychological consequences of current industrial progress that one must look for the explanation of numerous economic and political facts of the first importance. There is no question, of course, of trying to decide whether, on balance, Europeans are "happier" or not since their economic expansion began on a spectacular scale 15 years ago. Happiness or contentment are altogether too vague and, besides, one soon notices that in so far as people can state clearly what they mean by them, it is evident that they do not seek them, or not them only; they want other things too, and often more urgently. Discontent can change radically in nature, as for example, from the massive protest against unemployment before the war in Europe to a feeling of satiety, "robotisation" and petulant envy which is the commonest form of "unhappiness" today. Without pretending to know how the totals compare, one can look at the various satisfactions and dissatisfactions that the new way of life has brought to Europeans.

The satisfactions are immense and countless, but in a way negative; that is, people not only take them for granted and soon get used to them, but they feel that such things are their due, as constituting the bare minimum for decent human existence. The complacency with which the European now accepts full employment and the possibility to feed and clothe a family without any anxiety must seem shocking to elders who recall pre-war conditions, and to visitors from Asia where such things are still unsecured. Before denouncing ingratitude (and it looks like very black ingratitude to regimes that made such things possible, such as the Fourth Republic in France, and then got thrown out of office), one should reflect that this attitude is based on a generous notion of human personality rather than on selfishness. If it is at all possible that an economy can be run without men worrying about losing their jobs, then this is the least of things to expect, in the view of people who have come to hold a higher opinion of the potentialities of civilisation. If the postwar chemicals industry can make fibre for socks that never have to be darned, housewives do not feel perpetually grateful for not spending their evenings with needle and thread as their mothers did, because they have a different, and frankly a superior, conception of a woman's role.

This effortless adjustment to the myriad creature comforts that have appeared in the past 15 years is not, however, the most striking thing in European homes today—for there are certain satisfactions that are relished and savoured with a childlike joy and gratitude. Talk about them provides the greater part of conversation in private circles and if you are unfamiliar with them, not interested in them or unprepared

Engrossment with this limited list of commodities and facilities is the social aspect of European integration, the cause of the increasing similarity of life in any part of the Continent. When you realise how large a part they play in setting the tone of existence, you will see too that they are a powerful factor making for differentiation between the West Europeans and the citizens of the Communist states. Looking only at the global figures, or at the techniques of production and work-organisation, one can advance the claim that the capitalist and communist societies are converging; much has been said in that sense in recent years, and Mr Nehru has cited the fact as reason for not opposing capitalism and communism as black and white. But looking at the human use that is made of the economy's products, one sees that ways of life are diverging as never before between the West European countries and the socialist societies. The role of the motor car is primordial here, for it would be no exaggeration to say that his car is the very meaning of life for many

If the communist planners adhere to their present view that the individual motor car is economic nonsense and that people's movements, daily transportation and holiday migrations can be managed much more rationally with socialised or community means (and "rationally", no doubt, this view is irrefutable), then two quite contrasting forms of personality will emerge in Europe. The differences between them that will be due to this one fact will be by far greater than those we are already familiar with and which are ascribed to racial, climatic, religious or other historical contrasts. The motor car, I am suggesting, is moulding attitudes so firmly that the Swedish Protestant bourgeois in his Volkswagen and the Italian Catholic peasant-turned-Communist-factory-hand in his Fiat have more in common with each other (and will show it in their political options at a pinch) than with people who have not their own car, no matter what standard of living is attained by the socialist states in the future. Mr Khrushchev's successor might be able to produce statistics proving that his country has "overtaken and surpassed" West Europe, and the USA into the bargain, but as long as Western social life is based as firmly as now on the individual motor car while socialist life is not, the two ways of life will not even be on the same path.

This fact would be more easily visible to the naked eye if West Europe had not been plunged so rapidly into galloping industrialisation in the last 15 years, because that abrupt break with the past has caught Europe materially unprepar-

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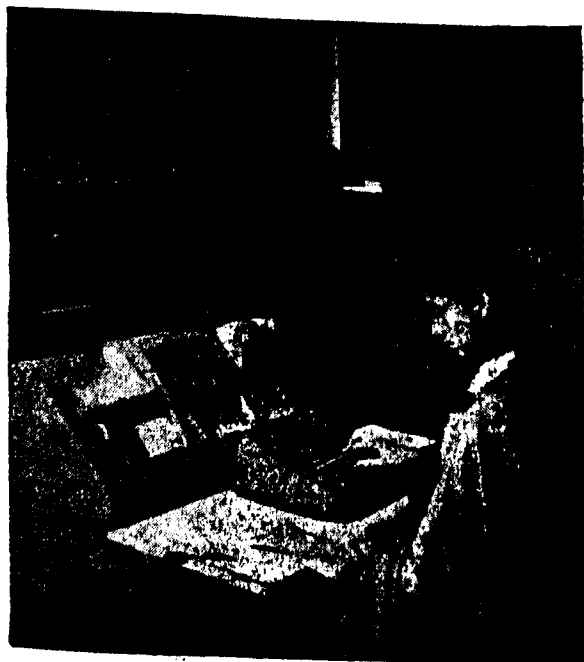
It will become apparent in architecture, urban planning, location of productive, commercial and cultural facilities, in regional development—in short, in the whole surface appearance of society. That task has already begun but the immensity of the changes it will entail is not clearly realised by most Europeans, who have not seen yet that it will involve the break-up of their old cities, a new distribution of populations and in general a revolution in daily life. "Paris", as you can hear any taxi-driver exclaim at five in the evening, "has become impossible!" He speaks truer than he knows; it has become literally impossible and cannot persist much longer, any more than Rome, Brussels or Frankfurt, because all those cities and the way of living built up in and around them are incompatible with the reign of the motor car. As Europeans are obliged to draw the necessary conclusions from this fact, their mode of life will have to change with a rapidity and thoroughness that will make the changes of the past 15 years seem superficial.

If the cause of this revolution is a mechanical contraption, it is obvious that the result is not going to be anything that could be called "mechanisation". On the contrary, it will entail a return to a semi-rural way of living that is already to be seen in the endless garden suburbs of some American cities. The discontent with mechanisation (which means being fatigued by 'other people's' machines, e.g. their TV sets heard through the wall of a flat or their cars in a city traffic jam) is apparent in every major European city today, but it expresses mainly the fact that in 15 years a plethora of commodities has been poured into a context that is not yet spacious enough to receive it.

Perhaps for readers abroad more emphasis is needful on the two other things I have mentioned as the juice of economic progress for contemporary Europeans. Pollsters who interrogate folk on their understanding of the Common Market, European integration, free trade and the like repeatedly report an amazing ignorance among the mass of the population about these affairs, which obviously are important for their present and future style and standard of living. I suspect that if they could psychoanalyse their subjects they would find that the sole concrete reality with which those things are

That impact, naturally, is most keenly felt by women, who do most of the shopping, but an interesting sidelight is that the supermarket has brought men back into direct contact with retail commerce. Whereas by far most of the family expenditure has always been made by the housewife (even most men's clothing was bought by women), men now consent to spend some of the family money because they will go into a supermarket when they would never set foot in a speciality shop and detested department stores. The fact is connected also with the motor car (which can carry a week's supply) and the refrigerator (which can keep it fresh), but the regular journey to the supermarket has become one of the new, and alas few, 'family' tasks which the isolated and purely functional European family undertakes in the same community spirit as peasant families undertake harvesting and gleaning.

The appearance of twelve-year-old song stars idolised by several million teen-age customers paying hard cash for records, and holding special sessions where groups share their devotion in the absence of grown-ups, is not just an anomaly of the current European scene. It is a symptom of much else in the same vein (and incidentally this is international, unifying force throughout Europe though at a low level) that is already with us, and very probably the sign of more to come. For example, the cinema is rapidly passing into the hands of childish and adolescent audiences, and is only surviving by



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their customs, because TV has replaced it for adults. Then, too, the textile industry is fast adjusting to the fact that children buy their own clothing, or the casual part of it, and do not have it bought for them. And so on throughout the range of goods required by people under 18, and further on to new goods that they do not 'require' and that industry has never made because parents would not buy them but which free-spending youngsters will readily buy. In general, the warping of economic demand in the direction of a youth that enjoys a degree of financial independence is one of the most apparent features of Europe's recent expansion and could well become more important still.

In saying that the foregoing are the things that Europeans have noticed and valued in their accession to prosperity one is not denying that they will, on being asked or sometimes just in passing, refer to other ways in which life has become richer, easier and more secure. But in the ordinary way those are the things that are spontaneously appreciated and recognised as the fruits of Europe's second industrialisation. When it comes to the dissatisfactions that are directly ascribed to that same economic progress, the list is not much longer. All sorts of things are complained of and resented, of course, but there are half a dozen that are blamed, more or less correctly, on the nature and pace of current economic change.

The curious thing is that, for several of them, the complaint is ritual, stereotyped, almost a conversational formula but contains little real bitterness because it is understood that the nuisance in question is a price that has to be paid. For example, one of the things that makes life more difficult and much more expensive than before the war is the shortage of personal services, and their high price when available. The plumber's repair man is the case of a service that has virtually disappeared, though I did manage to get a leaking tap fixed this year after waiting nine weeks and paying Rs. 12 to the entrepreneur and Re. 1 in 'bakshish' to the repair man. The housemaid is a similar case, though recruits are available at a fancy price and for uncertain periods as the waves of Spanish and Portuguese migrants come north with their womenfolk. Barbers still exist, but the most cursory attention from them costs Rs. 4 and they make it clear that they prefer clients who pay Rs. 12 for a "real" haircut. Examples could be multiplied, but the main fact is that knowledge of the consequences of economic expansion is now (in sharp contrast to earlier periods) sufficiently widespread for most people to see that these very serious inconveniences are the reverse of the medal of full employment and technological progress.

Social Mobility

Something similar could be said for the necessity of increased social mobility in an expanding economy, but unfortunately acceptance of this fact is still limited to the official layers of the working class whereas the rank and file still frequently rebel. (At the bottom of that class, needless to say, it has never been questioned because dire need forces men to migrate from, for example, sunny south Italy to dreary German mining towns.) Mobility is still very much less in Europe than in nomadic America but the Europeans have the excuse of a grave housing shortage, and of a longer sedentary tradition abetted by excessive centralisation (though West Germany is still free of that last-named ill). The need of it is now recognised by the managerial class and by the trade union leaders, but one still sees blind revolts — as by the Belgians in the Borinage or by French miners in condemned coal and iron ore pits — which cause much embarrassment to union leadership which admits their irrationality.

The housing problem, which is disastrous in France, severe in Italy and by no means solved in West Germany, is beyond doubt the gravest cause of dissatisfaction, and worse, in contemporary Europe. It is not recognised (here there remains a gap in popular economic education) that the

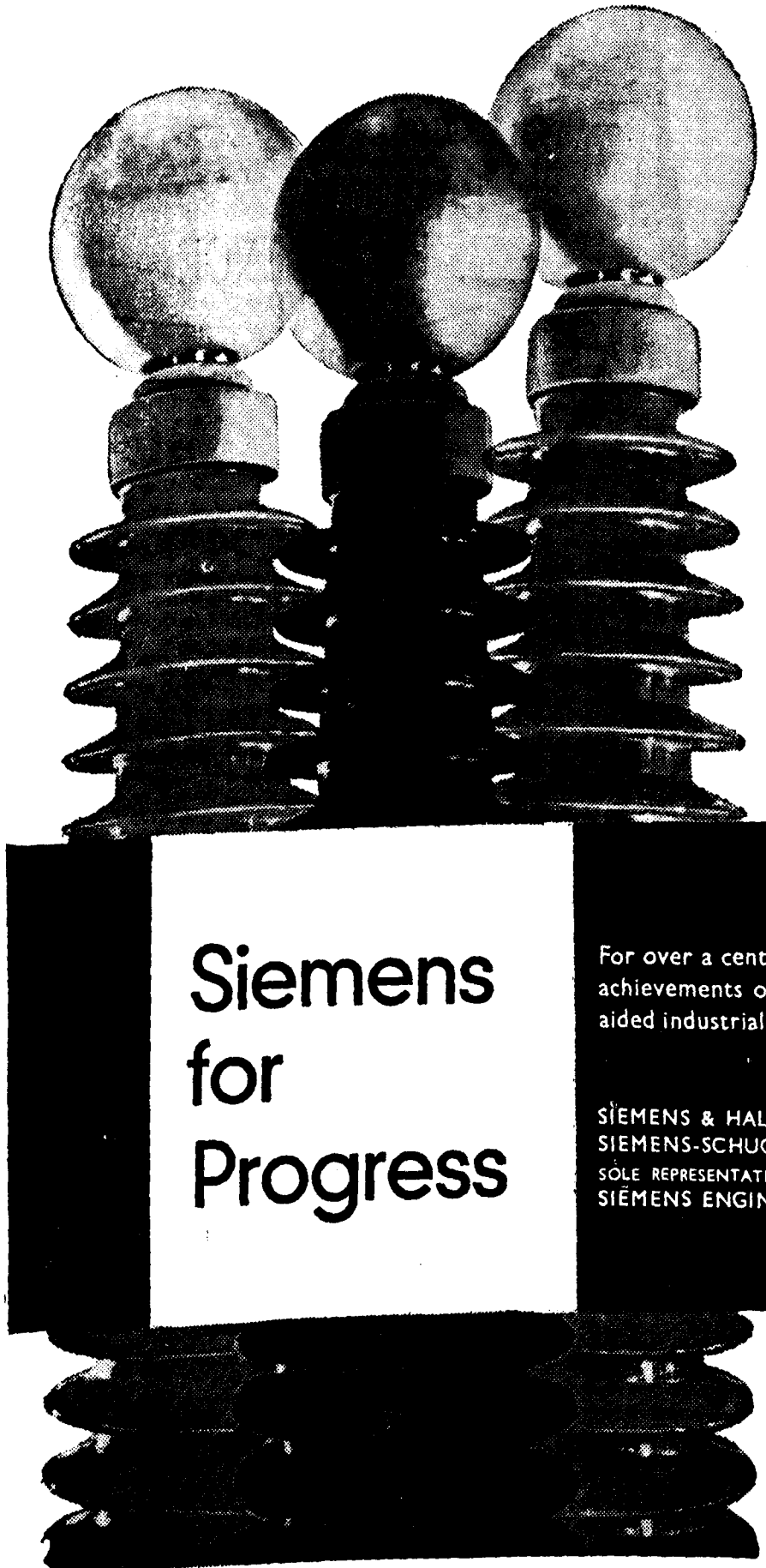
basic reason is unwillingness to pay the cost of housing even if higher rents leave less to spend on cars, holidays and the other prized advantages of economic progress. The attachment to rent controls remains intense, even, be it noted, in "liberal" West Germany, and as long as this is so the housing shortage must persist, or only very slowly be overcome. Since however, as has been said, the motorisation of Europe will force a remodelling of its cities and a different mode of life, it is perhaps just as well that the Europeans did not go further and faster with post-war housing reconstruction; almost everything they did in that line is already unsuitable for a car-per-family population, not to mention the deplorable quality of this cheap, hurriedly built housing in West Germany as well as in France.

Price Rise

Having referred to the inadequacy of the road system (which in France means a lack of superhighways, but in West Germany means a lack of ordinary roads whereas the 'autobahns' are more or less sufficient), one may mention as the last serious cause of widespread discontent the constant rise in food prices. One must hasten to add that food is claiming a diminishing percentage of family budgets, so one should not attach too much weight to the bitter complaints that dearer food occasions throughout West Europe. The situation is not at all what it is in the Communist countries where food supplies are irregular and often impossibly expensive for the average worker; e.g. even milk and potatoes disappear from Moscow shops from time to time, while all the East European peoples are denied tropical foods. In contrast, in West Europe food is always available and one would have to search for a family that really cannot afford its fill. But there is universal resentment at having to pay prices that seem "unfair" in comparison with those of industrial manufactures.

This issue is at the root of the long dispute about the Common Market's agricultural policy and, to a large extent, about that region's trade relations with the USA (since a good part of America's exports to Europe is food). Thus to analyse it further would lead us into a large and complex subject. Since we are looking at the human angle rather than the properly economic, suffice to say that there would seem to be a perversion of values in a society that refuses to support its own peasantry by paying for food what it is worth, while being ready to pay any price for motor cars and holidays. By refusing to pay for housing what it really cost, West Europe virtually annihilated the landlord class. It can scarcely propose doing the same with its farming class, who constitute 20 per cent of the population in some parts of Europe.

One prefaced this list of satisfactions and dissatisfactions by warning that no balance could be struck, though of course most Europeans would confess that they are better off today than in 1948 — which has not weakened the Communist parties, with their myth of increasing exploitation. Perhaps the clearest indication of popular sentiment is the preference in politics for efficacy over ideology, which means the desire for a regime that will give more of what is already enjoyed rather than anything different. Excluding the Communist parties (and even then, there would be something to be said about them), the Left has gradually abandoned its programme of radical change and offers itself as the more efficient, steadier management group — a claim that so far has not carried conviction outside Italy, so that most Europeans continue to prefer proven managers of the style of Erhard and the Gaullist "technocrats". These are not, in the economic sense, conservative regimes for they are committed to the dogmas of full employment, increasing production and social justice even, if need be, at the expense of some details in property rights. Their "liberalism", like the socialists' "radicalism", covers the promise to go on giving Europe what it has been getting since 1948.



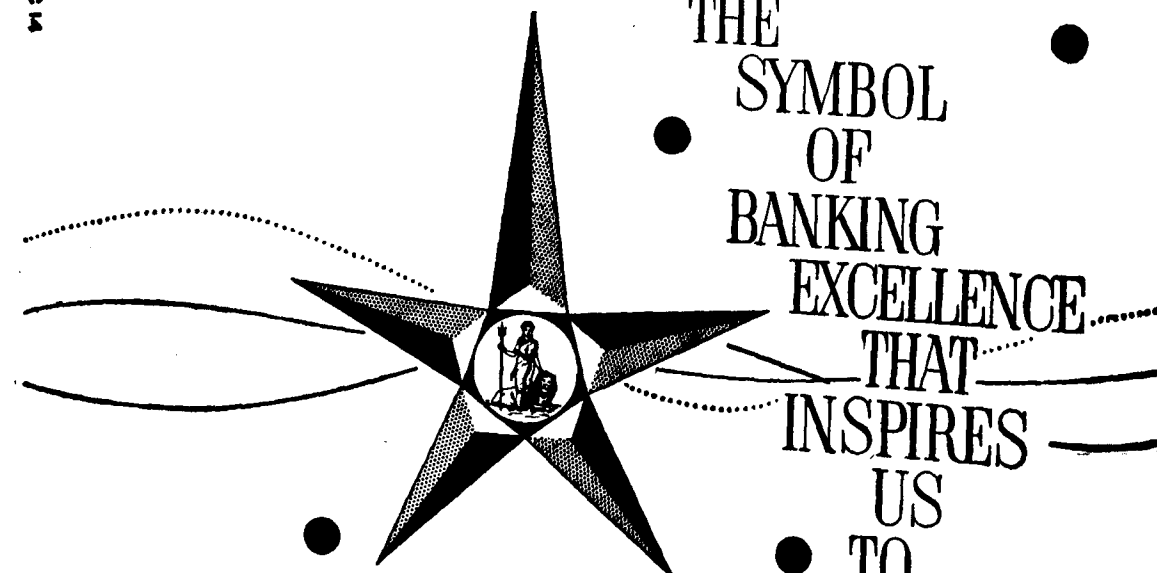
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Development Planning in Under-Developed Countries

VINAY P. BHENDE

IN RECENT years, most of the under-developed countries have become aware of the need of improvement, and they have been formulating and implementing development plans. In most countries there is an attempt to make intervention by government conform to an overall plan, but many of the most important planning decisions are made on the 'ad-hoc' basis. Apart from the administrative weaknesses of the governments concerned, one main reason for the discrepancy between the objectives of the plan and actual procedures is the difficulty of translating the objectives into principles that will guide day-to-day government operations.

Despite differences in data, economic structure, and the political effectiveness of governments, development planning involves an analysis of production possibilities and a choice from among alternatives, which are essentially similar for most of the underdeveloped countries.

The traditional approach to development planning is to employ the Leontief Input-Output Model. Given the final bill-of-goods describing the planned-for final consumption for the various key-sectors of the economy, and technical co-efficients of the Input-Output Matrix, this matrix when inverted yields the total levels of activities, which should be planned for, in order to realize the desired bill-of-goods after the inter-industrial consumption.

However, there are many shortcomings in this model, inasmuch as (1) the problem of conflicting objectives is ignored. This model only tells how much should be produced, irrespective of their capital requirements. It does not consider import-export alternatives neither does it consider alternative methods of production; (2) the models are strictly macro-economic, working with crude average technical co-efficients and capital-to-output ratios. In reality, these constants vary with the particular projects selected in the programme; (3) the time-lag between investment and returns is not incorporated in the model; (4) the optimal solutions are too sensitive to data and do not permit modifications conveniently.

These shortcomings can be overcome by the Linear Programming approach.

This article is intended to show how the Linear Programming technique can be usefully applied for development planning in under-developed countries.

Structural Disequilibrium

A country, whose economy is not in the state of Structural Equilibrium is described as under-developed, and its economy as an under-developed economy.

One of the most significant characteristics of the economies that are loosely described as "under-developed", is the inefficient use that is made of the available resources. The causes of this situation are very complex, and will not be analysed in detail in this article, but, in short, they result in an economic structure for which some of the crucial assumptions of general equilibrium theory are not valid. The price system does not function so as to produce full employment of labour and natural resources even with a high level of demand. The tendency for marginal returns of factors to equalize in different uses becomes limited. This result can be attributed to small markets, ignorance of technical advances, lack of complementary public investment, an aversion to risk-taking by the rich classes, a low level of savings, shortage of efficient industrial entrepreneurs, and many other factors.

Mr. Bhende is studying at the Purdue University in Indiana, USA, for a Master's degree in Industrial Engineering. About his article he says:

"The paper is written to suggest a new approach to the development planning, particularly suited for the underdeveloped countries. As explained in the paper, government intervention is very important to bring about a balanced growth of economy in underdeveloped countries. In order to have the plans balanced and consistent, the planning body needs a systematic approach to analyse the prevailing conditions and to make the best possible decisions accordingly.

"The methods presently used are macro-economic in nature, and have many drawbacks. The technical figures used for planning are crude averages. In actual practice, the figures vary considerably with every individual project. The approach in the paper uses a 'Linear Programming Technique', for analysing all the data and figures of the individual projects, in the light of the objective and the prevailing limitations. The figures used in the paper are strictly hypothetical. The problem was solved by the IBM 1620 computer. The matrix and the computer solution are attached to the paper."

Although, all these factors may not be encountered together in a single instance, their features are sufficiently important to make the assumption of "Structural Disequilibrium", a better starting point for the analysis, than that of a full-employment equilibrium. Structural disequilibrium reflects an inequality between proportions in which they are utilised. The existing distribution of the capital and other complementary factors do not permit the best use to be made of the available and natural resources.

The fact, that the capital and foreign exchange are typically scarce in under-developed countries, makes their allocation the important feature of any development plan. The existence of under-employment of labour and scarce foreign exchange distorts the pricing system and often results in a wide divergence between the social and private benefits of investments. For this reason, among others, government intervention in economic activity tends to be more widespread in the undeveloped countries, than in more advanced countries.

In all countries in the stage of development, it is common to find the newly built facilities lying idle, because of non-availability of raw material, water, power, skilled labour or services. At the same time, there may be idle capacities of old and new facilities due to the insufficient market or unjustifying modernisation of competing facilities. Conversely, available capacities, especially for consumer goods, may not be sufficient to meet the market demand as determined by the disposable income. The result is inflationary pressure on currency. Danger of inflation is serious when large investments are made in overambitious plans without sufficient simultaneous investments in consumer goods industries. Hence in order to reach the objective in the fastest possible way, development plans must be balanced and consistent.

For any under-developed country, the main objective of development planning is to bring about sizable increase in national income so as to increase the standard of living.

With special reference to the economic policy of India, the

main objectives of planning are: (1) increase in national income; (2) rapid industrialisation with particular emphasis on the development of basic and heavy industries; (3) expansion of employment opportunities; (4) reduction in inequalities in income and a more balanced economic growth.

Obviously enough, it is assumed that the rate of development be as fast as possible, the main limiting factors being the available capital and natural resources.

Capital increases through investment, and more investment calls for more savings or foreign assistance. Foreign assistance, if not in the form of grants, means some burden for the future. The extent to which foreign loans can be repaid will depend, ultimately, upon what can be saved at home in the future. Domestic savings are, therefore, the more reliable source of capital accumulation. But domestic savings can be increased only by sacrifices in present consumption, comparable to the future increases in consumption it promises. Hence, it would be practical to estimate the amount of domestic savings and capital imports that could be expected assuming no changes in economic policies, and then calculate the rate of growth that this level of savings and investments would provide, and finally, compare it with the desired rate of growth. This is necessary to assure that the targets set are feasible.

Economic development implies structural changes due to the different rates of growth in different industries. Accordingly, it is extremely important to distinguish the broad sectors. For example, at the core of under-development usually lies a very slow expansion of demand for agricultural products, combined with the low man-year productivity in agriculture. Hence, the rapid rise in the national income implies a partial shift of resources from agriculture to industry, which tends to expand at a faster rate.

Tentative Goal

Instead of maximising the national income in one step, it is convenient to set a tentative goal, which is translated into targets for each category of final commodity and minimising the amount of capital required to achieve this target. The targets can be lowered or raised, depending upon the available supplies of investment funds. The amount of investment should be chosen as the function for minimisation, because neither the supplies of domestic savings nor the foreign exchange is fixed in amount. Both depend upon government policy and the results which will be achieved. The best way would be to find the capital requirements for different targets, as a guide to political decisions, before a programme is adopted.

The first step in development programming should be to determine the general rate of economic development, the country seeks to attain. As the most common and appropriate measures of economic development are expressed in terms of such aggregate quantities as national income, consumption, savings, investments, or employment, the general rate of development may be most usefully set out in terms of these quantities as a set of economic targets of the country, so that they provide a framework for the further stages in programming.

The second step should be to select the various key sectors, that is, the sectors which are of prime importance to the economy, and which need government intervention. Then the various departments should be asked to design projects for the expansion of these sectors. These projects should be technological alternatives for producing certain commodities. From preliminary survey, close estimate of the inputs and outputs in a specific project should be prepared.

All the project proposals should then be analysed in the light of the objective and various resource-limitations and other factors, such as social and political considerations.

The steps in this procedure can be outlined as follows:

- (1) to make the initial projections of the growth of national

income, supply of resources, and the balance of payments; (2) to determine the composition of final demand for consumer goods, investment goods, and exports on the basis of expected domestic demand and foreign demand; (3) to design, or invite project proposals in the key sectors. The projects should be designed after a detailed survey by the competent technical personnel; (4) to make a tentative selection of projects and their levels, which, as a group, are consistent with the expected demands and resource-limitations and which make the whole programme an optimum one in the utilization of resources.

It will be shown below how the Linear Programming technique can be used to analyse the various project proposals, and to select the projects to achieve the desired objective, within the imposed limitations.

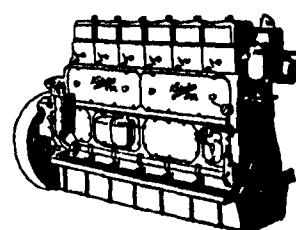
Assumptions

- (1) Income distribution, and hence, social welfare can be made independent of the development programme. This depends primarily upon the government's ability to redistribute income to the unemployed.
- (2) Social welfare is unaffected, whether the commodities are domestically produced or imported.
- (3) Quantity imported will not affect the world price, since the local demand is a small part of the world market.
- (4) Export prices are known and will not change considerably with the amount exported, as long as the amount does not exceed a particular limit. (This limit

Kirloskar

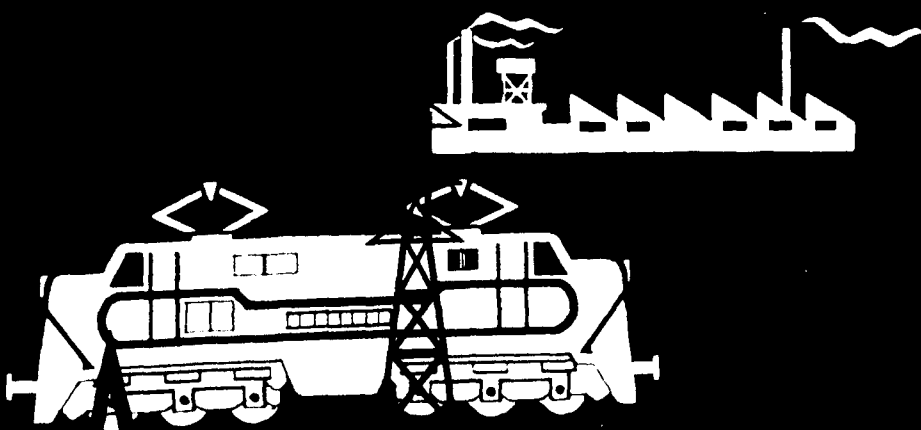
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is taken care of in the export demand constraint.)

- (5) The difference between the projected demand and the domestic production will be imported, or exported.

FORMULATION OF THE PROBLEM

In the Linear Programming model that is formulated in this paper, the objective function is

"To Minimise the Total Capital Required For the Development Program"

Symbolically:

$$\text{Minimise } \sum_{j=1}^n C_j X_j$$

Subject to:

$$\sum_{j=1}^n a_{ij} X_j + M_i - E_i \geq b_i \quad i = 1, \dots, m \quad \dots (a)$$

$$\sum_{j=1}^n a_{lj} X_j \leq L \quad \dots (b)$$

$$\sum_{j=1}^n X_j + \sum_{i=1}^m M_i m_i - \sum_{i=1}^m E_i e_i \leq D \quad \dots (c)$$

$$X_j^p \leq 1 \quad \dots (d)$$

$$E_i \leq D_i \quad \dots (e)$$

$$X_j \geq 0 \quad \dots (f)$$

$$b_i \geq 0 \quad \dots (g)$$

$$M_i \geq 0 \quad \dots (h)$$

$$E_i \geq 0 \quad \dots (i)$$

Where

C_j = The capital investment for the j^{th} activity.

X_j = the j^{th} activity

a_{ij} = the amount of commodity i produced by the unit of j^{th} activity.

M_i = The amount of commodity i imported from the foreign market.

E_i = The amount of commodity i exported to the foreign market.

b_i = The projected future requirements, of commodity i .

a_{lj} = The amount of labor required for j^{th} activity.

L = Total labor supply.

X_j^p = The j^{th} project activity, which cannot exceed unit level.

D_i = Demand for commodity i in the foreign market.

t_j = Foreign exchange required for unit of j^{th} activity.

m_i = Cost in foreign exchange for importing one unit of commodity i .

e_i = Revenue in foreign exchange earned by exporting one unit of commodity i .

D = The exchange deficit permitted in the period considered

The variables, (or activities) in this model are the various proposed projects. A project can be defined as a definite investment pattern, which relates the various inputs to the outputs they are expected to produce. It may be a new steel mill, a hydro-electric power plant, an irrigation project, etc. Reliable estimates can be made by experienced personnel in the field.

A government explores various possibilities of development in terms of projects through its various departments. Improvement may be through social development or material development. Social development consists of health, housing, education, employment, recreational facilities, etc., while material development consists of increased consumption of various economic goods. If any of these is considered, its development can be brought about in a variety of ways. The best method will differ with different countries, their resources, economic situation and many other factors.

For example, let us consider production of agricultural goods, say, wheat. It can be produced in many ways. To list some of those: (1) by using manual labour, cattle, and depending upon the rain for water supply. This is a labour-intensive method; (2) by using tractors and other agricultural implements, and water sprinklers for water supply. This is a capital-intensive method; (3) various combinations lying between (1) and (2):

The Alternative

As an alternative to producing, wheat can be imported also, to some extent or in full; or more can be produced than the domestic demand and the rest exported to foreign countries.

Similar is the case with all other commodities. The government has to decide how the demand of the people for these various commodities should be met, with the minimum capital investment, and with the available resources.

The constraints can be divided into five main categories.

- (1) Minimum requirements of various economic goods. The present demand of various commodities and their income elasticities are estimated. Then from the forecast level of income, expected domestic demands are calculated. The minimum amount of consumption of goods is also decided by government policy, depending upon the rate of development sought and upon the social and ethical factors. Skilled labour is also considered one of the economic goods which is produced by an educational project and consumed in other sectoral projects. Constraint (a) in this problem is of this category.
- (2) Available natural resources. Limited availability of the natural resources sets up a limit. Constraint (b) is of this category, labour being the resource.
- (3) Maximum permissible deficit in foreign exchange. The total value of imports should not exceed the value of the exports by more than the maximum deficit permitted. Constraint (c) is of this category.
- (4) Activity level constraints.

Some of the activities considered in this model are various projects. It is obvious that a project activity cannot exceed 1, because all the estimates and the values associated with the projects are the largest possible values under that particular set of conditions. Generally, all the inputs are related to each other in nearly the same proportion at any level of activity less than one. Hence, these activities should be constrained to be less than or equal to one. Constraint (d) is of this category.

- (5) Export demand constraints.

Amount of goods exported cannot exceed the demand

for the goods in the foreign market, at the set price. Constraint (e) is of this category.

Constraints (f), (g), (h), (i) are added to ensure the economic feasibility of the programme. It is obvious that the activities, requirements, amount of goods imported, and amount of goods exported cannot be negative.

Totally, this problem consists of 25 constraints.

Regional constraints can also be added to the model, stating that the capital spent on each region (or state—this is a geographical classification) must be at least a certain amount, which is set by the government policy. If one state does not have enough development projects, there will not be sufficient development in the state. Hence, to assure a balanced growth, some capital should be spent for developing such states. However, these constraints are not included in this model. Instead it is suggested that, after getting optimal solution, capital spent on the projects in each state should be found out, and for the states in which enough capital is not spent, shortage amount should be spent, making the necessary correction to the total budget. This capital should be spent in the form of industrial estates, giving scope for minor industries, small-scale and village industries, and other programmes, which should be planned on the "state-level". In this way a balance can be struck by having major industrial activities situated in the most efficient locations and at the same time having a balanced development of all the geographical area of the nation. This consideration is also necessary to cultivate motivation in the people throughout the country and to account for the fact that labour force is not perfectly mobile. In the absence of this consideration, some states which are not comparatively productive may remain undeveloped, while the other may become congested in the long run.

Fourth objective, namely, a reduction in inequalities in income can be achieved separately by constructing a suitable tax-structure, and hence is not considered in this formulation.

To give an illustration, a project activity is described here in detail: (The matrix is given on page 1468).

ACTIVITY	—X ⁶	UNIT
CAPITAL	150	Million dollars
Constraint	Description	Amount
No.		Unit
4	Steel	800
5	Power	— 25
6	Coal	—300
7	Transportation	— 3
8	Cement	— .8
9	Petroleum products	— 1
13	Skilled labour	—2.5
14	Unskilled labour	30
15	Foreign exchange	3
17	Steel project	1
X ⁶		Activity level

X⁶ represents a steel project, which is expected to produce 800 kilo-tons of steel. (i.e. 800,000 tons/year). It will require an installed capacity of 25 megawatts of electrical power, 300 kilo-tons of coal, 3x10⁸ ton-miles of transportation facilities, .8 kilo-tons of cement, 1 kilo-ton of petroleum products, 2.5x1000 man-years of skilled labour, 30,000 man-years of unskilled labour, a foreign exchange of 3 million dollars, and the project can be conducted efficiently at or below activity-level of one.

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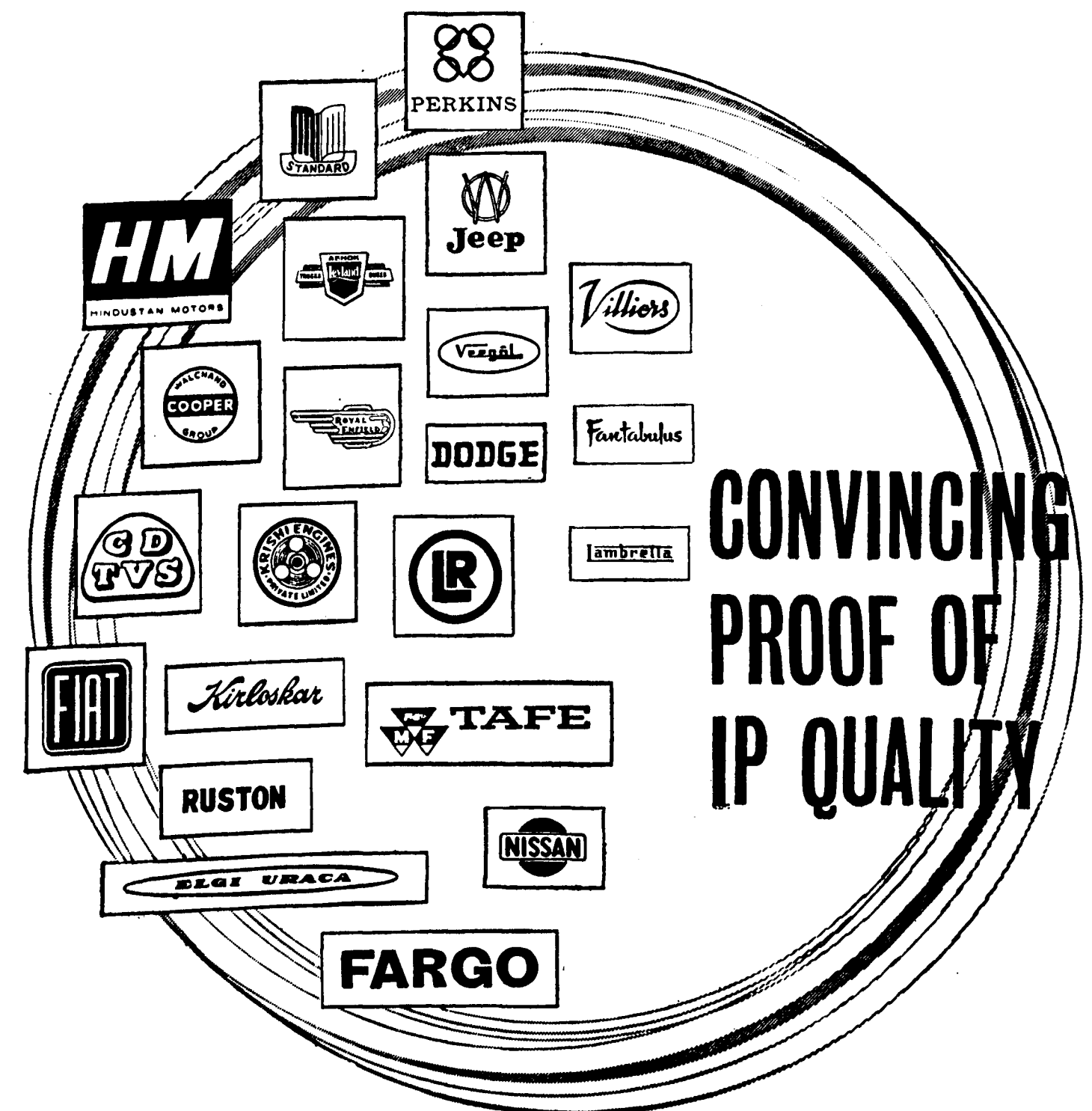
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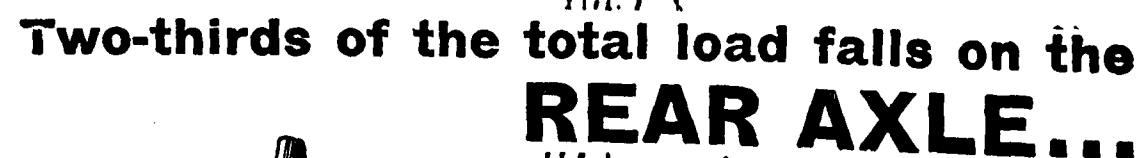
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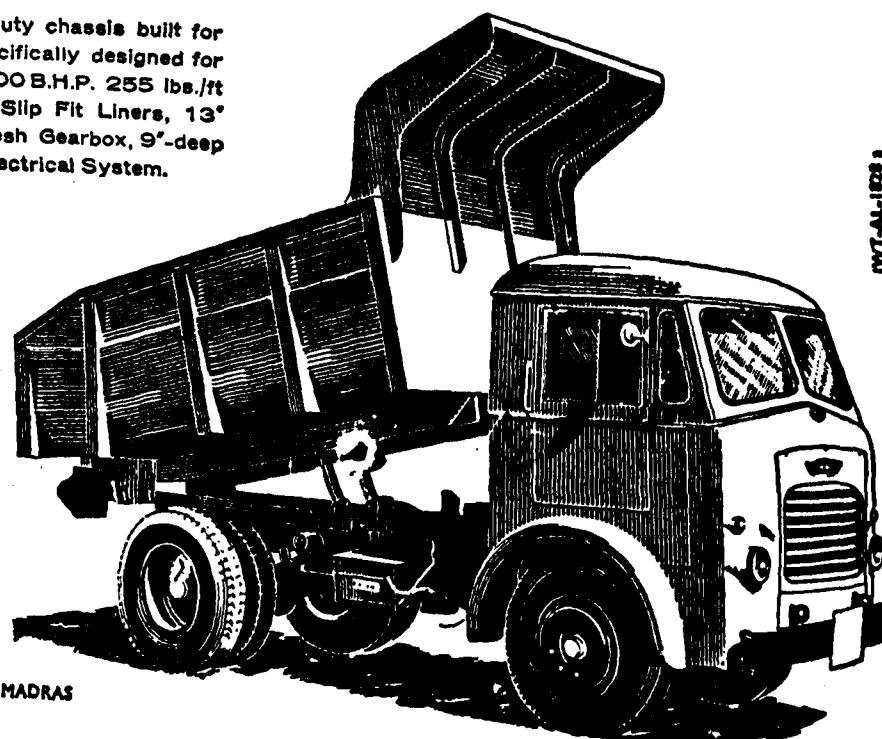
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It may be observed that the export prices are slightly less than the corresponding import prices. The ratio of the foreign exchange earned by exporting a unit and the foreign exchange required to import a unit is about 0.9. This takes into account the fact that, for importing, the shipping charges have also to be paid in the foreign currency, and overall shipping costs are nearly 10 per cent.

Activities 1 through 17, i.e. X_1 through X_{17} through X_{17} represent various projects, activities 18 through 22 are import alternatives for some of the commodities. Activities 23 through 28 represent the exports of some prospective commodities. From 29 through 41 are the artificial variables associated with zero costs. These variables denote the excess amount of goods over the demand, after the inter-industrial consumption and import-export activities are considered. Though these will be zero in almost all cases, these are included to add flexibility to the programme. Since the problem is to be solved by the computer, the inclusion of these variables is necessary to have the feasible solution. Also the shadow prices of these variables will show the required change in capital if the requirement of the commodity is slightly changed. This will help a great deal to check the programme and make revisions in it by eliminating the bottlenecks and making full use of other resources. Variables 42 through 66 are the basis variables, out of which, 42 through 54 are mainly used to facilitate the computer programming. Since all the basis variables and requirement elements must be positive, these positive variables were added to start with the feasible programme. Since all the inequalities associated with these, i.e., rows 1 through 12 are of the form equal to or greater than b₁, none of these basis variables should appear into solution. Hence, they are assigned very high capital costs 999,999 (highest available on IBM 1620 computer) $\times 55$ is a slack variable associated with the constraint 13—of direct labour. This represents the amount of labour unused in the programme. This is the unemployed labour. Cost of .12 million dollars per 1000 man-years is assigned to it with the view that no resource with zero capital cost should be left unused. In the thickly over-populated country, it is not possible to give full employment to the people before a certain growth has already been achieved. There is no point in using labour unproductively in any country, just to create full employment. The supply of labour is so much that the intersection of demand and supply curves occur at a very low price, even below the subsistence level and this price makes the labour almost impossible to live with. Hence, the government has to set a minimum wage level to assure that the labour is not employed at the wage level less than the subsistence level. In this case, there is bound to be some unemployment. It is suggested that the government should conduct an unemployment aid programme, through which the unemployed adults should be given some monetary help, which is necessary for bare survival. So, the cost of 0.12 million dollars is associated with this variable. This is an absolute minimum amount necessary for survival. However, some of this unemployed labour is employed in the small-scale industries and the industrial estates, which are considered separately from

x_{56} is a slack variable associated with the 14th constraint, that of foreign exchange. This represents the unused exchange from the allowed deficit. Its shadow price indicates the accounting price of foreign exchange, and it is equal to the incremental capital cost of earning foreign exchange through exports and to the incremental capital cost of saving foreign exchange through import substitution.

X65 and X66 are associated with constraints 24 and 25 respectively. They represent the difference between the export level and the maximum amount of export possible, which is an estimate of the foreign market.

The matrix is given herewith, with the units written besides the requirements matrix. The problem was programmed and solved by the IBM Fortran 1620 computer. The computer solution is given on page 1469.

The computer solution enlists the 23 iterations, the functional, the variables which enter the solution, and the variables which leave the solution.

The second part of the solution enlists the variables which appear in the final solution, with their activity levels. Also, the upper and lower limits of the cost of these variables, with the respective variables which set these limits are listed. In other words, the optimal solution does not change, if the cost of the variable lies within this range, the cost of the others being unchanged. If the capital cost of the variable goes beyond the upper limit, the variable will go out of the solution. If it goes below the lower limit, its activity level will increase. The problem was programmed for the computer as a maximisation problem, with the negative sign attached to the capital costs. Due to this sign, the upper limits associated with higher costs are defined as the lower limits in the computer solution, and vice versa.

It can be seen that 4915.3547 x 1000 man-years of unskilled labour are still unemployed. If the government decides to spend less than \$0856 million per 1000 man-years, the unemployment will increase. To create full employment, the government will have to spend at least .3204 per 1000 man-years. In the same way, all other variables can be analysed.

Third part of the solution enlists the variables which are not appearing in the optimal solution, with their shadow prices. Capital cost range for these variables is also given, within which, these shadow prices are valid.

Variable 56, slack for foreign exchange is of special interest. It indicates the accounting price of the foreign exchange, which is very important for making export-import decisions. Hence, one dollar of foreign exchange should be considered as equivalent to \$1.0421. This indicates the necessity of increasing exports, and restricting the additional imports. Shadow price of variable 35 is \$1.7717 million and indicates the saving made by reducing the target for transport by 1 ton-mile, or additional capital required to increase transport facilities by 1 ton-mile. Thus, the effect of varying the targets on the total capital required can be seen. By this sensitivity analysis, all the targets set should be reviewed, and the necessary revisions should be made. A few recommendations for guiding the policies are made below.

The optimal solution was reached on the Fortran 1620 computer after 23 iterations. The functional — the minimum

capital required to achieve the target is—6290.3908 million dollars.

With each iteration, the value of the functional, the variable which entered the solution, and the variable which went out of the solution, are given.

The main decisions, which the solution suggests, are:

- 1 Produce 11.8399 x 10⁶ tons of wheat by labour-intensive method, and import the rest of the amount.
- 2 Produce all the rice demanded, by labour-intensive method.
- 3 Produce the fertilizer domestically, by starting the proposed fertilizer project with full intensity, and import to meet the additional requirements.
- 4 Start the project 6 for producing steel, and export the extra production of about 147,311 tons. Do not take up project 7.
- 5 Start the irrigation project. This should be taken in 4 stages, and the first stage must be completed by the end of this planning period.
- 6 Start the power project 9 with full intensity.
- 7 Extract about 13,843 tons of coal from the coal mines.
- 8 Increase transportation facilities to handle about 12.1622 x 10⁸ ton-miles.
- 9 Start the cement project with full intensity and export the extra production of cement, which will be about 1374,589 tons.
- 10 Start the first stage of petroleum project, producing about 1260 tons at the end of first planning period.
- 11 Start the textile project with full intensity and export 80 million yards of cotton-textile.
- 12 Produce 1000 million yards of handloom-textile (12.5 x 80) exporting 500 million yards. If more can be sold, more should be produced. Special efforts should be made to increase the sales, in both domestic and foreign markets.
- 13 Produce 200 million units of hand-made articles, and export 180 million units. Special effort should be made to increase the sales, especially in the foreign market.
- 14 The accounting price of the foreign-exchange should be taken equivalent to \$1.0421, in making further import-export decisions.
- 15 In setting up industrial estates, and small-scale industries, special attention should be given to the employment of labour. Nearly 5 million people need to be employed in these activities. This amount should be allotted to the states, in which enough projects are not taken up.
- 16 The tax structure should be set so that it enables to collect the capital required for the programme.

Summary

The main lines of the discussion of this paper can be summed up as follows:

- 1 The main analytical problem in formulating a development programme is to find a solution which is consistent with the expected demands and the resource limitations and which is efficient in using the resources. Methods presently used do not ensure that the best use is made of the resources.
- 2 In setting up an investment programme, the choices have to be made among various alternatives. Of all the decisions, the choice between imports and domestic production is both the most difficult analytically, and the most important, since it determines the future

pattern of development. The linear programming formulation is particularly suited to analyse this problem. Though it cannot be empirically applied in great detail, it should at least clarify thinking on this subject. The principal application of this approach is to determine the shadow price of exchange rate at this level.

Since the structure of the economy is continuously changing and the information for analysis is continuously being improved, the revision of programmes and policies should be thought of, as a continuous process. "Sensitivity analysis" would be the best tool for deciding the policy instruments and to make the policy decisions, and revisions.

This approach will serve the purpose of guiding the policy decisions regarding the resources allocation, though it will not be a good forecast of the rate of growth. However, this difficulty can be partially overcome by constantly comparing the plans with the results. Even the error in forecasting is not very detrimental. An overestimate of the rate of growth may result in investments to be made too soon, with consequent under-utilisation of capacity till the estimated level is reached. But, this waste is certainly less severe than that caused by investment in a sector for which economy is not comparatively prospective. Incorrect analysis of the pattern of growth may result in high prices in some sectors and may call for government protection for another sector. But, the error in estimating the rate of growth can be wiped out over time. It is much harder to shift the resources from one sector to another, than to change the rate of production.

By sensitivity analysis, boundary conditions can be studied in details and the effect of changes in the target values on the whole economy can be visualised. Its use is particularly glorified by the fact that, in most of the cases, the availability of capital is not fully in the control of the government, particularly, when it is depending upon the foreign grants to a large extent. Hence, when the capital requirement, as shown by the functional in the optimal solution cannot be fully met, or is less than the available capital, targets can be lowered or raised to suit the disposable capital. Parametric linear programming available on IBM 7090 computer has greatly facilitated this use.

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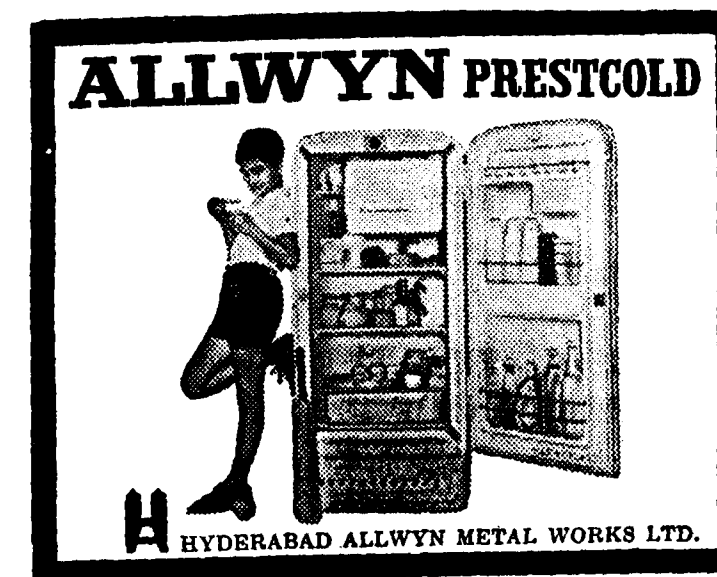
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SECTORS	ACTIVITIES	PROJECTS										IMPORTS										EXPORTS										ARTIFICIAL VARIABLES										BASIS VARIABLES										REQUIREMENTS																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																					
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CASE	PROJ				
ITER NO	FUNCTIONAL	VAR OUT		VAR IN	
001	3822248125	0046999999		0008600000	
002	3821401722	0050999999		0013200000	
003	3712995760	0047999999		0010060000	
004	3712816449	0049999999		0012250000	
005	3687024623	0045999999		0006150000	
006	3677071582	0051999999		0014006000	
007	3627706354	0052999999		0015015000	
008	3625759956	0053999999		0016012000	
009	3623745506	0044999999		0005070000	
010	3613333295	0048999999		0011006000	
011	3613268647	0056000000		0018000000	
012	3542333358	0054999999		0017005000	
013	3528949367	0057000000		0003070000	
014	3523882762	0043999999		0020000000	
015	3513893948	0018000000		0001100000	
016	3513360544	0061000000		0009200000	
017	3466747895	0042999999		0026000000	
018	3466443360	0064000000		0057000000	
019	3466433360	0057000000		0018000000	
020	3464565387	0065000000		0027000000	
021	3464093313	0066000000		0028000000	
022	3462911540	0062000000		0025000000	
023	3462903908	0058000000		0024000000	
FUNCTIONAL	3462903908				
VAR/COST	ACTIVITY	VAR	LOWER LIM	LIM VAR	UPPER LIM
0026000000	79.9999	0064	.6746-	0051	999.2695
0020000000	34.2110	0007	1.2192-	0057	.0423
0005070000	1.0000	0057	72.1810-	0034	9999.9000
0006150000	1.0000	0058	154.1187-	0007	9999.9000
0008600000	.2663	0007	893.9891-	0061	491.4673
0010060000	13.8436	0058	80.0917-	0007	40.3969
0011006000	12.1622	0058	18.9456-	0007	6.6245
0012250000	1.0000	0062	378.7517-	0023	9999.9000
0013200000	.6307	0058	1290.9566-	0037	24.9513
0014006000	.9999	0064	127.4411-	0019	9999.9000
0015015000	12.5000	0065	44.8201-	0039	.0336
0016012000	3.3333	0066	27.7876-	-	3.5253
0017005000	125.9227	0058	7.	-	.2998
0055000200	4915.3547	0057	.3204-	0007	.0856
0001100000	11.8399	0007	102.4588-	0058	97.6414
0003070000	20.0000	0019	153.1751-	0030	3.1404
0024000000	147.3110	0058	.0051-	0007	.0053
0059000000	3.0000	0007	.8931-	0000	9999.9000
0060000000	3.6681	0061	21.7065-	0007	58.7980
0009200000	1.0000	0061	253.7694-	0000	9999.9000
0025000000	1374.5892	0062	.0858-	0022	.0312
0063000000	2.9529	0037	28.1189-	0058	136.3695
0018000000	7.9469	0058	2.3430-	0007	2.4424
0027000000	500.0000	0065	.3727-	0000	9999.9000
0028000000	180.0000	0066	.2622-	0000	9999.9000

VAR/COST	SHAD PRICE	LIM VAR	LOWER LIM	LIM VAR	UPPER LIM
0047000000	21.8108	0020	.0664-	0005	.1000
0002300000	225.4577	0008	16.6244-	0024	2.9430
0064000000	20.2401	0001	55.1731-	0026	2.6666
0004300000	256.5287	0008	13.3202-	0024	2.9423
0040999999	998.4358	0018	513.0364-	0020	33.1810
0045999999	999.7697	0024	147.3010-	0001	5253.2399
0007100000	2.6793	0024	.2965-	0059	1.0000
0046999999	999.9458	0060	7387.1680-	0008	2682.0928
0061000000	13.4423	0008	2.1506-	0009	4.0000
0047999999	999.9542	0024	9999.9000-	0010	9999.9000
0048999999	998.2272	0024	97.6479-	0011	121.2147
0049999999	999.7384	0025	1374.3212-	0001	4622.8529
0050999999	999.8063	0063	737.1560-	0013	1259.2219
0051999999	999.2695	0026	79.9999-	0001	1651.0197
0052999999	999.7985	0055	9999.9000-	0015	1000.0000
0053999999	999.7402	0055	9999.9000-	0016	200.0000
0054999999	995.2947	0055	2405.7022-	0017	125.8161
0056000000	1.0421	0001	1155.7127-	0018	769.5544
0019000000	83.1751	0001	7.8430-	0018	5.2389
0043999999	926.8585	0060	116.9647-	0020	16.5531
0021000000	.0208	0024	147.3119-	0018	9999.9000
0022000000	.0312	0025	1374.6214-	0018	9999.9000
0023000000	.1563	0020	34.1052-	0018	5130.5846
0055000000	2.0593	0001	13.5603-	0024	.3705
0062000000	257.5034	0001	1.5613-	0025	.4584
0042999999	895.7875	0060	71.5964-	0001	11.5571
0065000000	.3727	0001	2118.5714-	0027	500.0000
0066000000	.2622	0001	2323.8220-	0028	180.0000
0029000000	104.2114	0001	11.5571-	0060	71.5964
0030000000	73.1404	0020	16.5531-	0060	116.9647
0031000000	1.5631	0020	33.1810-	0018	513.0364
0032000000	.2292	0001	5253.2399-	0024	147.3010
0033000000	.0531	0008	2682.0928-	0060	7387.1680
0034000000	.0447	0010	9999.9000-	0024	9999.9000
0035000000	1.7717	0011	121.2147-	0024	97.6479
0036000000	.2605	0001	4622.8529-	0025	1374.3212
0037000000	.0112	0013	9999.9000-	0063	7371.5689
0038000000	.7294	0001	1651.0197-	0026	79.9999
0039000000	.2004	0015	1000.0000-	0055	9999.9000
0040000000	.2587	0016	200.0000-	0055	9999.9000
0041000000	4.7042	0017	125.8161-	0055	2409.7022

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Capital Market Conundrums

SAGITTARIUS

AFTER NEARLY a year, the problems relating to the capital market have come in for serious attention and efforts are being made to restore confidence in the outlook for the future of Indian industries. Until the middle of last year it was somehow taken for granted that the promotion of new industries and the implementation of the expansion plans of the established industrial units can come about at a rapid rate as long as the Central and State Governments incurred expenditure on development on a large scale. The boom in capital issues during 1957-62 also gave room for the impression that the inflow of foreign capital would continue to be satisfactory and there was growing faith in the ability of Indian entrepreneurs for new tasks which called for imagination and large capital outlay. The flotation of big companies in collaboration with foreign interests and the launching of expansion plans by nearly every important unit also confirmed this view. It was, however, not realized that a reasonable level of direct and indirect taxes, a stable administration and the enthusiastic co-operation of Indian industrialists with foreign interests were mainly responsible for the phenomenal progress recorded during the past few years. It will be no exaggeration to say that the like of a boom in new capital issues, as took place during 1957-62, has not been witnessed in this country's industrial history and that the benefits of the various collaboration arrangements with foreign interests are now being derived. The boom during World War II was no doubt impressive but there was no method about the promotion of new companies, and the development of new industries during the period was of a different kind and arose out of conditions then prevalent.

Gaps Closed

The years 1961, 1962 and 1963 will emerge as landmarks as the gaps in the industrial structure are closed, and there is now greater confidence necessary for bigger and difficult tasks. The magnitude of the effort made in the past few years will be evident from the fact that consents for capital issues for non-Government companies have been for large amounts. For the six years under reference the aggregate figure was Rs. 1,025 crores. Government companies also sought permission for issuing capital to the extent of Rs. 740 crores. These issues do not have any direct significance for the capital market as the funds are directly provided from government sources, but the fact that large resources were invested in government undertakings and there was an investment boom in the private sector evidences a new trend towards employment of individual savings in industrial securities which is due to a favourable climate in the capital market and the added scope for new industries following in the wake of high levels of development expenditure.

The figures relating to the issue of ordinary and preference shares and debentures show that the consents have been utilised fairly effectively, and the amount of fresh capital raised on behalf of non-government companies amounted on an average to Rs. 103 crores a year. It is noteworthy that bonus issues did not figure prominently during 1957-61 and that only in 1962 was there greater anxiety to capitalize reserves and issue bonus shares in order to bring the paid-up capital in line with the capital employed in fixed assets. Equity shares naturally accounted for a good proportion of the capital in the case of both initial and further issues. The amount raised in 1962 would have been much higher but for the fact that during last three months, many issues were postponed on account of depression in the capital market following the proclamation of Emergency. The actual investment in the different industries would, however, have been easily of the order of Rs. 1,500 crores,

if not more, as, in spite of the liberal participation by foreign interests in equity capital of many companies, it was thought advisable to raise large sums in foreign exchange and borrow from credit institutions so that the proportion of equity to total capital could be kept as low as possible. An average annual investment of Rs. 300 crores has not been achieved earlier. The details relating to consent given by the Controller of Capital Issues and the amounts raised in various forms are given in Table I.

No reliable study has been made so far of the extent of support for new issues from different quarters. But having regard to the response for many new issues and the method of allotment of shares, particularly of equity issues, it becomes clear that there has been an enlargement of investors and there was a greater disposition on the part of new investors to regard the deployment of their savings in industrial securities as a profitable source of income. The increase in the number of individual investors certainly augured well.

The recent boom in new capital issues has been diversified in character and the capital outlay is much more than the amount consented to by the Controller of Capital Issues or the amounts gathered from the public in various forms. It is also noteworthy that the capacity of the capital market has grown considerably and large sums have been gathered both by private and public limited companies. The large capital outlay in government undertakings has no doubt swelled the total but the performance of the private sector is more impressive. The largest amount gathered was Rs. 124.23 crores in

TABLE I
CAPITAL RAISED BY NON-GOVERNMENT AND GOVERNMENT COMPANIES

Type of issue	Total capital raised (i.e. paid-up)			
	1959	1960	1961	1962
Non-Government Companies				
Initial (a)				
Ordinary	26.87	29.33	35.64	27.61
Preference	0.82	0.47	1.75	0.91
Further (b)				
Ordinary	31.87	43.65	45.59	41.19
Preference	3.98	7.44	3.85	1.33
Debentures	10.04	9.39	12.09	29.35
	73.58	90.27	98.92	100.39
Bonus	4.32	0.52	7.40	12.74
Miscellaneous (loans etc.)	19.25	21.62	13.74	17.23
	97.15	112.41	120.06	130.36
Government Companies				
Initial (a)				
Ordinary	15.43	18.82	4.03	4.50
Preference	0.02	—	—	0.28
Further (b)				
Ordinary	75.99	47.30	56.95	116.40
Preference	0.50	—	—	0.01
Debentures	—	—	—	1.00
	91.94	66.12	60.98	122.19
Bonus	—	0.63	—	—
Miscellaneous (loans etc.)	4.08	2.65	0.20	0.30
	96.02	69.40	61.17	122.49

1959. The proportion of consents utilized has been over 60 per cent. being as high as 77.4 per cent. and 75.1 per cent. in 1958 and 1959. There is always a carry-over of consents over a period of time. They were valid for 24 months until some time ago when the period was reduced to 12 months. In some cases, the promoters of new companies took time to finalize their arrangements. The sharp decline in the proportion to 40.2 per cent. in 1962 is, however, due to the uncertain conditions in the capital market in the last quarter of the year and an earlier feeling that the market had become saturated with new issues. The position will become clearer from the following figures:

TABLE II
CONSENTS TO CAPITAL ISSUE AND CAPITAL
SUBSCRIBED: ALL COMPANIES
(In crores of rupees)

Year	Consents		Capital	
	Public	Private	Public	Private
1951	43.28	17.06	24.71	10.72
1952	25.38	14.40	17.32	11.40
1953	68.57	12.70	55.91	8.92
1954	96.26	14.30	73.86	11.37
1955	98.34	27.15	59.93	14.70
1956	157.81	72.38	119.85	67.93
1957	109.05	46.73	77.64	35.91
1958	89.27	337.59	69.55	332.62
1959	128.94	88.44	97.17	73.14
1960	152.28	151.67	90.97	128.64
1961	164.69	93.37	83.85	75.90
1962	227.43	175.50	90.83	111.57

TABLE III
CONSENTS TO CAPITAL ISSUE AND CAPITAL
SUBSCRIBED: GOVERNMENT COMPANIES
(In crores of rupees)

Year	Consents		Capital	
	Public	Private	Public	Private
1951	1.50	1.35	1.25	1.25
1952	0.28	6.27	0.15	6.07
1953	2.50	6.00	2.50	4.28
1954	0.65	7.60	...	7.60
1955	1.00	3.04	1.00	2.59
1956	...	58.25	...	57.69
1957	...	13.35	...	12.09
1958	4.00	319.44	3.72	318.33
1959	4.22	47.73	4.21	41.78
1960	12.79	117.57	4.40	109.54
1961	0.30	61.66	0.30	52.71
1962	9.00	149.98	5.92	98.40

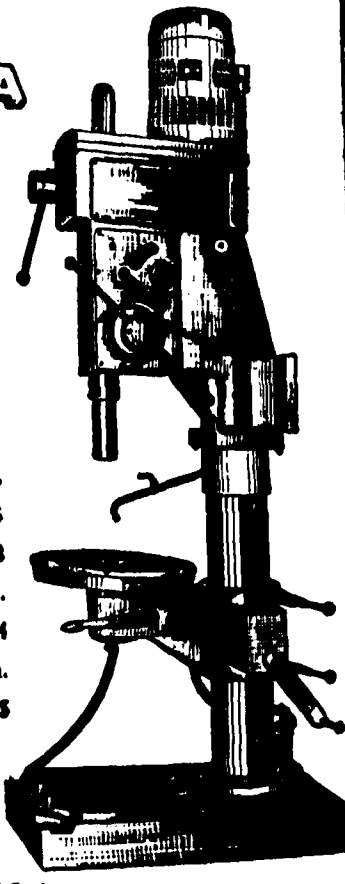
TABLE IV.
CONSENTS TO CAPITAL ISSUE AND CAPITAL
SUBSCRIBED: NON-GOVERNMENT COMPANIES
(In crores of rupees)

Year	Consents		Capital	
	Public	Private	Public	Private
1951	41.78	15.71	23.46	9.47
1952	25.10	8.13	170.7	5.33
1953	66.07	6.70	53.41	4.64
1954	95.61	6.70	73.86	3.77
1955	97.34	24.11	58.93	12.11
1956	187.81	14.13	119.85	10.24
1957	109.05	33.38	77.64	23.82
1958	85.27	18.15	65.83	14.29
1959	124.72	40.71	92.96	31.36
1960	139.49	34.10	86.57	10.10
1961	164.39	31.71	83.55	23.19
1962	218.43	25.52	84.91	13.17

In regard to the consents issued to non-Government companies it is noteworthy that, alongside of the spectacular growth of public limited companies, there was also a sharp increase in the subscribed capital of private limited companies. While in the case of the former there was a more democratic ownership and units of a large size were formed, the emergence of medium and small-sized private limited companies meant the employment of a larger proportion of the savings of small groups of individuals who got together as shareholders and entrepreneurs to promote small-scale and ancillary industries. This is indeed a favourable development which has led to a greater utilization of talent for running industrial enterprises. The growth in the importance of this sector will be evident from the fact that, during 1957-62, subscribed capital was Rs. 124.93 crores as against Rs. 183.57 crores consented to. In 1951-56, the figures were much lower at Rs. 45.56 crores and Rs. 75.48 crores respectively. Public limited companies have also grown in stature as consents for Rs. 841.35 crores were issued during 1957-62 against Rs. 513.71 crores during 1951-56. The amount secured as subscribed capital was Rs. 491.46 crores against Rs. 346.58 crores. It is needless to say that the total for the last six years would have been very much higher but for the setback in the latter half of 1962.

Need for Greater Effort

A greater effort can probably be made under more congenial conditions and new facilities created with a view to mobilizing the resources of the lower middle-income groups. The formation of the Unit Trust will greatly spread the investment habit. It may also happen that the savings of the community would become more institutionalised and the Life Insurance Corporation and, for that matter, even the banking system might be able to lend substantial support to preference shares and debentures particularly. The objective should be to



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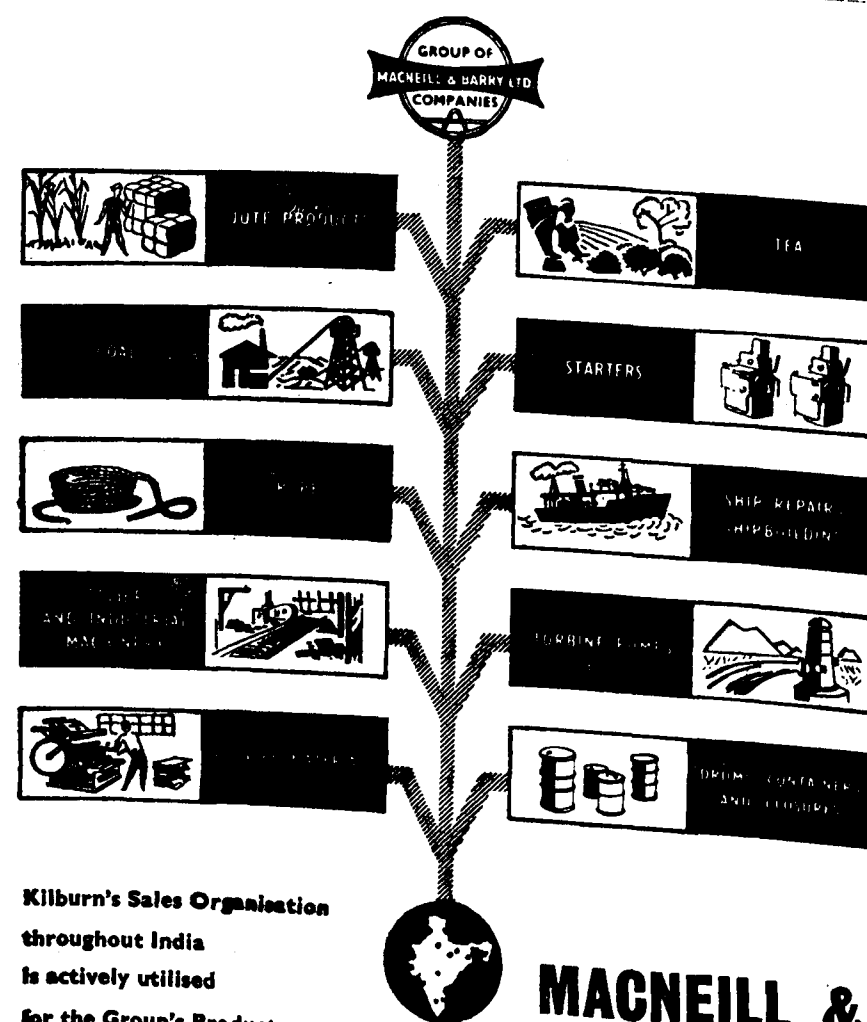
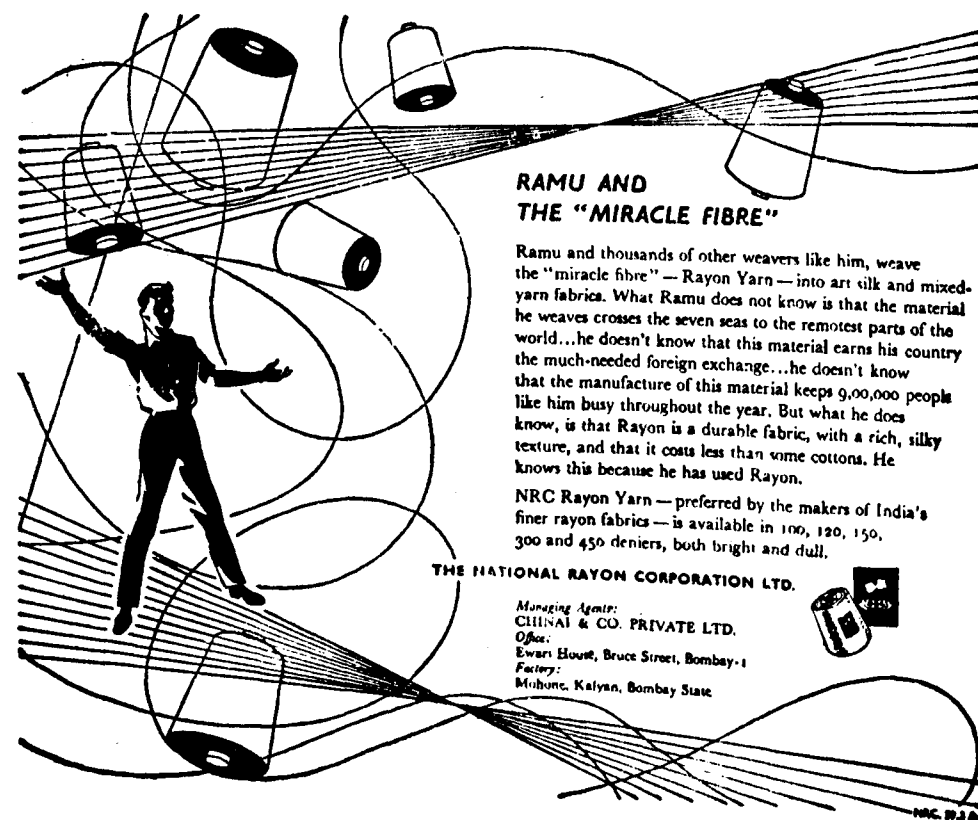
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attract, as far as possible, new savings of individuals for investment in industrial securities as it would be undesirable, from the long-term point of view, to increase unduly the importance of the statutory corporations, other than the Life Insurance Corporation. These corporations can only provide capital in particular forms and that up to a specified limit. They can, of course, be made to come to the rescue of new companies and provide short-term relief when there is a slack in the capital market. The proposal to convert the Industrial Finance Corporation into a development bank and help the Refinance Corporation provide much larger sums through the discounting of medium-term loans is certainly to be welcomed. But it must be remembered that these corporations can be made to shoulder larger burdens only in an emergency. The development of the industrial economy in the private sector has to come about in large measure with the help of individual investors and those credit institutions which can gather medium or long-term deposits from the public and can be evolved into industrial banks.

Role of Statutory Corporations

Statutory corporations, such as Industrial Finance Corporation and other State Corporations have, between themselves, as Refinance Corporation for Industry, the Life Insurance Corporation and other State Corporations have, between themselves, as will be seen from the figures given below, latterly been providing over Rs. 50 crores annually, that is a sixth of the total investment to the industrial corporate sector (private) yearly.

The share of the statutory corporations in total investment has no doubt increased in 1962 on account of the depression in the capital market and the need for new as well as established companies to secure larger support from special sources for pushing through their schemes. In earlier years, the percentages were much lower. The proportion can be said to be even higher at about 25 per cent, if the additions to internal resources of the various industrial units were excluded. But it is important to remember that the catalytic effect of the funds provided by the Corporations has greater significance for the industrial economy than the actual quantum of financial assistance, when

TABLE V
LOANS AND INVESTMENTS BY STATUTORY CORPORATIONS EXCLUDING I.F.C.
(In lakhs of rupees)

Year	I.F.C.	I.C.I.C.I.	R.F.C.	S.F.C.	Total
1957	833	235	...	370	1438
1958	748	208	...	338	1294
1959	841	321	85	394	1641
1960	662	311	141	475	1589
1961	1079	595	471	807	2952
1962	1411	985	796	1133	4325
	5574	2655	1493	3517	13239

I.F.C.—Industrial Finance Corporation of India.

I.C.I.C.I.—Industrial Credit and Investment Corporation of India Ltd.

R.F.C.—Refinance Corporation.

S.F.C.—State Financial Corporations.

Note: The increase in investment in shares and debentures by the Life Insurance Corporation during 1957-62 (inclusive) is estimated at about Rs. 48 crores, or an average of Rs. 8 crores annually, taking the total investment of all Statutory Corporations to be Rs. 180 crores or an average of Rs. 30 crores annually. The current rate, however, is over Rs. 53 crores.

the capital market was active. This is borne out by experience until 1961. Each corporation has assumed a special function and the co-ordinated manner in which funds were provided has led the industrial sector to expect that, in the absence of support for certain capital issues, the statutory corporations can be depended upon for specific kinds of assistance. Thus has it happened that, depending on conditions prevailing in the capital market, investors have shown preference for loan capital or preference shares or equity shares as the case may be. In the earlier years, preference shares were in greater vogue. Even debentures, too, were preferred—even by individual investors. But when it became clear that planned expenditure was having favourable effects on the economy, there arose a partiality for equity shares. This has been a feature of the last boom while latterly, with a decline in yields on equity shares and uncertainty about the outlook for the future, there has again been greater support for preference and debenture issues, and companies have had to think in terms of raising prior charged capital, thanks to the change in the preferences of investors. Naturally therefore, the recent issue of debentures by Madura Mills and preference shares by Jaya Shree Industries and Delhi Cloth and General Mills were successfully subscribed. There has also been a good absorption of preference shares and debentures of existing companies reflected in higher prices and even a drying up of floating supplies. If the issue of Oil India debentures of Rs. 30 crores did not prove a success, it was because the company's properties were located in an area which was considered unsafe and there was extreme nervousness in the stock markets following the proclamation of Emergency. The underwriters, mostly the statutory corporations including the State Bank of India, had, therefore, to take up a large portion of the issue on their own account.

Division of Function

The fairly clear division of function as between the statutory corporations, will be evident from the fact that the Industrial Finance Corporation usually advances loans against assets of the established companies in particular. Latterly, it has been engaged in joint underwriting operations which were, for a time, the main function of the Industrial Credit Corporation. These two institutions have also been lending in foreign currencies so that the companies which required only relatively small loans were not obliged to approach international lending institutions directly or utilize other foreign credits at the disposal of the Government.

The Refinance Corporation for its part has been discounting medium-term loans extended by member banks. These loans proved helpful to institutions which were sure of amortising their obligations out of internal resources or through the issue of additional capital at a later stage when fresh investment had started yielding results. Mr. T. T. Krishnamachari indicated in Parliament, soon after assuming office, that the statutory corporations should be enabled to play an even more important part in financing industrial growth. For this purpose, larger funds would be put at their disposal and the necessary amendments made in the law. Thus, it has been proposed that the Industrial Finance Corporation should be converted into a development bank so that loans can be extended over longer periods and the Corporation empowered to accept long-term deposits from the public. The Refinance Corporation, in its sphere, would make available to member banks much larger sums through the discounting of loans.

These changes will no doubt be helpful. But it has been overlooked that, for the provision of loans on a larger scale, there will have to be an enlarged capital base and loans by the Industrial Finance Corporation and those discounted by the Refinance Corporation should be backed by the requisite assets. If this is to be done by extending the capital base of the Statutory Corporations also, it would then mean that

the equity or preference capital would have to be provided in large part by the Corporations themselves. Even during the past few months, the I.F.C. and I.C.I.C.I. have been obliged to take up large parcels of equity and preference shares in pursuance of their underwriting commitments. The Life Insurance Corporation and the State Finance Corporations, such as the Madras Industrial Investment Corporation, have also been taking up shares on their own account with the result that the element of outside interest in some companies floated latterly has not been appreciable.

Stimulating Investment Habit

The I.C.I.C.I. has no doubt been successful in unloading some of its earlier investment at a profit and it may properly be argued that the public would be prepared to take up shares of companies which had reached the production stage and could pay dividends on equity shares. But apart from the public being obliged to buy shares at a premium, the funds required by the private sector cannot, in this manner, be found to any appreciable extent by the Corporations over a period. The investment habit has to be encouraged and a direct flow of savings into industrial securities has to be brought about. After all, Statutory Corporations provide only loan capital when necessary and the foreign exchange loans needed by medium-sized units for import of plant and machinery. Otherwise, with the pre-occupation of the Central and State Governments in developing their own projects, the desired progress by the private sector cannot be ensured. The catalytic effect of the assistance provided by the Finance Corporations in the past few years, when their role was not dominant, has been reflected in the expanding body of investors. This method of financing should be considered healthy as corporations serve to promote a measure of confidence in new enterprises, for the investment habit, among small investors in particular, has tended to grow.

It is difficult to make a precise estimate of additional production that can be ascribed to the new industrial units and that due to old units which have increased their capacity or the saving in foreign exchange through displacement of imports. But many of the earlier schemes for starting new industries are fructifying; hence — it was argued — that 1960, 1961, 1962 and 1963 were landmarks.

To cite only a few examples: The tyre industry has grown beyond recognition during this period. The new units of Goodyear India, the Madras Rubber Factory, Premier Tyres, Ceat Tyre, General Tyres and the expanded capacity of Firestone have been reflected in an increasing output of tyres and tubes of various kinds. The giant synthetic rubber factory of Synthetics and Chemicals has been in operation at Bareilly for some time now while the mammoth unit of

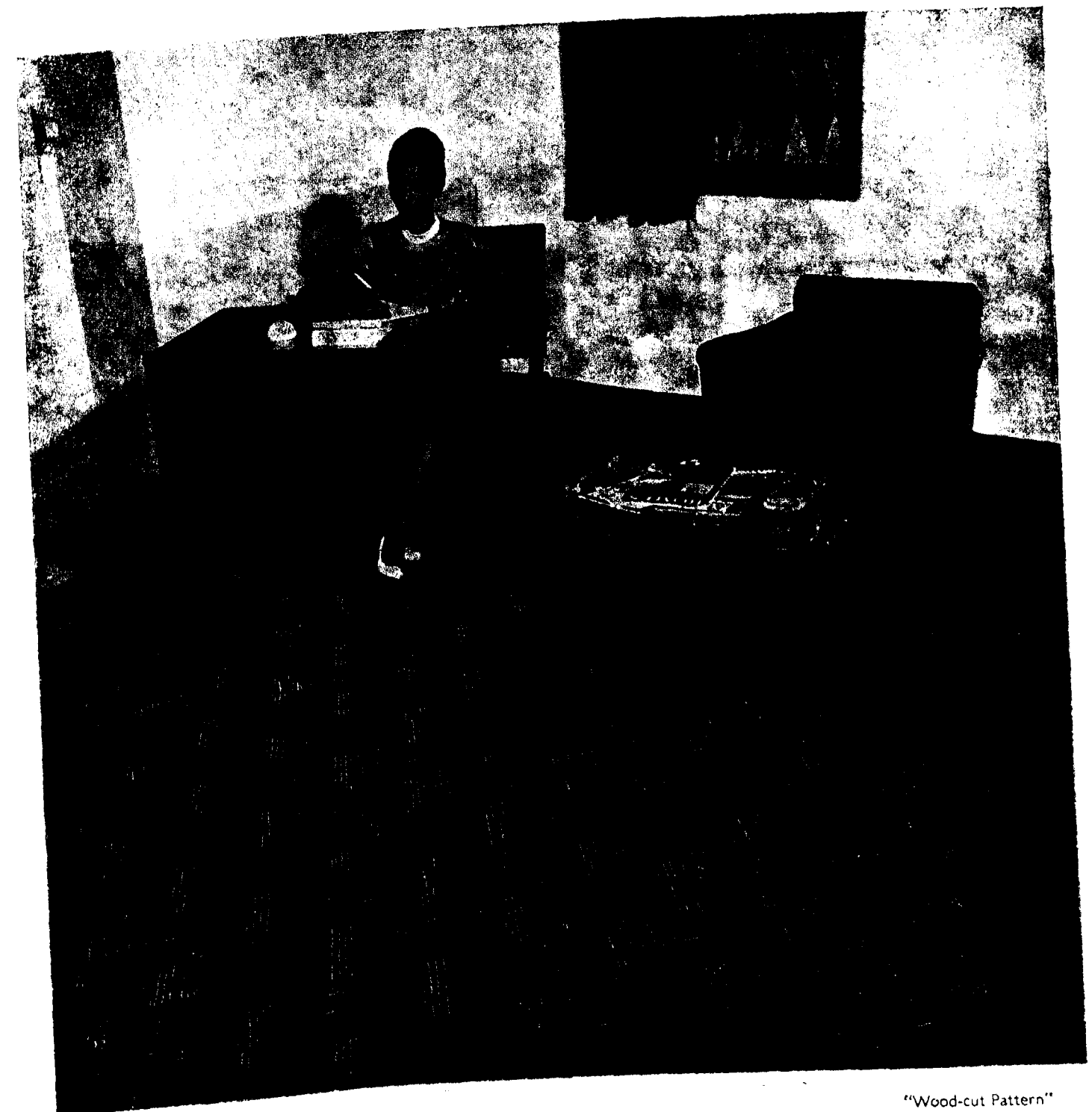
Gwalior Rayon for producing rayon-grade pulp, based on bamboo, was commissioned early this year. Likewise, the large factory, for producing compound fertilisers of East India Distilleries and Sugar Factories Limited at Ennore, near Madras, was completed towards the end of 1962; the additional ammonium phosphate will help greatly to increase agricultural production. The rayon units of Baroda Rayon and Indian Rayon have commenced working. The new entrants like Associated Vivkes Babco, Hindustan Aluminium, South India Viscose, Phillips Carbon Black, Usha Martin Black, United Wire Ropes, Seshasayee Paper, Seshasayee Industries, Mandya Paper, the new unit of Straw Products and the new paper mill of Star Paper and Isaac Holden are all outstanding examples of what the 1957-62 boom has achieved in the manufacture of carbon black, tyres, wire ropes, rayon-grade pulp, various kinds of industrial machinery, aluminium, increasing quantities of rayon yarn and cord, etc.

This process will continue for some time as a number of the new companies floated during the boom are yet to complete their projects. It will then be possible to have a much larger output of aluminium and aluminium products and cables of various kinds, apart from the processing of zinc and lead based on imported concentrates, larger quantities of fertilisers, sugar, carbide, plastics, larger quantities of industrial machinery, engineering items, etc. The expansion plans of existing producers, which have special significance in the present context, have also been and are being implemented.

Impact of Emergency

Until the middle of last year there was no looking back, and it had been presumed that the required capital for promoting different industries would be easily available. But the whole situation has undergone a sharp change since the declaration of Emergency in October last year. The serious situation on the border that continued for some months upset all calculations. However, even before the stock markets had emerged out of a critical period and fears of political uncertainties had subsided, the budget for 1963-64, presented by Mr. Morarji Desai to Parliament, came as a fresh shock. It had generally been expected that heavy taxes would be levied and that further sacrifices would be demanded of consumers as well as industries. But it had not been expected that fresh taxation would exceed Rs. 275 crores or that the corporate sector would be soaked so heavily. The Super-Profits Tax has resulted in the syphoning away of large funds to the Exchequer, and capital formation in the corporate sector has been seriously affected. The net incidence of heavy direct and indirect taxes has not been precisely assessed but it has been generally pointed out that the new taxes on intermediate

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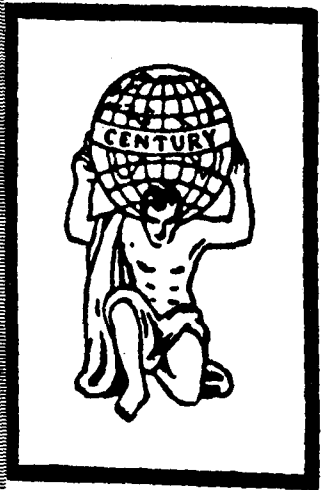
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products and the upward revision of duties on end products, along with S.P.T., might easily result in a fresh diversion of funds from the corporate sector by over Rs. 75 crores in a year. Indeed, this constitutes a serious draft on the additions to internal resources.

But apart from the reduced rate of capital formation, the reduced profitability of new investments has had an adverse effect on the capital market and has led to the postponement or abandonment of many schemes. There are outstanding instances of many existing companies which in consequence are choosing to phase out their expansion plans in easy stages. Some have even kept these schemes pending while others have varied the mode of financing the new projects. Goodyear India Limited decided not to proceed with the issue of fresh capital after the budget proposals had been announced as the premium fixed on equity shares was regarded as high in the changed circumstances. It was not also clear whether fresh investments would be profitable from the shareholders' point of view. Likewise, Hindustan Lever had been permitted to issue additional capital at a premium of Rs. 25 per share, the Government having determined its procedure prior to the publication of the budget. The directors of Hindustan Lever, however, felt that the new shares could not be issued at such a high premium. It was, therefore, decided that the matter should not be proceeded with until conditions became more propitious. It was felt, however, that the new schemes should be implemented, though less expeditiously, as the plans for implementation had reached an advanced stage. The required additional foreign exchange was, therefore, secured on a loan basis from the parent company. East Anglia Plastics were permitted to raise over Rs. 3 crores by issuing new equity shares but the directors felt that it would be difficult to ask the shareholders to subscribe such large sums especially as the projects would take time to be completed and prices for existing securities had moreover been marked down sharply. The directors of this company, therefore, decided that new capital should be raised in two stages. Indian Iron and Steel Company Limited was, for a time, obliged to put off work on a new unit in Madhya Pradesh which sought to manufacture spun pipes in collaboration with British interests. Only after the concessions had been announced was it thought advisable to proceed with the scheme.

Projects Abandoned

There are, however, cases where it has been considered necessary to abandon projects. The directors of Botanium Limited actually felt that the various arrangements for manufacturing Titanium Oxide in collaboration with foreign interests should be cancelled as the new investment was no longer considered attractive. The shares allotted to the Belgian interests were taken back. While other shareholders were given the choice substantially to take back funds, alternatively to take up, in lieu of the amounts refunded, shares in a new company which had been promoted for manufacturing petrochemicals.

More than the delay in the implementation of schemes, their modification or abandonment and the hesitation shown by foreign interests to enter into fresh commitments has proved to be costly. Even some projects on which considerable preliminary work had been done are yet to be finalised while there would appear to be second thoughts about the expansion of capacity of new units in new industries.

The retarding effect in the rate of new floatations may not be felt until after a time because there is a time lag of two or three years before expansion schemes are completed or new industrial units reach the stage of production. Actually, the upward trend in industrial output in the past twelve months,

notwithstanding the difficulties involved in importing raw materials, may create a misleading impression and even lead to complacency. The new projects completed in recent months are really the result of the boom in the floatations of 1960-62.

Somehow, the activity in the capital market has been associated with the buoyancy of the stock markets. The development in the last quarter of 1962 came about suddenly and the declaration of Emergency upset all calculations. Defence expenditure had to be stepped up considerably and development expenditure maintained at high levels. The main problem of the Central and State Governments during the past year and earlier has related to mobilization of resources with which to maintain the Defence Services in a state of preparedness and simultaneously in implementing third Plan schemes. The increase in Defence Budget by over Rs. 400 crores during the current year and even a slightly large provision for the third Plan schemes obliged the Central Government in particular to levy heavy taxes. The budget estimate relating to expenditure came as a surprise as it was not generally expected that the total of the Central Budget alone would increase by over Rs. 500 crores and the Union Finance Minister would be obliged to present proposals to Parliament for new and higher taxes and a compulsory deposit scheme in order to increase the yield to the Exchequer by over Rs. 305 crores a year. The State Governments for their part proposed fresh taxation to the tune of another Rs. 100 crores.

Devastating Measures

Mr. Morarji Desai's devastating measures had a shocking effect on the stock markets in particular as, over and above the heavier customs and excise duties and a longer list of excisable commodities, the rates of income-tax were adjusted to make it impinge more heavily on the lower incomes while the compulsory deposit scheme soaked the middle-income groups. The Super Profits Tax in its original form had a throttling effect and was even more inequitable than the ubiquitous Business Profits Tax of Mr. Liaquat Ali Khan.

As a result of vigorous representations and heated discussions in Parliament, some changes were proposed in the Super Profits Tax and the Compulsory Deposit Scheme. But after the changes had been announced, it was found on a closer analysis that the proceeds of the Compulsory Deposit Scheme and the Super Profits Tax alone would exceed the estimates by over Rs. 60 crores while the indirect taxes were expected to secure another Rs. 90 crores in excess of estimates. That is to say, even the modified S.P.T. and the Compulsory Deposit Scheme along with the other fresh taxes would bring in a revenue of about Rs. 450 crores against the budget estimate of Rs. 275 crores.

This hectic drive for taxes and compulsory deposits, together with open market loans and an intensified small savings campaign, meant diversion of funds which was bound to lead to lower rates in the growth of deposits, a smaller volume of business for the Life Insurance Corporation and a vastly reduced capital formation in the corporate sector.

No useful purpose was really served by immobilizing funds which were not immediately required by the Central and State Governments especially because the Central Government in particular—so it was felt—would be unable to fully utilise its appropriations for defence and development, both at the same time. There may not be any serious difficulties in implementing third Plan projects if the required foreign exchange was forthcoming but a massive physical effort is involved in building up the defence forces and it may not be surprising if the actual expenditure on defence did not increase

to the desired extent. There will thus have been no meaning in gathering another Rs. 150 crores in the context of a complaint, in the private sector, about a shortage of rupee finance without comparable difficulties in securing foreign exchange for the importation of plant and machinery.

It has subsequently been realized that the impact of the Super Profits Tax and higher indirect taxes on intermediate and end-products have resulted in a sharp decline in disposable profits. Notwithstanding larger production, larger sales and higher gross earnings—even if the last of these has not increased in proportion to sales—the incidence of total taxation has been so heavy that in many cases it has been necessary to draw substantially from reserves even to distribute the reduced dividends.

The concessions made on the Super Profits Tax and the modification of the Compulsory Deposit Scheme have no doubt made the new levies less rigorous but as the months went on, it became clear that the incentive to save and invest had been sapped; thanks to a higher cost of living and rising costs of production, individuals and the corporate sector were unable to effect any significant savings from current earnings. Industrial units were greatly discouraged as the large expenditure on the expansion schemes had not yielded the desired net results from shareholders' point of view. Even otherwise, the controlled industries complained that the return on fresh capital was unattractive and the rate of growth in the cement, paper, sugar, steel and other industries had been retarded for these had to sell at "fair" prices.

Investment not Worthwhile

While there was already a feeling among those running the cement, chemical and other industries that fresh investment was not worth while, the levy of higher and new indirect taxes, the incidence of which could not be passed on fully to the consumer, and the heavy incidence of the Super Profits Tax upset all calculations. It is difficult to say what the net impact is of higher indirect taxes as the adjustments in selling prices have varied in respect of different commodities. For instance, the rayon industry has been adversely affected, being obliged to bear a part of the excise duty levied on yarn while the excise on sulphuric acid and the premium that has had to be paid for purchasing imported wood-pulp under the Export Incentive Scheme have cut seriously into the margin of profit. Similarly, in the case of the paper industry, the levy of an excise duty on caustic soda, higher freight charges and higher bamboo prices have been adjusted only in the shape of higher selling prices. In the case of the tyre industry, the increase in net selling prices by three per cent. has been considered inadequate while the cement producers have been complaining of the inequitable operation of the coal subsidy scheme and the inordinate delay in giving effect to the recommendations of the Tariff Commission when fixing retention prices for cement. The textile and sugar industries have been asking for higher selling prices. Under these circumstances, the incidence of the Super Profits Tax has had a cumulative and regressive effect and a large number of companies have been obliged to reduce their dividends in spite of reduced allocations to reserves.

On the basis of an analysis of the effects on select companies, it has become clear that the average tax (income-tax and Super Profits Tax combined) on corporate profits, after providing for depreciation and development rebate, worked out to 56 per cent. against 47 per cent. previously, or 20 per cent. more than the tax paid prior to the introduction of the Super Profits Tax. The incidence of direct taxation is uneven being as much as 70 per cent in particular cases. Even assuming that there would be anxiety to minimize the tax burden by transferring 10 per cent. of profits to reserves, before pro-

viding for taxation, the increase in tax burden by 20 per cent. must fetch for the Exchequer at least Rs. 40-45 crores which is more than twice the amount assumed in the budget estimates. This high level of taxation has not prevailed even in the U.K. and other countries during periods of stress and strain. Besides, there is no point in levying a tax which will have a much heavier incidence than intended and which will have a greatly discouraging effect on further development.

The cut in dividends by 20 to 30 per cent. in many cases should naturally make for a proportionate decline in prices for select scrips especially as interest rates tended to be higher. It is not surprising, therefore, that, until recently, extremely depressed conditions were noticeable in the stock markets. (Table VI). Even though the fears regarding a fresh invasion of the country by China in the North-East had receded and also there was increased confidence that the Defence Services were in a greater state of preparedness and the U.S.A. and U.K. would help if the need arose, the downward trend in prices for industrial securities persisted and even leading broker firms were unable to transact sufficient business to keep their establishments going. There was no disposition to enter into underwriting commitments and the response to new issues, except for a very few, was disappointing.

Buoyancy in Revenue

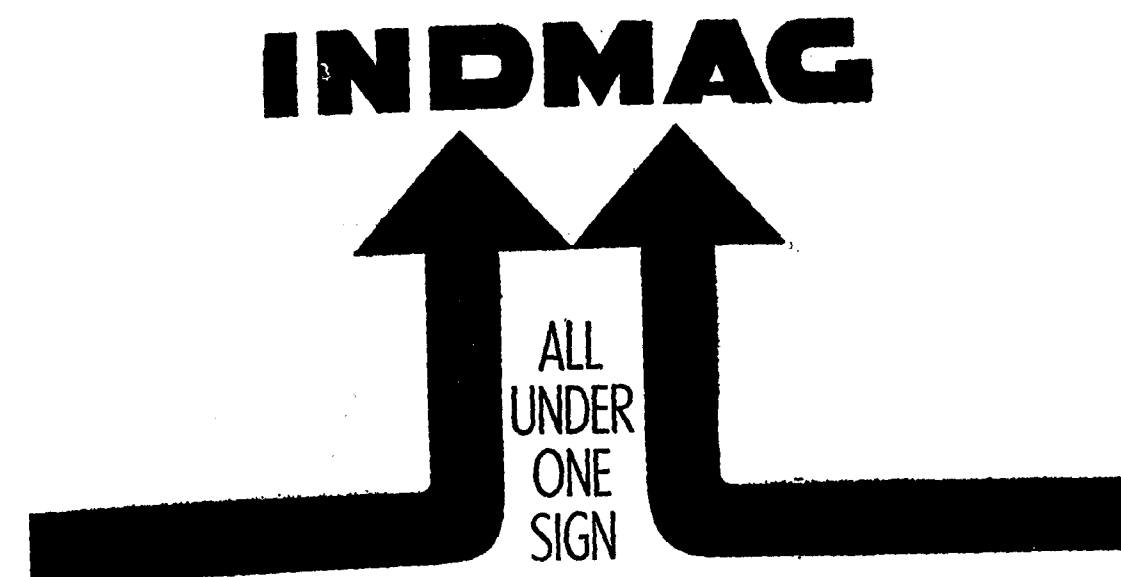
The buoyancy of Central revenues during first six months of 1963 clearly suggests that actual collections for the whole year will far exceed budget estimates and it may not even be necessary to resort to deficit financing on the anticipated scale. This is also confirmed by the fairly comfortable ways and means position of the Central Government in spite of the fact that the borrowing programme for 1963-64 has not been wholly completed and there is a shortfall of about Rs. 50 crores.

The authorities themselves would seem to be of the feeling that the stock and capital markets have been needlessly depressed and without a streamlining of indirect taxes and a sizable reduction in direct taxation, the stagnant phase of the economy cannot be overcome. With the assumption of

TABLE VI.
INDICES FOR VARIABLE-DIVIDEND SECURITIES
DURING 1957 — 1963
(Base 1952-1953 = 100)

	General Index	Agricultural and allied	Mining & Quarrying	Processing & Manufacturing
1957-58	126.6	142.6	122.8	125.3
1958-59	146.8	159.4	150.4	146.7
1959-60	161.7	172.3	153.3	169.7
June	175.4	177.5	160.9	189.1
Sept.	169.7	165.3	145.9	183.7
Dec.	165.4	161.1	153.7	178.8
1961 Mar.	182.6	175.4	172.9	196.8
June	183.8	172.6	165.0	199.3
Sept.	179.3	163.5	159.3	193.5
Dec.	184.8	163.3	158.3	199.6
1962 Mar.	192.7	161.8	160.5	210.3
June	188.3	159.6	163.5	205.7
Sept.	180.4	152.6	158.5	195.9
Dec.	172.8	150.0	153.3	185.9
1963 Mar.	160.3	144.9	134.4	172.2
June	158.1	140.8	137.8	169.4
Sept.	167.1	151.6	146.7	180.2
Oct.	172.6	153.6	152.6	186.9

Note: Figures relate to end of March in respect of years, the end of last week in respect of quarters and to the last week in the case of a month.



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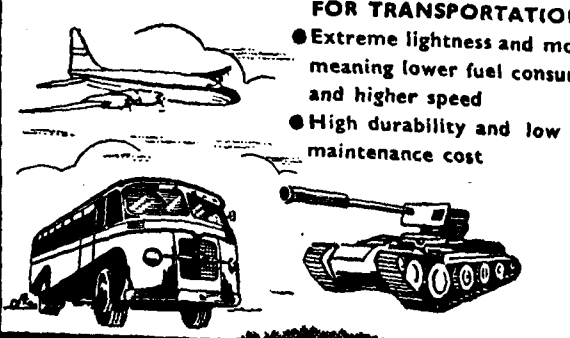
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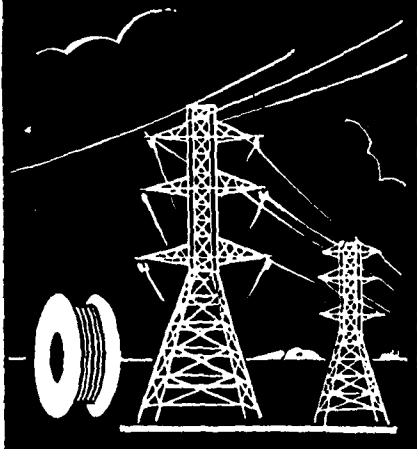
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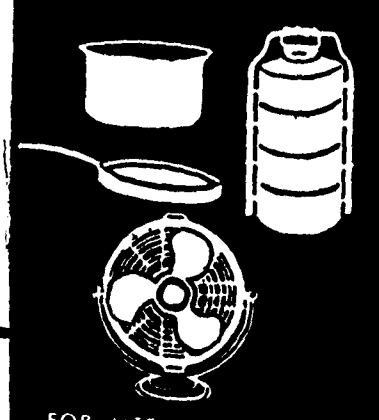
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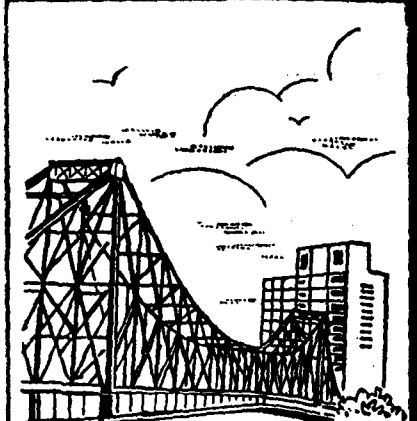
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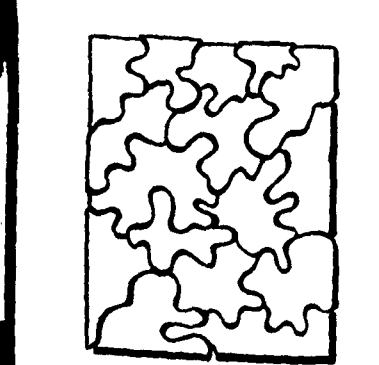
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office by the new Finance Minister, it became, possible to take a more liberal view and adopt measures to improve the tone of the stock and money markets. Nothing tangible has been done so far to improve the morale of investors but with the indications of a significant change in the Government's attitude and an anxiety to buoy up sentiment, a sharp recovery in prices has been recorded in the past few weeks. The amendments to the Gold Control Order have not much significance to the stock markets but the freedom to convert old ornaments into new ornaments of the same purity with the help of individual goldsmiths has been appreciated while the Compulsory Deposit Scheme has been virtually abandoned. It is not now applicable either to non-income-tax paying group or those who own land and pay a land tax of over Rs. 5 annually. If the income-tax payers continue to bear the additional surcharge on residual income and make the compulsory deposit, it is because the Act has to be suitably amended. It is still hoped that this portion of the scheme also will be radically modified and the burden of direct taxes on middle-income groups will be made more bearable.

But the liberalization of credit restrictions have been taken as fresh evidence of Mr T. T. Krishnamachari's anxiety to enliven the stock and capital markets before he actually effects changes in taxes. The new credit policy cannot itself have any great significance for the industries or shareholders but the Reserve Bank has thought it necessary to oil the wheels of industry and trade by discounting export bills on a cheap basis and making credit available for productive purposes at lower rates. Even earlier, the Indian Banks Association had represented to the Reserve Bank that the quota for purposes of borrowing should be revised and the two-tier system of lending also abolished. It was at the same time proposed that banks should be allowed to borrow against investments in gilt-edged securities which were in excess of the liquidity ratio. After considering the various representations, it was eventually decided by the Reserve Bank that the quota of member banks for borrowing purposes should be increased by 50 per cent, and the two-tier system also substantially modified. Thus, member banks are now in a position to borrow up to 75 per cent. of the quota at the bank rate, that is 4.5 per cent., and another 75 per cent. at 6 per cent. The system of penal rates for borrowings in excess of the quota has been abolished and the Reserve Bank would be prepared to provide additional credit in deserving cases at 8 per cent. The restrictions relating to margins against advances of stock exchange securities have also been withdrawn.

From the stock-market angle, the liberalization of credit will have significance only if it leads to a lowering of interest rates generally and the halt to the dearer money policy is followed by a definitely cheaper money policy. But for the fact that banks have been obliged to meet heavy expenditure on the opening of new branches and on the implementation of wage award, there would be a significant reduction in lending rates especially as deposits have been growing at a fast rate. The difficulties of banks have been aggravated by the high level of taxation and the payment of larger bonuses. It is, therefore, expected that there can be only a marginal reduction in interest rates as a result of the liberalization of credit facilities. For an enterprising banker, it is, however, now possible to discount, on a profitable basis, export bills for large amounts and make good use also of the facilities for borrowing against usance bills on a cheaper basis. As interest rates had been stepped up on a number of occasions and fairly high rates were charged for particular types of loans, even by medium banks, it is perhaps reasonable to expect that there will be a slight downward adjustment in lending rates especially as the Reserve Bank would seem to have expressed a desire that larger and cheaper credit should be made available for productive purposes and to the small-scale industries in particular.

If there is a move in this direction and more credit is made available against industrial securities as collateral, consequent on the withdrawal of restrictions on this class of advances, there will be a lowering of the yield basis.

Tax Relief

The buoyant sentiment can thus be kept alive but the obstacles to larger investment support still remain. These relate to the heavy burden of indirect taxes on intermediate products and the severe incidence of corporate taxes and the Super Profits Tax. As a result, the disposable profits of all companies have declined sharply. Even if it were enjoined that higher dividends cannot be distributed without a proportionate increase in earnings and if a heavier tax on distributed profits and a lower tax on undistributed profits were levied, there would be a return of confidence in the stock markets. The earlier system of rebate on income-tax in respect of undistributed profits produced satisfactory results and there is no reason why that system should not be revived. However, as the Exchequer may be unwilling or unable to forgo its revenues, suitable adjustments in corporate taxes should be made in such a way that the revenue derived from

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S.P.T. can be obtained otherwise. It is generally agreed that, with an increase in the total tax to 55 per cent., the revenue of Rs. 20 crores hoped for from the Super Profits Tax can be easily secured. Even the 55 per cent. tax can be split so that greater encouragement is provided for ploughing back profits. If the bonus tax also is reduced from 12.5 to 10 per cent., the shareholders will get a feeling that, with an effective utilization of internal resources and subsequent capitalization of reserves, the earning capacity of the companies concerned would improve and they would be afforded an opportunity to increase their interest with an issue of bonus shares. Also, if some of the indirect taxes, which have had an inflationary effect on costs and prices, were modified, the industrial economy would so grow that, in a few years, it should be possible to secure much larger tax receipts resulting from larger turnovers. The Union Finance Minister should make a generous gesture as he is in a position to afford concessions costing the Exchequer from Rs. 100 to Rs. 125 crores. If he can act imaginatively and abolish the Super Profits Tax as well as the Compulsory Deposit Scheme in so far as it relates to Income-tax payers, the boost to the economy, which is badly necessary, will have been given. In order to mobilize individual savings for investment in industrial securities, insurance policies or small saving certificates, the rebate in income-tax may be increased from a fifth to a fourth of the assessable income and there should also be tax remission in respect of investments in the initial issues of approved industrial undertakings. After abolishing the Compulsory Deposits Scheme, the gross income-tax rates can be raised slightly at different levels. Since it has been definitely proved on two occasions in the past six years, that the carrot can yield better results than the stick and the socialistic objectives can be achieved more speedily with a sharp increase in production, a reasonable long-term policy should be evolved by which it would be possible for the stock and capital markets to function on a rational basis and engender the feeling that investments in industrial securities are not any riskier than other investment and that industries would be allowed to go forward without major upsets.

Postscript

Since the announcement by the Reserve Bank regarding liberalization of credit and the removal of margin restrictions against advances on securities, it has been indicated that the Central Government would advance Rs. 10 crores each to the Industrial Finance Corporation and the Industrial Credit and Investment Corporation. The Unit Trust of India Bill has also been passed into law while the plans for converting the Industrial Finance Corporation into a development bank are being pursued. The Union Finance Minister has also indicated that the Refinance Corporation for industry would advance short-term loans to banks to help industries while the State Bank of India will adopt a positive policy of assisting small-scale industries. But the various measures will not have any lasting impact on the capital market, unless the Government is prepared to reduce indirect and direct taxes.

The Unit Trust of India, which will be constituted as a statutory corporation and which will enjoy special tax advantages, will be able to function successfully only if there is general confidence in the future of industries and the return on investments proves attractive. It has to be remembered that the provision for exemption from income-tax and super-tax of the income received by the Trust and the facility to receive dividend and interest without deduction of tax, will be advantageous only if the gross yields on the securities held by the trust are attractive. At the same time, the exemption from taxation is only an enabling measure because, if there were double taxation, the Unit Trust cannot function at all. In any case, the small investors, who are now receiving dividends directly from the companies concerned, will be

able to claim full relief from income-tax if they do not belong to the income-tax paying group. Only, they will not have the facility to diversify their investments as small amounts will be involved. The holders of units will presumably belong to the low-income groups. The tax relief will not, therefore, be appreciable in their case. The benefit derived from total tax exemption can therefore be attractive only if the gross yields are satisfactory.

It may be that individuals with incomes from agriculture will be attracted by this new facility though it is doubtful whether many in the low-income groups would be able to invest in the units. Thus, only those in the income groups between Rs. 5,000 and Rs. 25,000 would be able to think of purchasing units for fairly large amounts. If the exemption limit in respect of income from units can be raised, there may probably be greater response.

It would be, however, too much to hope that the Unit Trust itself could act as a prop to the stock markets as the issued capital of Rs. 5 crores could hardly make any impression if employed for the purchase of securities, particularly as Life Insurance Corporation is in a position to extend much larger support and its additions to assets annually are on an increasing scale. The scope of operations of the Unit Trust can be enlarged only through the sales of units which would depend on the attractiveness of the yield from these units.

Positive Steps Needed

While these measures will be helpful, more positive steps have to be taken to revive the capital market. The move to control the acceptance of deposits by industrial units might well have a retarding effect on the capital market. The anxiety of the Reserve Bank about deposits with industrial and non-banking institutions, which accept them from the public, is understandable. But it is difficult to believe that the quantum of deposits accepted by the corporate industrial sector, financing and trading companies, has upset the calculations of the banking system or minimized the effectiveness of the policies of the Reserve Bank. Unofficial estimates suggest that the volume of this class of deposits will vary between Rs. 75 and Rs. 100 crores which would only be under 5 per cent. of the deposits of banking system. The movement has gained momentum recently only because of the unattractiveness of equity shares and non-availability of first-class preference shares or debentures. The facility to keep deposits with industrial units at higher interest rates for short periods has, therefore, been helpful. It has even encouraged the savings habit to some extent and any move to restrict the acceptance of deposits by non-banking companies might cause hardship to regular savers. An investigation into the quantum of these deposits accepted would help in a clearer understanding of the magnitude of the problem. It would, however, defeat the Government's purpose if the genuine deposits cannot be accepted by reputed industrial units and other bodies. There will no doubt be need for safeguards in the interests of depositors. Thus, while there is general gratefulness for the small mercies shown by the Government, a definite revival in the capital market can come about only if there is a radical modification of the price and fiscal policies of the Government. The statutory corporations alone cannot go on making a success of new issues for any length of time. The expedients now adopted can afford only temporary relief. It has been repeatedly emphasized that the Union Finance Minister is keen to maintain buoyancy in the stock market and now that the latest indications are that the threat of a fresh invasion of this country by China has definitely receded, Mr T. T. Krishnamachari should logically follow up his earlier measures with more positive incentives in the form of tax reliefs. He should not fight shy of this approach on account of ill-informed criticism from party members or pressure from the leftists.

Foreign Participation in Indian Industry

DR. P. K. SRIVASTAVA

THE GOVERNMENT'S policy regarding foreign capital was briefly set out in the Industrial Policy Statement of April 6, 1948. It was further clarified in the Prime Minister's statement made exactly a year later in Parliament. This statement explicitly recognized that the country's resources needed to be augmented by foreign capital and clarified the modes of participation. On February 28, 1950, the then Finance Minister, Dr. John Mathai, reiterated the country's interest in the inflow of foreign capital. He considered foreign capital necessary not only to supplement our own resources, but to instil confidence in our investors. It was not only fixed-interest-bearing loans and bonds he favoured but equity capital advanced on strict business considerations without political strings.

The draft outline of the first five-year Plan, issued in July 1950, also stressed the need for foreign equity capital, if only in particular fields. In a Press statement on July 4, 1951, Mr Nehru summed up the matter in a single sentence: "We have always welcomed foreign capital in the past and we welcome it in future."

In the second Industrial Policy Statement of April, 1956, the Government adopted the socialistic pattern of society. With regard to foreign investments, however, the policy set forth in the first Industrial Policy Statement was to continue. Basically, the policy is to attract foreign investment and collaboration, on a selective basis, in those fields where there is need of, and scope for, development in pursuance of Plan targets. If imported plant and machinery are necessary for a project approved in the private sector, foreign investment will be welcome not only to finance the project but to pay for the imports.

Decision on Merits

While majority Indian shareholding is generally preferred, the ratio of foreign to Indian capital in joint enterprises and the extent of foreign shareholding are decided in each case on merits. It is made after evaluating the technical skills offered by the foreign collaborator, the requirements of foreign exchange for the import of equipment and the ability and desire of the Indian associates to play an effective part in the company's management. Thus in pharmaceuticals, where a heavy capital outlay is required on research—for which Indian firms do not have adequate resources in capital and personnel—ratios of 70-30 and 83-17 per cent in favour of the foreign company have been approved.* The foreign exchange situation being as stringent as it is, there have been indications that Government policy will be liberalized where the foreign firm contributes import-substituting or export-oriented production facilities. Much importance is attached to the arrangements proposed for the training of Indian technicians and executives in all aspects of production and management. Particular encouragement is given to schemes which involve expansion of exports on an economic basis with or without the assistance of the foreign collaborators for overseas marketing.

Another condition on which the Government is most insistent is that of progressive manufacture of goods in India which were formerly imported. Traders are not welcome. In the first five-year Plan, the Government carried this policy to such extremes that several foreign firms which contemplated modest manufacturing schemes and prefaced them with merchandising for the expansion of the market decided not to begin at all rather than give an undertaking which they considered they could not economically fulfil. The Government

is now unlikely to insist on a rigid commitment to the manufacture of an extra line of goods within a specified time. Where a phased programme of manufacture is proposed, emphasis is placed on the rapid development of indigenous production. Long-term plans based on assembly and the import of intermediate products are discouraged.

There is no restriction on the repatriation of profits on a scale that is consistent with the country's foreign exchange position. The record of the Government of India in this respect has been outstanding. Profits, which can be ascribed to foreign investment but are ploughed back, are treated as capital investment subject to repatriation. The Government, naturally, expects that the foreign collaborator will contribute import-saving equipment or export-earning facilities whose value exceeds the profits he expects to take out of India in the near future.

Royalty Issue

Royalty payments are allowed in lieu of technical assistance, patent rights and the latest techniques developed in the home plants of foreign concerns. In payments made to the foreign collaborator, a distinction is made between the element of royalty as such and that imputable to services rendered by him. The latter may be in respect of: (i) drawings; (ii) assistance rendered in laying out factories and the erection of machinery; (iii) goods purchased in foreign countries on behalf of the Indian companies; and (iv) products manufactured by the collaborator and paid for at cost price plus a nominal profit. All these payments are tax-free—unlike royalties which are subject to taxation. The effective super-tax on royalties received by a foreign company, in accordance with an agreement made on or after April 1, 1961, and approved by the Central Government, has been reduced from 43 to 30 per cent. in 1961-62 and further to 25 per cent. in 1962-63.

In the matter of royalty, which is a common feature of joint ventures, the Government is not committed to any particular rate, though five per cent. has so far been the maximum agreed on between Indian and foreign contracting parties. In specific cases, however, where there has been adequate justification, the Government has permitted royalties in excess of this percentage. There do not appear to have been many instances where negotiations between two parties broke down because of the Government objecting to a particular rate of royalty as being too high. Where the foreign firm, however, has a majority equity interest in an Indian company, the Government forces the foreign company to choose between the equity interest and the royalty arrangement. It does not permit both, on the ground that the foreign firm is not entitled both to greater profits anticipated from its equity investment and to the more certain royalty payments for the same services.

All industrial undertakings collaborating with foreign firms are required to take out a licence from Government of India in the Ministry of Commerce and Industry. The Government laid down broad principles governing the approval of such new industrial undertakings which propose foreign collaboration, in its Press Note of March 20, 1960. Draft agreements between foreign and Indian entrepreneurs, technical and financial, should be submitted to the Government so that they may be considered on their merits. Agreements involving recurring payments should be of limited duration not exceeding ten years, though extensions with the approval

Joint International Ventures in India: Columbia University Press, Pp. 80; Merck Sharp & Dohme of India 'P' Ltd.

of the Government are allowed. The agreements should not entail any restriction on exports from India; that is, the Indian company should be free to export to some if not all countries. Again, while it may be convenient to import capital goods from the home country of the foreign participant, the Government is disinclined to endorse any restrictions on the Indian firm. Another feature which concerns the payment of minimum royalty to the foreign collaborators states that, when the payments are related to turnover, no payment should be guaranteed regardless of the company's turnover.

The following enterprises have normally received the most favourable terms following initial admission: (i) Those considered vital for the country's development or welfare and involving large capital investments or complex technical processes; (ii) those which will serve further to train Indian entrepreneurs, technicians and labour in the operation of the industry; and (iii) those which will improve the country's foreign exchange position.

Enterprises which find it difficult to gain admission include: (i) Those regarded as luxury enterprises, which are not deemed to be essential for contemporary consumer needs. Enterprises, producing semi-luxury goods, such as soft drinks and cosmetics, have, however, been admitted; (ii) those which compete with Indian industries, particularly cottage industries which meet existing demands fairly adequately and which might be seriously disrupted by the admission of foreign enterprise; (iii) those which merely seek to package or assemble imported components rather than to begin active manufacturing; but approval may be given for assembly operations, if there exists, in the Government's view, a "bona fide" intention on the part of the foreign participant to move from assembly to manufacture in progressive stages; and (iv)

commercial and financial operations in which the Government believes that the country is well served by existing Indian talent.

In practice the Government appears to have granted more favourable terms of entry to particular foreign collaborators than its general policy statements would lead one to suppose. As screening requires a separate negotiation between each investor and the Government, different investors may obtain varying terms of admission depending on how anxious the Government is to bring about the particular investment at the time and how ably the investor presents his case.

The Government indicated in a Press Note dated May 8, 1961 the fields in which private investment by foreign nationals can play a part and it has also rationalized the procedure for processing projects involving such investment. A list of industries has been drawn up, where foreign capital would be welcome. The list takes into account shortfalls in planned targets. The following industries have been included in the list: Iron & steel structurals, iron & steel castings and forgings; iron and steel pipes; special steels; non-ferrous metals and alloys; boilers and steam-generating plants; equipment for the transmission and distribution of electricity; furnaces; marine diesel engines; industrial machinery including major items of specialized equipment used in specific industries; general items of machinery used in a large number of industries, such as those required for various unit processes; ball-, roller- and taper-bearings; speed-reduction units; machine tools; tractors; earth-moving and construction machinery; plastics; industrial and scientific instruments; fertilizers, organic chemicals, fine chemicals and intermediates; industrial explosives, industrial gases; agricultural chemicals, such as

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insecticides; dyestuffs; drugs including basic intermediates; newsprint and pulp.

The list is illustrative rather than exhaustive; schemes for collaboration falling outside the list will also be considered on merits. In fact the emphasis on flexibility has been amplified with reference to Schedule A of the Industrial Policy Resolution of April, 1956, which defines the fields earmarked for the public sector. Private participation in this area will, however, be permitted where public interest demands it.

The fields in which foreign capital is normally not required have also been listed. Most of the industries mentioned in the category are those from which foreign capital is already being repatriated, e.g., plantations; or others where foreign capital is consolidating rather than expanding e.g. banking, insurance, trading and commerce.

It is the policy of the Government to grant foreign exchange for equipment¹ in the following cases: (i) where the total value of the imported plant necessary to complete a project is less than Rs. 5 lakhs; (ii) where the value of equipment is less than 10 per cent. of the value of machinery already installed or is covered by an import licence. In the latter case it should be available from domestic sources and should be essential for the completion of the project; (iii) where the equipment is required for replacement for maintenance; (iv) where the total value of the equipment to be imported is less than the amount of fresh foreign capital coming in for the project; and (v) where the equipment is required for construction purposes, such as earth-moving equipment and excavators.

The Government has moreover adopted a deferred payment plan which the importer is obliged to conform to in order to qualify for foreign exchange: (i) total payments prior to shipments not to exceed 20 per cent. of the f.o.b. value of the plant and equipment, and the remaining 80 per cent. is to be paid in seven annual instalments thereafter; (ii) the initial payment to be limited to 10 per cent. and the balance to be paid after production has started and in instalments which may not exceed the net savings in or earnings of, foreign exchange which the project is expected to achieve

COUNTRY-WISE BREAKDOWN OF JOINT VENTURES

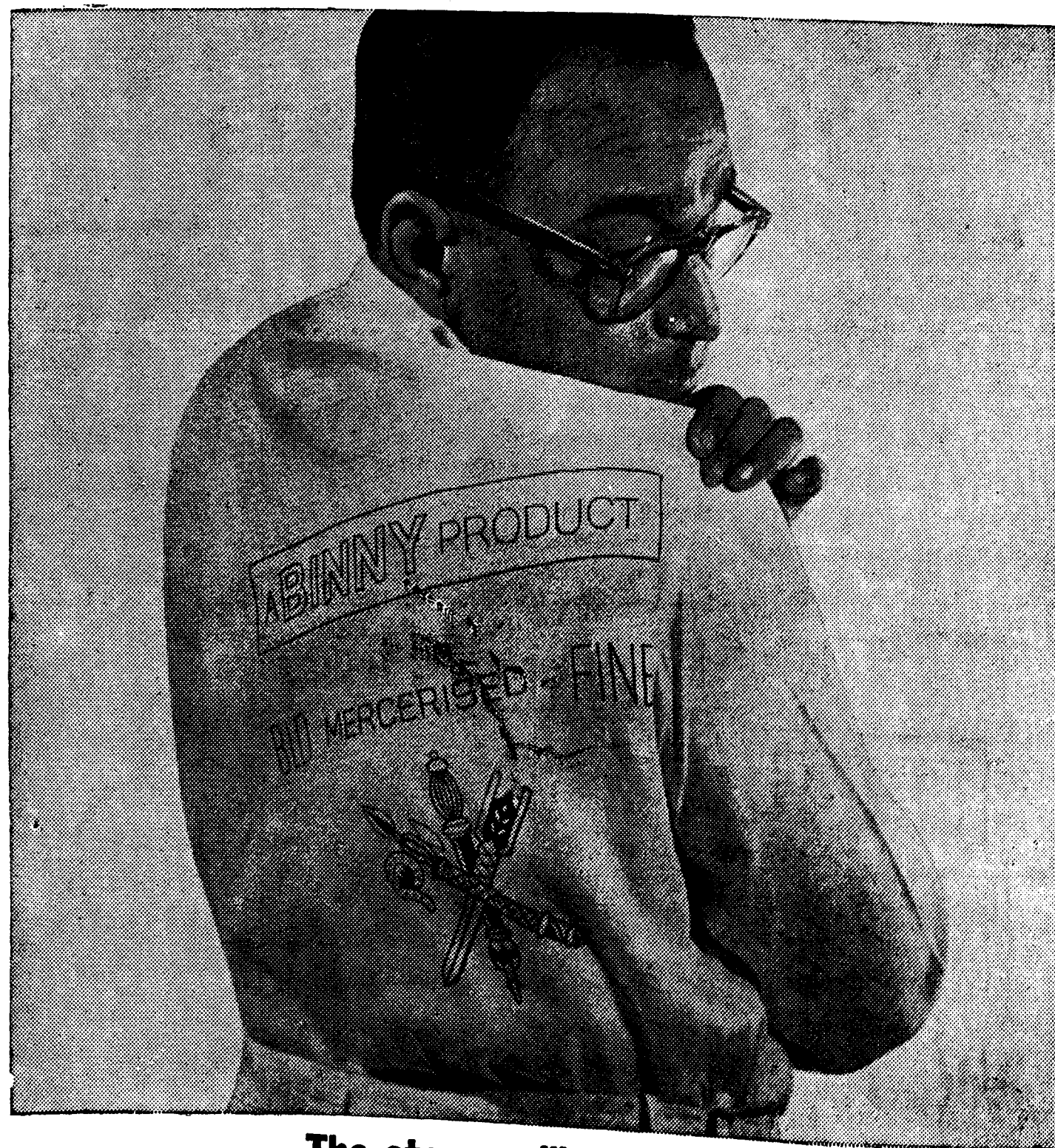
Period.	Total number of cases.	Breakdown							Others
		U.K.	U.S.A.	W. Germany	Japan	France	Italy	Switzerland	
1956-57	20	6	1	7	1	1	1	—	3
1957-58	37	16	6	3	3	—	2	4	3
(1958—1958-59)	109	16	7	3	—	1	1	—	3
(Jan.—March 1959)	31								
(1959—1959-60)	172	51	27	29	15	9	7	8	25*
1959-60	171	137	69	85	38	8	8	22	61†
1960-61	428	129	97	62	31	20	15	18	53‡
1961-62	425	72	43	35	25	9	11	16	39
1962-63	250								
TOTAL :	1362	427	250	224	113	48	45	68	187

* Sweden-4, Czechoslovakia-4, Belgium-3, Australia-3, Poland-2, Denmark, Holland, Norway, Liberia-1 each, etc.

† Sweden-11, Czechoslovakia & Holland-7 each, Denmark-5, German Democratic Republic & Australia-3 each, Finland, Poland, Hungary, Canada & Austria-2 each, etc.

‡ German Democratic Republic, Holland & Austria-7 each, Canada-5, Denmark-4, Czechoslovakia-3, Australia-3, Finland & Sweden-2 each, Luxembourg, Hungary-1 each, etc.

Note: The figures for joint ventures as between India on the one hand and West Germany, France and Switzerland on the other as reckoned in this table vary slightly from the figures set out in the table on pages 1505-06. This may be due to differences in the methods employed for counting in each case; where an Indian firm or joint-stock company enters into agreements with more than one party in the other country for the manufacture of a single product, they may be treated as one or, in the alternative, two joint ventures.



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gives a breakdown of foreign collaboration in India according to year and country of origin.

It is seen that there has been a phenomenal increase in instances of foreign collaboration,—from 20 in 1956-57 to 428 in 1960-61 and 425 in 1961-62. The reasons for this may be: (i) The difficult foreign exchange situation which led not only to arrangements for long-term deferred payments for machinery but also to partnerships with foreign enterprises, sometimes in the form of participation in capital; (ii) the growing faith of foreign investors and their confidence in associating themselves with Indian entrepreneurs; and (iii) the Government's policy of encouraging industrialization in specific fields according to plan targets which provided a ready principle of selection.

In the year 1962-63, the number of joint ventures approved was 250, which is slightly more than half of those approved in 1960-61 and 1961-62. The total number of joint ventures at present is more than 1,500. Among the reasons which can be cited for the decline in the number of agreements are, undoubtedly, the depression in the Indian capital market due to fiscal and monetary factors; the Government's policy of narrowing down the field for joint industrial ventures; the decline in investors' interest due to the border conflict with China; continuance of strained relations with Pakistan; and the inadequacy of the country's infra-structure.

As in the case of foreign investments, the largest number of joint undertakings have been with partners from the U.K., 427; followed by the USA, 250; West Germany, 224; Japan, 113; Switzerland, 68; France, 48; and Italy, 45. A number of Indo-U.K. ventures had been set up in India before 1956, thus taking up the total to date to 610, which is more than a third of all the undertakings in the country which have foreign collaborators. The share of the USA and Germany together accounts for the other third. Japan, France, Switzerland and Italy are also playing a significant part in Indian industry, their combined share aggregating to a fifth of all the joint venture agreements. Canada, Australia, Sweden, Denmark, Holland, Belgium, Czechoslovakia, Poland, the German Democratic Republic and Austria are among the other countries which have shown some interest in entering into partnership with Indian firms.

Broadly speaking foreigners have participated in 15 types of industries tabulated below. Our Government's policy in this regard is amply reflected in the approval of agreements for collaboration in different industries. Similarly, the emphasis, in the Plan, on engineering, machinery-building (including electrical goods), chemical industries and transport is reflected in the number of collaboration agreements that have so far

Major Groups	Number of Joint Ventures
	(1956 to March 1963)
Mining and Quarrying	54
Chemical and allied trades	168
Metal goods and manufactures	141
Engineering	387
Electrical goods	248
Transport	115
Brass manufacture	23
Precision instruments, jewellery, etc	68
Textiles	33
Leather, leather goods, and fur	11
Food, drink and tobacco	16
Manufacture of wood and cork	5
Paper and printing	30
Other manufacturing industries	40
Miscellaneous	23
	1,362

been approved in these industries,—387, 248, 168 and 115 respectively. The following is a detailed list of industries and the number of cases approved in each so far:

Industrywise Collaboration *

Industry	No. of Joint Ventures
I. MINING & QUARRYING	
1. Non-metalliferous mining products.	1
2. China earthenware (including glazed tiles and sanitary fittings).	18
3. Glass other than containers	12
4. Abrasives	3
5. Asbestos cement goods.	9
6. Other non-metalliferous mining products	11
Total	54
II. CHEMICAL & ALLIED TRADES	
1. Dyes and dyestuffs	22
2. Fertilizers, disinfectants	5
3. Synthetic raxins & plastic material	21
4. Chemicals, drugs and medicines	78
5. Pharmaceutical preparations, toilet & perfumery	21
6. Explosives and fireworks	2
7. Paints and varnish	5
8. Soap, candles and glycerine	3
9. Polishes, ink and matches	3
10. Glue, gum, paste, etc.	8
Total	168
III. METAL MANUFACTURE	
1. Blast furnace products, industrial furnaces and iron manufacture	16

* Prepared according to the standard industrial classification used for the British census of production with minor modifications to suit Indian conditions.

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December 27, 1963

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Industry	No. of Joint Ventures	Industry	No. of Joint Ventures
2. Iron and steel melting & rolling, etc.	4	4. Wire and wire manufacture	19
3. Iron and steel tubes, sheets and Tin plate.	13	5. Metal closures and containers	4
4. Iron foundries, cast iron and iron castings.	35	6. Hollow ware	3
5. Copper & brass smelting and rolling.	2	Total	54
6. Aluminium and Magnesium smelting & rolling.	10	VIII. BRASS MANUFACTURE	
7. Other non-ferrous metal smelting & rolling.	7	1. Metal windows and door frames	2
Total	87	2. Safes, locks, latches and keys	3
IV. ENGINEERING		3. Springs	1
1. Agricultural machinery including tractors	22	4. Needles, pins and fish-hooks	10
2. Textile (including jute) machinery & accessories	40	5. Metal small wares	5
3. Mining machinery	7	6. Finishing of metal goods	2
4. Dairy machinery	4	Total	23
5. Scales & weighing machinery	1	IX. PRECISION INSTRUMENTS, JEWELLERY, ETC.	
6. Printing and book-binding machinery	4	1. Photographic equipment including projectors, etc.	15
7. Refrigeration machinery	34	2. Surgical, dental and veterinary instruments and appliances	19
8. Pumps and pumping machinery	18	3. Measuring instruments, etc.	4
9. Office machinery	7	4. Other precision instruments including industrial instruments, lab. apparatus, microscopes, etc.	30
10. Paper and pulp-making machinery	5	Total	68
11. Sugar machinery	6	X. TEXTILES	
12. Other machinery		1. Clothing spinning and doubling, etc.	2
(i) Chemical machinery	)	2. Cotton weaving	9
(ii) Cement-making machinery	)	3. Woollen section	2
(iii) Flour-milling machinery	)	4. Worsted combing, top-making and spinning	4
(iv) Sewing machines	)	5. Rope, twine and net	1
(v) Tobacco machinery	)	6. Other fibres, Rayon, Sanforized, crease-resisting processes, etc.	15
13. Other non-electrical engineering (including industrial machinery).	83	Total	33
14. Boilers and boiler-house plant	12	XI. LEATHER, LEATHER GOODS AND FUR	
15. Machine tools and engineers' small tools	55	1. Leather	5
16. Constructural engineering	12	2. Leather-tanning and dressing	1
17. Ball- and roller-bearing	14	3. Boots, shoes, slippers & clogs	3
18. Heating and ventilating apparatus	11	4. Brooms, brushes (cowtail & other hair)	2
19. Gas and water-meters and other allied fittings	19	Total	11
20. Cranes, lifts and conveyors	23	XII. FOOD, DRINK AND TOBACCO	
Total	887	1. Biscuits	2
V. ELECTRICAL GOODS		2. Milk, butter and cheese	5
1. Electrical machinery	27	3. Cocoa and chocolate	1
2. Wireless apparatus (except valves) and gramophones	17	4. Spirit-distilling, rectifying and compounding	2
3. Electric wires and cables	37	5. Cigarettes, cigars and tobacco	2
4. Telegraph and telephone apparatus	3	6. Frozen fruits, ice-cream, juice, etc.	4
5. Wireless valves and electric lamps	15	Total	16
6. Primary and secondary cells	1	XIII. MANUFACTURE OF WOOD AND CORK	
7. Electrical equipment for motor vehicles, cycles and aircraft	9	1. Saw milling, etc.	4
8. Other electrical goods, including meters etc.	139	2. Cork manufactures	1
Total	248	Total	5
VI. TRANSPORT		XIV. PAPER AND PRINTING	
1. Ship-building and ship-repairing	3	1. Paper and board etc.	19
2. Manufacture of engines, chassis and complete motor vehicles and motor cycles	13	2. Printing, publishing, book-binding, engraving, etc.	6
3. Motor vehicle body-building	5	3. Cardboard boxes, cartons, fibre board, packing-cases, etc.	5
4. Manufacture of pedal cycles and accessories	4	Total	30
5. Aircraft engines	1	XV. OTHER MANUFACTURING INDUSTRIES	
6. Accessories and parts for motor vehicles and aircraft	78	1. Tyres and tubes	10
7. Locomotive and other railway equipment	11	2. Other rubber goods	7
Total	115	3. Toys, games and sports requisites	8
VII. METAL GOODS		4. Pens and pencils, etc.	8
1. Tools and implements	6	5. Other stationer's goods	2
2. Bolts, nuts, screws, rivets, nails	7	6. Industrial cases	5
3. Iron and steel forgings	15	Total	40

EASTERN ECONOMIST

December 27, 1963

Industry	No. of Joint Ventures
XVI. MISCELLANEOUS (NON-INDUSTRIAL)	
1. Re-insurance	1
2. Construction of dams, etc.	3
3. Development of fisheries	2
4. Taking-over by assignment land and buildings	1
5. Shipping	1
6. Petroleum	2
7. Tea export	4
8. Import of mechanized boats and bull trailers	1
9. Poultry-building farms	3
10. Production and distribution of educational films	1
11. Technical consultancy firms	4
Total	23

As is clear from the above table, there are 101 types of industries in which there are joint ventures associating foreigners. This excludes 11 types of the non-industrial category (No. XVI in Table above) in which 22 joint ventures have been established. The non-industrial sphere includes development of fisheries, technical consultancy firms, the construction of dams, import and export business, poultry-breeding farms, etc. It is seen from the above table that special emphasis has been placed on the development of engineering machinery of all kinds, chemicals, machine-tools, electrical goods, accessories and parts for motor vehicles and aircraft, etc. These industries together account for more than three-fourths of joint ventures approved during the period under review.

STATEWISE LOCATION OF JOINT VENTURES

Industry	No. of Joint Ventures
Maharashtra	613
West Bengal	289
Delhi	179
Madras	84
Gujarat	56
Mysore	31
Uttar Pradesh	29
Kerala	28
Andhra	16
Punjab	15
Bihar	6
Orissa	5
Madhya Pradesh	5
Rajasthan	4
Assam	2
	1362

As is clear from the above figures, the pattern of location of industries has not changed much even after 1,500 industrial enterprises have been established with foreign collaboration. On the contrary, it has increased the concentration of industries in the already developed areas. Before issuing licences for new ventures, the Government takes into account the need to encourage the growth of industries in backward States. The reason for this concentration is apparent since most of the joint ventures undertaken with foreign collaboration in engineering, machine-building, electrical goods, chemicals, etc. which require power, transport facilities, skilled labour, raw material and commercial facilities, have been started from the outset in chosen regions, the other parts of India which lack an adequate infra-structure have remained completely backward. Each individual concern cannot invest huge amounts of capital for these purposes. This is how about 50 per cent. of all these joint ventures with foreign collaboration have come to be set up in Maharashtra and a third in West Bengal, Delhi and

Madras, while backward States, such as Bihar, Orissa, Madhya Pradesh, Rajasthan and Assam, have only 6, 5, 5, 4 and 2 joint ventures respectively. Not a single venture of this nature has been located in Himachal Pradesh and other Union territories. An important feature in the new location pattern has been the emergence of Union territory of Delhi which has 179 joint ventures and comes only after Maharashtra and West Bengal. There has also been a significant improvement in Gujarat and Mysore which now have 56 and 31 joint ventures respectively.

As a result of this collaboration between Indian joint stock companies and foreign corporations, several altogether new avenues of manufacture have been opened up. Products, such as carbon black, bright steel, precision instruments, automobile and aircraft accessories and parts, chemicals and pharmaceuticals which were never before manufactured in India are going to be made for the first time with foreign technical collaboration. The increasing interest which foreign entrepreneurs have continued to evince is a measure of their growing confidence in the potentialities of the Indian economy. Notwithstanding the temporary setbacks often caused by political pronouncements or the misunderstanding among foreigners of India's commercial, financial and other policies, there exists today a suitable climate for fruitful collaboration between Indian and foreign entrepreneurs.

Between 1956 and 1963, about 1533 foreign collaboration agreements including the Indo-UK agreements signed before 1956 were approved by the Government of India. An analysis of the Indian parties to these agreements reveals certain interesting features. The following figures indicate the organizational pattern of the Indian partners to the foreign collaborations:

Type of Indian collaborator	No. of collaboration agreements	Percentage of total
Public Limited companies	612	39.9)
Private Limited companies	535	34.9) 74.8
Firms	267	17.4
Individuals	115	7.5
Institutional	4	0.3
Total no. of agreements	1533	100.0

Public limited companies account for the largest number of collaboration agreements, 612 or 39.9 per cent of the total, followed by private limited companies 535 (34.9 per cent), firms 267 (17.4 per cent), individuals 115 (7.5 per cent) and institutional 4 (0.3 per cent). The share of limited liability companies (public and private limited companies together) comes to 1147 or 74.8 per cent of the total Indian collaborating interests. In other words about three-fourths of the Indian collaborators are limited liability companies. The firms, individuals, and institutional collaborators combined, account for about one-fourth of the total Indian collaborating interests.

The following table compares the nature of the collaborating interests in India with those in the foreign country:

Types of collaborators	Indian	Percentage of total	Foreign	Percentage of total
Limited liability companies	1147	74.8	1192	77.8
Firms	267	17.4	248	17.0
Individuals	115	7.5	57	3.1
Institutions	4	0.3	36	2.1
TOTAL	1533	100.0	1533	100.0

The above figures make an interesting study. Limited liability companies account for the majority both among the

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Paid-up capital: Rs. 7,00,00,000/-

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* Underwriting of equity, preference or debenture issues;

* Subscribing to equity or preference capital;

* Guaranteeing deferred payments in respect of machinery imported from abroad or purchased in India;

* Guaranteeing loans raised from foreign Banks or Financial Institutions in foreign currency.

Detailed terms and conditions of IFC loans and other literature about its working are available on request from its Head Office at New Delhi and its Branch Offices.

D. R. MADHOK
General ManagerK. P. MATHURANI
Chairman

DA-63/352

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* cement * heavy chemicals * alkalies and agro-chemicals *
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tools * radios * air-conditioning and refrigeration equipment * hotels
*insurance *industrial investment *social science *scientific research

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S. T. SADASIVAN,
General Manager.

December 27, 1963

ANNUAL NUMBER 1964

Indian interests and their foreign collaborators. The proportions, in the table, of Indian interests and foreign collaborators are comparable as far as limited liability companies and firms are concerned. About three-fourths of the Indian interests and foreign collaborators are joint-stock companies, and approximately 17 per cent. are firms in both cases. Individuals (115) constitute about 7.5 per cent. of the Indian interests (1533), and are twice the corresponding number in foreign countries (57). Institutional collaborators in India are insignificant, being only four in number, while those in foreign countries are 36. While the percentage is 2 in the case of the latter, it is still not very significant.

Let us now proceed to discuss in detail the role played by these different classes of Indian interests in Indian industries.

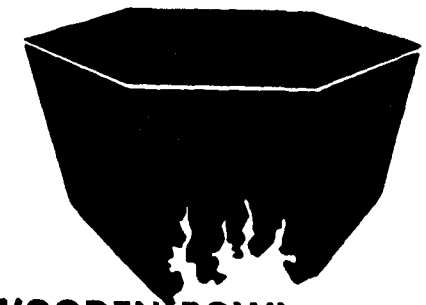
LIMITED LIABILITY COMPANIES

(1) Public Companies

Of the 1533 foreign collaboration agreements 612 Indian collaborating parties are joint-stock, public limited companies; they constitute about 40 per cent of the total Indian collaborating interests, and are besides the most numerous. About 28 Indian public limited companies have entered into more than one collaboration agreement. The details are as follows:

Name of Foreign Collaborator	Articles of manufacture
Larsen & Toubro Ltd., Bombay	
(a) Film-coating Towers (1925) Ltd., U.K.	Film flow-induced draught-cooling towers
(b) Weiger Maschinenbau, W. Germany	Portable belt-conveyors and hand scrapers
(c) Silkeberg Maskinfabrik, Denmark	HTST Plate Pastenrisecf & Can washers respectively
(ii) Wright Hargreaves Engineering Co., U.K.	
(d) Chamiban, (Dr. A. Zieren) G.m.b.H. Cologne, W. Germany	Sulphuric acid & superphosphate plants
(e) Niro Atomizer, Copenhagen, Denmark	Spray drying-plants complete for dairy industry
(f) Societe Des Soudures Castolin S. A. Switzerland	Welding electrodes & rods
(g) Interfonda Ltd., Switzerland	Feed milling plants, etc.
Asiatic Oxygen & Acetylene Co., Ltd., Calcutta	
(a) L' Air Liquide, Paris	Welding transformers & motor generator sets
(b) L' Air Liquide, Paris	Coated and uncoated electrodes
(c) L' Air Liquide, Paris	Industrial gases
(d) Air Products Inc. U.S.A.	Industrial gases
(e) K. G. Equipment Co., U.S.A.	Oxy - Acetylene cutting & welding equipment
(f) Metal & Thermit Corporation, N.Y., U.S.A.	Coated & uncoated electrodes
(g) Westinghouse Electric (international) Co., U.S.A.	Welding transformers
Volta Ltd., Bombay	
(a) J. K. Smith (Diamond Tools) Ltd., U.K.	Diamond drill-bits
(b) Carrier Corporation, N.Y., U.S.A.	Refrigeration & air-conditioning units
(c) Micafil Ltd., Switzerland	Power-fader correction capacitors
(d) Monoplast Ltd., Switzerland	Absorption type refrigerator
(e) Associated Electrical Industries Ltd. U.K.	Soldering irons
(f) Scottish Machine Tools Corporation, U.K.	Sheet-metal working machines
(a) B.S.A. Tools Ltd., Birmingham, U.K.	Single-spindle automatic lathes

Name of Foreign Collaborator	Articles of manufacture
The Britannia Engineering Company Ltd., Calcutta	
(b) Leeson Holt Ltd., U.K.	Pre Beamer & cereal drying machines
(c) Giddings & Lewis Fraser Ltd., U.K.	Jute cone winders
(d) Wadkin Limited, U.K.	Wood-working machines & lathes
(e) Patterson Hughes Engineering Co. Ltd., U.K.	R. O. T. cranes
(f) Densfield Holdings Ltd., U.K.	Cop-loaders
Greaves Cotton Company Ltd., Bombay	
(a) Ruston Bnerjins Ltd., U.K.	Complete machinery & spares
(b) David Brown Industries Ltd., U.K.	Radicon worm reduction gears.
(c) Drayton Regulator & Instruments Ltd., U.K.	Steam traps
(d) Mindrill Ltd., Australia	Diamond bits
(e) Edward Wilcox & Company Ltd., U.K.	Slydelock fuses
K. C. P. Ltd., Madras	
(a) Fives-Little-Cail, Paris	Boilers
(b) Eimco Corporation, U.S.A.	Sugar-cane mud-filter
(c) Societe Fives-Little-Cail, Paris	Cement plants
(d) Wilhelmsburger Maschinenfabrik, West Germany	Plate-working machinery
(e) Fives-Little-Cail, Paris	Heavy castings and forgings
Mahindra & Mahindra Ltd., Bombay	
(a) Hawker Siddeley Industries Limited, U.K.	Vertical Air-cooled Diesel engines
(b) David Brown Corporation (P) Ltd., U.K.	David Brown 12 DBHP



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Name of Foreign Collaborator	Articles of manufacture
(c) Birfield Company, U.K.	Self-lubricating bearings
d) International Harvester Co. U.S.A.	Agricultural tractors
(e) Natvar Corporation, U.S.A.	Flexible electrical insulators
Phillips India Ltd., Calcutta	
(a) N. V. Phillips Netherlands.	35 mm cinema projectors & auxiliary equipment
(b) N. V. Phillips, Netherlands.	Burners for gaseous-discharge lamps
(c) N. V. Phillips, Netherlands.	X-Ray equipment
(d) N. V. Phillips, Netherlands.	Photoflash lamps
(e) N. V. Phillips, Netherlands.	Electric service & measuring instruments
Tata Locomotive & Engineering Company Ltd., Bombay	
(a) A. Johnson & Company, Stockholm, Sweden	Pulp & paper-making plant
(b) Harmischfeger Corporation, U.S.A.	P. & H. excavators
(c) Fiehtal & Sachs, W. Germany	Hydraulic shock-absorbers many
(d) (i) Garringtons Ltd., U.K.	
(ii) Scottish Stamping & Engineering Co., U.K.	Automobile forgings
Electronics Ltd., New Delhi	
(a) Kelvinator International Corporation, U.S.A.	Refrigerators
(b) Utility Appliance Corp., U.S.A.	Room coolers
(c) Shaw Process Ltd., U.K.	Use of Shaw Process for manufacture of castings
(d) Ranco Ltd., U.K.	Rotors & stators
Delhi Cloth Mills Ltd., Delhi	
(a) (i) Shin Eton Chemical Industries Company Ltd., Tokyo	P. V. C.
(ii) Mitsui Bussan Kinsha Ltd., Tokyo	
(b) Phosphate Acidulating Corporation, U.S.A.	Superphosphate plants
(c) Beanmit Mills Inc., N.Y., U.S.A.	Viscose high-tenacity rayon tyre-cord
Escorts Ltd., New Delhi	
(a) Rheinmetall G.m.b.H. Dusseldorf, W. Germany.	Hydraulic shock-absorbers for railway coaches
(b) CEKOP, Poland	Motor cycles
(c) Suko, Stuttgart, W. Germany	Gudgeon pins
Jost's Engineering Company Ltd., Bombay	
(a) Nevilles (Liverpool) Ltd., U.K.	Coil-winding machines
(b) Martonaire Ltd., U.K.	Pneumatic cylinders
(c) Glacier Metal Co. Ltd., U.K.	Centrifugal oil-filters
Killick Industries Ltd., Bombay	
(a) Dexion Ltd., London, U.K.	Slotted angles
(b) Cigarette Components Ltd., U.K.	Filter rods for filter-cigarettes
(c) Bohler Bros. & Co. Ltd., Vienna (Austria)	Steel files
Central India Machinery Manufacturing Company Ltd., Birlanagar, Gwalior	
(a) Enshu Weaving Machinery Automatic looms Co. Ltd., Japan	
(b) Kyoto Machinery Co. Ltd., Japan	Textile finishing machines
Sen & Pundit Industries Ltd., Calcutta	
(a) Dunlop, Rim & Wheel Company, U.K.	Bicycle valves
(b) La-Lumbarde Pethi, Italy	Leather footwear

Name of Foreign Collaborator	Articles of manufacture
Electrical Manufacturing Company Ltd., Calcutta	
(a) Performed Line Products Company, U.S.A.	Armour rods
(b) R.C.A., U.S.A.	Transistors & semi-conductors
Testeels Ltd., Bombay	
(a) Mitsubishi Heavy Industries (Reorganized) Ltd., Tokyo	Power-tiller and attachments
Polychem. Ltd., Bombay	
(a) Dow Chemie A. G. Basel, Switzerland	Styrene Monomer Plant
(b) H. K. Ferguson Company, U.S.A.	Styrene Monomer Plant
Imperial Tobacco Co. of India Ltd., New Delhi	
(a) Molins Machine Company Ltd., U.K.	Cigarette & tobacco making machines
Union Carbide India Ltd., Calcutta	
(a) Union Carbide Corporation, U.S.A.	Cinema arc carbons
(b) Union Carbide Corporation, U.S.A.	Polythelene & other organic chemicals
T. Manecklal Manufacturing Company Ltd., Bombay	
(a) Swiss Locomotive & Machine Works, Switzerland	Roof blowers
(b) Swiss Locomotive and Machine Works, Switzerland	Diesel engines
Hindustan Motors Ltd., Calcutta	
(a) Caterpillar Tractor Co., U.S.A.	Caterpillar, bulldozer & tractor parts, etc.
(b) (i) Marian Power Shovel Co., U.S.A.	
(ii) Universal Marian, Switzerland	Marian shovels
The Enfield India Ltd., Madras	
(a) Enfield Cycles Co. Ltd., England and five other non-residents	
(b) Villers Engineering Co. Ltd., U.K.	Villers engines for industry & agriculture
John Flower (India) Ltd., Calcutta	
(a) Vokes Cardwell Ltd., U.K.	Tobacco machinery
(b) Stream Lime Filters Ltd., U.K.	Special types of filters
Kilburn & Company Ltd., Calcutta	
(a) Lansill Bagnell, U.K.	Forklift trucks
(b) Hall Harding Ltd., U.K.	Pointing machines
Batala Engineering Company Ltd., Punjab	
(a) (i) S. A. Gathi & Company	
(ii) Offidima Meconica, Turin, Italy	Planers
(b) Maschinenfabrik, Austria	Wood-working machines
Cinefones Limited, Bombay	
(a) Magni & Company, Tokyo	Cinema arc lamp mirrors
(b) Tada Toy manufacturing Company, Tokyo	Spring and battery-operated mechanical and educational toys

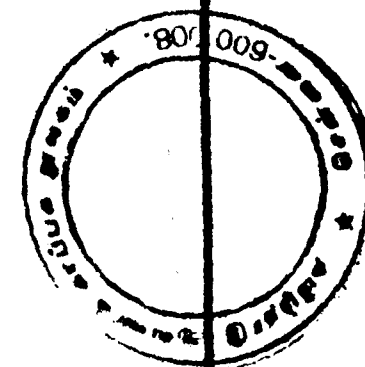
The articles manufactured by these Indian public limited companies are: textile-processing machinery; cement and cement machinery; sugar mill machinery; electrical machinery; rayon machinery; radial drilling machines; machine tools; complete coiling manlugs; road rollers; cranes; explosives; chemicals and pharmaceuticals; chemical plants; aluminium; paper mill; dyes and dyestuff; precision instruments; tobacco machinery; fertilizer factories, etc.

PRIVATE LIMITED COMPANIES

About 535 of the Indian partners in the joint ventures undertaken with foreign collaboration are in the form of pri-

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ate limited companies, which constitute 34.9 per cent. of the total. The share of limited liability companies in the total comes to 74.8 per cent. In India the private limited company is a much favoured organisation, accounting as it does for as much as a third of all these joint ventures. The reason is obvious; as compared to firms and other forms of business organisations, it has the advantage of limited liability while its obligations are less legal and restrictive than those of the public limited company. Many individuals and firms often convert their business into private limited companies after entering into an agreement for collaboration with a foreign company. About 11 private limited companies have entered into more than one collaboration agreement with foreign parties. The details are as follows:

Indequip (P) Ltd., Bombay

- (a) Hobourn Easton Manufacturing Company Ltd., U.K. Diesel engine components
(b) Hobourn Easton Manufacturing Company Ltd., U.K. Motor pumps for lubricating oil systems in automobiles
(c) (i) Giacomo Jicker of Italy
(ii) H. W. Butterworth & Sons, U.S.A. Humidification plant, etc.
(d) Honeger & Company, Zurich, Switzerland Licker in wire

General Electric Company of India (P) Ltd., New Delhi

- (a) Benjamin Electric Ltd., U.K. Lighting & fittings
(b) Chamberlain & Hookaws Ltd., U.K. Poly-phase meters
(c) Chamberlain & Hookaws Ltd., U.K. Water, steam and electric meters

- Mr. C. C. Desai (Indo Sewing (P) Ltd., New Delhi)**
(a) Sewing Ltd., A. B. Sweden Safety razor & blades
(b) (i) Jaz S. A. of Paris &
(ii) Valie Holding S. A. of Geneva Time-pieces
(c) Officine Gallilio, Italy Gas & house service meters
Bombay Company (P) Ltd., Bombay
(a) Pyrotenax Ltd., U.K. Mineral-insulated copper cables
(b) International Teeth Co., U.K. Commercial dental products
(c) F. W. Berk & Company Ltd., London Spraying equipment
India Air Control (India) (P) Ltd., Bombay
(a) Air Control Installations Ltd., U.K. Humidification & ventilation plant
(b) Lightford Refrigeration Company Ltd., U.K. Industrial & commercial refrigeration equipment
Toshmiwal Bros. (P) Ltd., New Delhi
(a) British Electric Resistance Company Ltd., U.K. Tubular Rheostates of 'Berco' design
(b) W. G. Pye & Company, U.K. P. & H. meters conductivity bridges, etc.
Shurid Geigy (P) Ltd., Ahmedabad
(a) J. R. Geigy, Switzerland Dosulphin, Micora, Tofranil, Teleefan
(b) Astra, Sweden Cyclocaine & its specialities
J. B. Advani & Company (P) Ltd., Bombay
(a) Raytheon & Co., U.S.A. Semi-conductors
(b) Strojexport, Czechoslovakia Electric arc-welding generators

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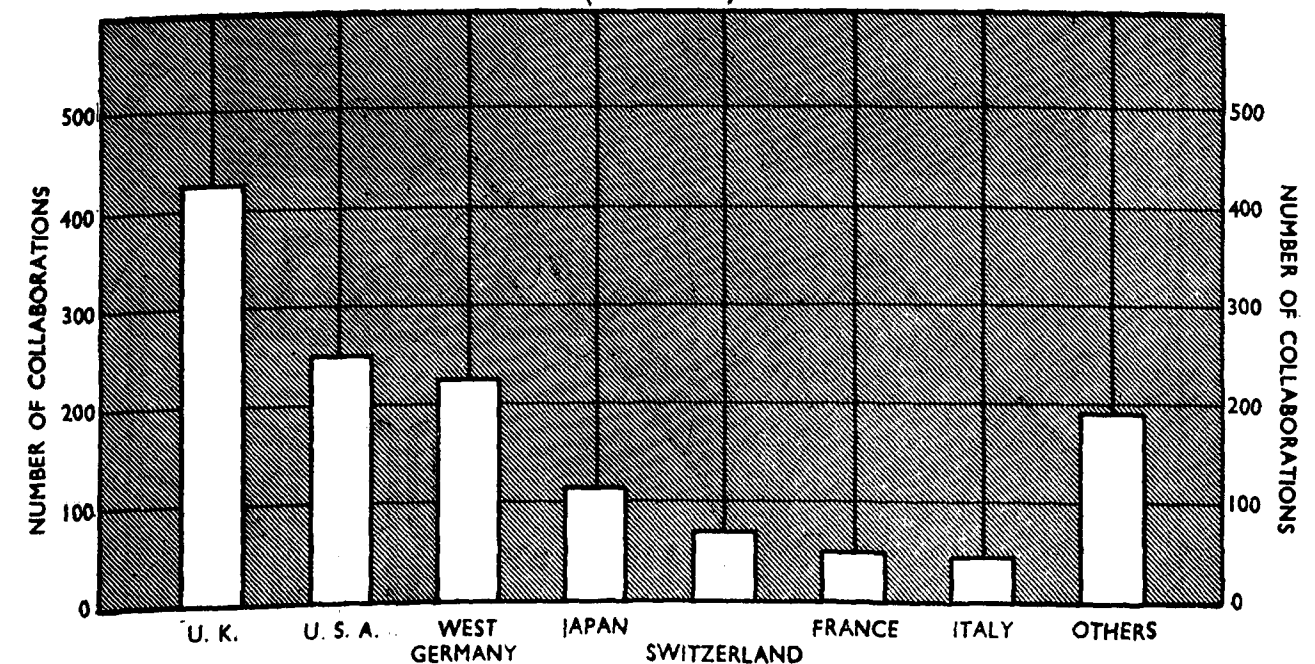
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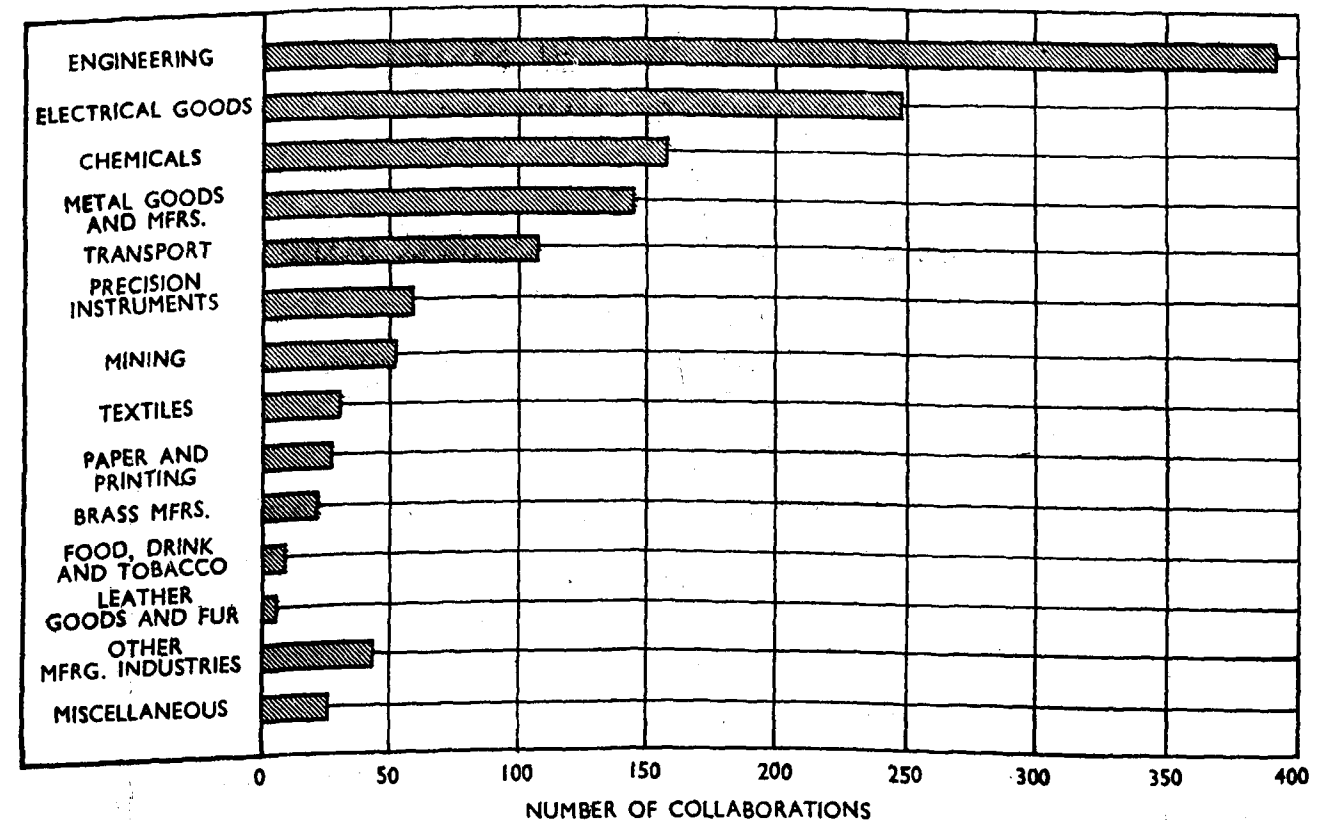


FOREIGN COLLABORATIONS : 1956-57-1962-63

(COUNTRY-WISE)



(INDUSTRY-WISE)



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SPIN
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AND IMPROVE
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COMPANY LIMITED
(Staple Fibre Division)

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Name of Foreign Collaborator	Articles of manufacture
Harbans Lal Malhotra & Sons (P) Ltd., Calcutta Rheische Nadelfabriken Hand sewing needles G.m.b.H. W. Germany.	
(b) Gebr. Buhstrat, Gottingen, W. Germany	Industrial furnaces
Kamani Tubes (P) Ltd., Bombay	
(a) Industrial Investments Ltd., Switzerland	Non-ferrous rods, pipes & tubes
(b) Yorkshire Imperial Metals Ltd., U.K.	Copper, brass hollows, pipes & tubes
International Equipment Corporation (P) Ltd	
(a) Ataliards 'D' Orleans, France	Electric hoists
(b) Danto Rogeat, S.A. France	Glass-lined equipment

The Indian private limited companies produce the following in collaboration with foreigners: auto parts; light fittings; electric and welding generators; tyres and tubes; industrial machinery; infant milkfood; ovaltine; chemicals; time-pieces; mobile cranes; gas cylinders; 35 mm. projectors; furnaces; textile machinery; printing machinery; industrial instruments; transformers; combination optical frames; paints, etc.

FIRMS

There are 267 Indian firms which have entered into collaboration agreements with foreign parties. Firms constitute about 17.4 per cent. of all Indian collaborating interests, and come next only to limited liability companies. The three following firms have entered into more than one collaboration agreement. The names of the firms are as follows:

Gandhi Electric Industries, Bombay	
(a) Tuscan Engineering Co. Ltd., U.K.	Flame-proof motors and alternators
(b) Ferranti Ltd., U.K.	Transformers
(c) Hans Heidolph Electro, W. Germany	Fractional H.P. meters

Indian Rayon Corporation, Bombay	
(a) M/s Von Kohorn International Corporation, New York, U.S.A.	Rayon yarn
(b) Financial & Development Fund Inc., N. Y., U.S.A.	Viscose artificial silk
(c) Rheem Manufacturing Co., U.S.A.	Steel pipes
Rochren Fretigungs Austalt) of Luicheusten	

McLeod & Company, Calcutta	
(a) Parsons & Whittmore Inc., New York, U.S.A.	Paper, writing & printing
(b) Parsons & Whittmore Inc., New York, U.S.A.	Pulp & paper mill
(c) (i) Tokyo Seiko, Japan & (ii) Moritam Ltd., Japan	Wire ropes

Some of the articles which Indian firms are manufacturing in India in collaboration with foreign companies are: motor cycles; electric motors; cables and wires; sodium carbonyl; methyl; cellulose; photo-flash lamps; chemical machinery; auto parts; water meters; weighing machines, etc.

INDIVIDUALS

About 115 Indians have, as individuals, entered into collaboration agreements with foreigners for the manufacture of industrial products in India. Individual collaborators constitute 7.5 per cent. of all collaborating interests. The following

two individual collaborators have entered into more than one collaboration agreement:

Name of Foreign Collaborator	Articles of manufacture
Mr G. D. Binani, Calcutta	
(a) Revere Copper & Brass Inc., New York, U.S.A.	Copper & brass, alloys, tubes, rods sections, etc.
(b) M/s Consolidated Mining & Smelting Company of Canada Smelter	Setting up of a zinc
Mr A. K. Chowdhri, Calcutta	
(a) M/s Nitta Seikan Co. Ltd., Japan	Insulation material
(b) M/s. Miyaki Knitting Machine Works Limited, Osaka, Japan	Knitting-needles and other components

Some of the articles which individual collaborators are manufacturing in collaboration with foreign parties in India are: Insulation material; auto parts; sanitaryware and ceramics for the household; urea & formaldehyde resins; thermometers; glass tubes; paper machinery; polythelene & plastic-coated materials and packages, etc.

INSTITUTIONAL

Indian interests which cannot be subsumed in the above categories are treated as institutional collaborators for the purposes of this study. There are only three such institutions in India which have entered into collaboration agreements with foreign parties for the manufacture of industrial goods.

Indian collaborator	Foreign party	Article of manufacture
Chairman	M/s G.E.C., U.K.	House service meters
Assam State Electricity Board, Shillong, Assam		
Chittaranjan Locomotive Works, Chittaranjan, West Bengal	M/s F. M. Lloyd & Company Limited, U.K.	Steel castings
Development Department (Durgapur Industries) Government of West Bengal	(i) M/s Krebs & Cie S.A. France (ii) M/s Achenback Sohne G.m.b.H. Germany	Caustic soda-chlorine, phenol Durgapur coke oven doubling project

Of the 1,533 collaboration agreements approved by the Government of India, 1,192, or more than three-fourths of the foreign collaborators, have organized themselves into limited liability companies. The name, form and legal regulations governing this mode of organization differ from one country to another according to the law of each country*. The term "limited liability company" has here been used for any form, whatever the country of organisation in which the liability of the members is limited.

FOREIGNERS COLLABORATING IN INDIA: COUNTRY AND ORGANISATION

Name of country	No. of collaboration agreements	Limited liability companies	Firms	Individuals	Institutional
U.K.	610*	590	16	4	—
U.S.A.	250	222	20	8	—
West Germany	223	78	121	24	—
Japan	113	93	16	4	—
Switzerland	70	42	24	4	—
France	50	50	—	—	—
Italy	45	30	13	2	—

* According to the Company Law of Netherlands, for example, partnership firms having unlimited liability of partners are called private companies. There are two types of limited liability companies: (i) the open limited company whose shares are quoted on the stock exchange; and (ii) private limited companies whose shares are not quoted on the stock exchange. Limited liability companies indicate their status by the letters N.V. which must be attached to the name of the firm. West Germany has two types of limited liability companies: (1) G.m.b.H. (Gesellschaft mit beschränkter Haftung) company with limited liability; (2) A.G. (Aktiengesellschaft) the public limited company. In Switzerland, limited liability companies indicate their status by the letters S.A., S.P.A., A.G., Ltd., and in U.S.A., by Inc. (Incorporated) or Corporation; in the U.K., Japan, Australia, Canada, Sweden, etc., limited liability companies use the word "limited" after their names.

Name of country	No. of collabo- ration agree- ments	Limited liability compa- nies	Firms	Indivi- duals	Institu- tional
Holland	25	22	2	1	—
Sweden	24	9	14	1	—
Denmark	16	6	7	3	—
Belgium	13	5	8	—	—
Czechoslovakia	13	—	—	—	13
Canada	12	11	—	1	—
Australia	11	10	—	1	—
Austria	11	7	1	3	—
German Democratic Republic (G.D.R.)	10	2	—	—	8
Poland	9	—	—	—	9
Norway	6	6	—	—	—
Hungary	6	—	—	—	6
Finland	4	—	4	—	—
Ireland	1	1	—	—	—
Panama	1	1	—	—	—
Liberia	1	1	—	—	—
Baden	1	1	—	—	—
Luxembourg	1	1	—	—	—
Liechtenstien	1	—	1	—	—
Malmo	11	—	1	—	—
Brazil	1	—	—	1	—
Greece	1	1	—	—	—
British West Indies	1	1	—	—	—
Kenya	1	1	—	—	—
Tanganyika	1	1	—	—	—
Total	1533	1192	248	57	36
Percentage of Total 100.00	77.76	17.04	3.07	2.13	

* This includes Indo-U.K. collaboration agreements entered into before 1956.

** Foreign collaborators other than the first three types.

This table clearly reflects the importance of and contribution made by limited liability companies in the economies of foreign countries. The foreign partners of all the major Indian industrial undertakings are limited liability companies and are especially associated with industries which require large amounts of capital; in which production is undertaken on a large scale; where patents or special manufacturing processes are employed; and finally, basic or capital goods industries.

In industrially advanced countries, such concerns are organized into joint-stock limited-liability companies for these alone have the necessary resources and ability to undertake major enterprises in under-developed countries in collaboration with local interests. The following are the examples of some of the articles they manufacture: aircraft & auto parts and accessories; tyres and tubes; engineering goods; machinery of all types; chemicals and pharmaceuticals; aluminium; iron and steel forgings, castings and other allied products; heavy and basic industries, etc.

Less than a fifth or 17 per cent. of all collaborating foreigners are firms. Foreign firms play an important role in joint ventures in India; some are big, others small establishments. Here are a few representative names: Messrs. Linn of West Germany; Messrs. Issac Holden & Sons, U.K.; Messrs. Citizen Watch Co., Tokyo, Japan; Messrs. James Bertram & Sons, U.K.; Messrs. Bengal Laboratories, U.K.; Messrs. Chemischa Works Huds, West Germany; Messrs. Arbor Acres Farm, Connecticut, U.S.A.; M/s. Mentor Asso-

ciates, San Francisco, U.S.A.; M/s. Hans Heidolph Electric, Nuremberg, W. Germany; M/s. Demco, Australia. They make: Industrial furnaces; paper & pulp; writing and printing paper; wrist watches; Dextran & Iron Dextran; ammonia and freon compressors; ball-point pens & refills; automobile electrical ancillaries; oil seals; electric motors; machine tools; ferrous & non-ferrous castings, among other things.

Only about three per cent. of the collaborating interests are individuals. Although individual foreign collaborators are fewer in number than companies and firms, their contribution to the industrialization of this country cannot be overlooked. They are usually individuals with specialized knowledge of some product or process of manufacture, who possess the patent right for some product and who collaborate in the manufacture of that article in India.

Some of the individuals collaborating in India are: Dr. Rudolf Krupicka (Vienna); Mr. George Heckel (W. Germany); Mr. C. G. Gorton, (U.K.); Mr. Aaran Permat (U.S.A.); Mr. T. Yamade (Japan); Mr. Aaren, Consulting Chemist (U.S.A.); Mr. H. Banstrain (W. Germany) etc.

They help to make: textile auxiliaries; steel wire and wire ropes; universal lathes; solid underground cables; pigment emulsions; thermometers; glass tubes; azo dyes and intermediates — loose optics and components for scientific instruments, etc.

All the 36 institutional collaborators are government departments or government companies of Communist countries, such as Poland, Czechoslovakia, Hungary, etc., who have collaborated with Indian firms to set up industrial

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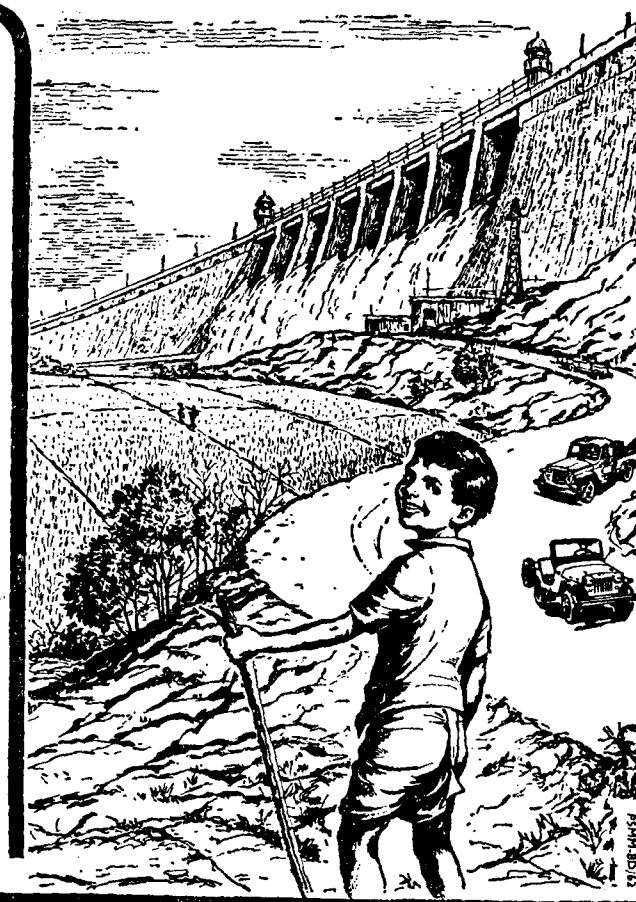
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ventures in the private sector in India. They afford a fine example of co-existence and even good relations between Communist and non-Communist countries. Examples: M/s. Cekop of Poland; M/s. Strojexport, Strojimport; Techno-export & Motokov of Czechoslovakia and M/s. Komplen & Metrimex of Hungary.

They make: Styrofen capacitors; wired and figured glass; windshield glass for automobiles; milling machines; single-phase and poly-phase electric meters; abrasive grains; detonators; electronic testing equipment, etc.

Now a country-wise analysis of the structure and organization of foreign collaborating interests: Out of the 610 Indo-U.K. joint ventures, 590 U.K. collaborators are limited liability companies, 16 firms and four individuals. Most of the collaborating interests from the U.K. are limited liability companies and the share of other forms of organizations is insignificant.

Approximately 24 British companies have more than one joint venture agreement with Indian parties. The following have more than one collaboration agreement with Indian companies: M/s. Mond Nickel Co., Ltd. (7 agreements); M/s. Imperial Chemical Industries Ltd. (7 agreements); M/s. Joseph Lucas (Electrical) Ltd. (4 agreements); M/s. Tootal Broadhurst Lee Co., Ltd. (4 agreements); M/s. Pye Ltd., (5 agreements); M/s. Johnson & Phillips Ltd. (3 agreements); M/s. Associated Electrical Industries Ltd. (3 agreements); and M/s. Fellows Bros. Ltd.; M/s. Pressed Steel Ltd.; M/s. Crompton & Parkinson Ltd.; M/s. British Insulated Callenders Co., Ltd.; M/s. Murphy Richards Ltd.; M/s. General Electric Company Ltd.; M/s. Westinghouse Brake & Signals Ltd.; M/s. Joseph Sakey & Sons Ltd.; M/s. Cambridge Instruments Co., Ltd.; M/s. Hall & Nielsons Ltd.; M/s. Glaxo Laboratories Ltd.; M/s. Lever Brothers & Associates Ltd.; M/s. Sluzangers Ltd.; M/s. J. H. Fanner & Co., Ltd.; M/s. Chamberlain & Hooklan Ltd.; M/s. Hobourn Easton Manufacturing Co. Ltd. and M/s. Molins Machine Co., Ltd. (2 agreements each).

It may be noted from the above table that some companies like Mond Nickel Company Ltd., and Imperial

Chemical Industries Ltd. have as many as seven collaboration agreements with Indian parties. All British companies which formerly sold their products in India themselves or through the branches or subsidiary companies now help to manufacture them in India, often the same brand with the same name and standardization. The following are examples: Messrs Glaxo Laboratories Ltd.; Johnson & Nicholson; Lever Brothers; Murphy Radios; Bush Radio; General Electric; Pye Ltd.; Enfield Cycles; Raleigh Industries; Horlicks; Imperial Tobacco; Dunlop Rubber; Sluzangers, etc.

In partnership with Indian firms British concerns help manufacture all kinds of products from basic and heavy machinery to light consumption goods, such as biscuits and Ovaltine. Indo-U.K. collaborations are especially significant in the manufacture of: all types of machinery; chemicals and pharmaceuticals; refrigeration equipment; furnaces; radios; sewing machines; bicycles; cables; cars; aero engines; road rollers; railway wagons; machine tools.

U.S. Collaboration

The Government of India has approved about 250 Indo-U.S. collaboration agreements. The collaborating U.S. concerns comprise 222 limited liability companies; 20 firms and eight individuals; total 250.

Thus the majority of U.S. collaborators are incorporated limited liability corporations. In the U.S.A. joint-stock limited liability companies are called corporations. A minor part is also played by firms and individuals. About 14 U.S. corporations have more than one agreement with Indian partners. The names of these corporations are:

M/s. Parsons & Whittmore (9 agreements); M/s. R. C. A. (6 agreements); M/s. Cluett Peabody & Co., Inc. (6 agreements); M/s. Kaiser Industries Corporation (4 agreements); and M/s. International General Electric Co.; M/s. Union Carbide Corporation; M/s. Ex. Cello. Corporation; M/s. Merck & Company Inc.; M/s. Goodyear Tyre & Rubber Company; M/s. Gabriel Company; M/s. American Cynamid Company; M/s. Nepco Industries Limited and M/s. Caterpillar Tractor Company (2 agreements each).

Collaboration agreements with U.S. concerns have been

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manufacture are industrial and printing machinery; tractors; chemicals and pharmaceutical preparations, etc.

About 13 Indo-Belgian collaboration agreements have been approved by the Government of India; five Belgian collaborators are limited liability companies, and the other 8 are firms. No individual Belgians has entered into any collaboration agreements with Indians. Only one firm has entered into more than one agreement with Indian collaborators, that is M/s. Extraction Coontinue Desmet, which has entered into agreements with (i) M/s. Desmet Extractions India (P) Ltd., and (ii) M/s. Oil Corporation of India (P) Ltd., Bombay, for the manufacture of Solvent Extraction plants. The articles of manufacture of Indo-Belgian collaborations are: Cast-iron spun pipes; sheet glass; wire ropes; coated paper; chemical products used as building aids; Antihistamine and tranquilizer group of drugs; extraction yarn and cloth-baling presses, etc.

In all 16 Indo-Danish collaboration agreements have been approved by the Government; six of the Danish partners are limited liability companies, seven firms and three individuals. No Danish collaborator has entered into more than one collaboration agreement. The articles of manufacture of the Indo-Danish collaborations are: refrigeration and air-conditioning equipment; Dextran and Iron Dextran; liquid petroleum gas cylinders; spray & drying plants for dairy industry; milling machines; gaskets; milk pumps, etc. One Danish firm, M/s. Larsen and Nelson Constructors of Copenhagen, has collaborated in the construction work of bridges and dams in India.

There are only six Indo-Norwegian collaboration agreements, and all the Norwegian collaborators are limited liability companies. Only one company, M/s. Munck International A/S Bergen, has entered into two agreements. The articles to be manufactured are prestressed concrete pipes; wire cloth for paper machines; electric hoist; different types of saws; P. V. C. Arch & E. O. T. cranes.

Eleven of the 12 Canadians collaborating with Indian concerns are limited liability companies and one an individual. Only Wireco Engineering Company Ltd. has entered into three agreements with Indian partners. The names of the Indian collaborators are: (i) Power Cables (P) Ltd., Kalyan, Bombay; (ii) Kothari & Sons, Madras; (iii) Traco Cables Ltd., Ernakulam.

All the three agreements are for the manufacture of different types of cables. Other articles of manufacture of the Indo-Canadian joint ventures are: tractors; a newsprint project; a zinc smelter; an aluminium smelter; chinaware etc. One agreement envisages the establishment of large-scale poultry-breeding farms in India.

Ten of the eleven Australian concerns collaborating in India are limited liability companies and there is only one firm among them. The following companies have two agreements each with Indian collaborators.

Australian Company	Indian Collaborators	Articles of manufacture
Mindrill Ltd., Preston, Australia	(i) Greaves Mindrill 'P' Ltd., Bombay	Diamond Drilling
	(ii) Greaves Cotton Co. Ltd., Bombay	Diamond Bits
Pepco Limited	(i) Indian Pistons Pepco 'P' Ltd., Madras	Thin wall bearings
	(ii) Indian Pistons Pepco 'P' Ltd., Madras	Fly wheel ring gears

The articles of manufacture of the Indo-Australian joint ventures are: furnaces; slip stream and rain spray irrigation equipment; cycle tyres and tubes; machine tools; plastic battery separators and taxi meters, etc.

Poland being a communist country, has only one Government firm, CEKOP, working in India; it has entered into 9 collaboration agreements with different Indian firms for the manufacture of electric motors; electric meters; C. I. Rolls; water meters; motor cycles; Styrolflex capacitors; and wired and figured glass, etc.

Seven of the 11 Austrians collaborating in this country are limited liability companies. There is one firm, and three individuals besides. No Austrian collaborator has entered into more than one collaboration agreement with Indians. Articles manufactured are: steel files; auto tyres and tubes—wood-working machines; high-pressure gas cylinders; universal lathes; tool bits; electric meters; aluminium powder and paste, etc.

All the collaborators of Hungary and Yugoslavia, who have entered into joint venture agreements with Indians, are institutional investors i.e. Government departments or companies. At present there are 6 Indo-Hungarian and 2 Indo-Yugoslav collaboration agreements. The articles of manufacture envisaged under Indo-Hungarian collaborations are: electronic testing equipment; electric hoists; enamelled acid and alkali-resistant mixers etc. Wind-shield glass for automobiles; poly-phase meters etc. Articles of manufacture under Indo-Yugoslav collaborations are: industrial flour-milling machinery and electric motors, etc.

Details regarding companies of other countries who have also entered into collaboration agreements with Indian interests are contained in the following table:

Name of the country/organizational pattern of foreign collaboration	Articles of manufacture
Firms	
Finland (4)	Chain pulley blocks; electric hoists; house service meters etc.
Liechtenstien (1)	Aluminium-coated paper.
Malmö (1)	Flint stoves for cigarette lighter
Limited Liability Companies	
Ireland (1)	Tea machinery and ventilating equipment.
Panama (1)	Welding electrodes.
Liberia (1)	Pumpless auto-safe stoves
Baden (1)	Train-lighting dynamos
Luxembourg (1)	Rolling mill for pulverising sulphur
Greece (1)	Basic dyes and other dyes
British West Indies (1)	Plastic collapsable container
Kenya (1)	Plastic coated products
Tanganyika (1)	Sanitary fittings
Individuals	
Brazil (1)	Absorption type refrigerator

Note:—The number of agreements entered into is given in brackets.

It may be concluded that all foreign interests collaborating in India, whatever their mode of organization, play an important role in the industrialization of this country. Each form of organization has its own importance and has its own contribution to make to the national economy.

contracted with a view to manufacturing a vast variety of industrial and commercial products in our country. The 250 joint-venture agreements cover almost every field of industrial activity i.e. machinery; chemicals and pharmaceuticals; machine tools; electrical engineering; other engineering goods; paper and pulp, etc.

Some of the articles of manufacture are: aluminium; ferro-manganese and other alloys; surgical adhesive tapes and medicated plaster, etc.; fork-lift trucks; auto-spring absorbers and other parts; refrigeration and air-conditioning; turbine and special pumps; machine tools; citric acid; auto tyres and tubes; cement; X-ray equipment; pipes; dyes and intermediaries; textile auxiliaries; earth-moving equipment; synthetic rubber; 16 mm and 35 mm motion picture projectors; transistors and semi-conductors; gramophone records; cement- and paper-making machinery; industrial gases; enamelled architectural and enamelled walled tiles; steel forgings; photographic equipment; explosives; aircraft parts; refractories; tractors and parts; carbon black.

American interests also play an important role in the development of fisheries; establishment of "de luxe" hotels; poultry-breeding farms; and publication of textbooks.

German collaborators include 32 public limited companies (A.G.), 46 private limited companies (G.m.b.H.), making up a total of 78 limited liability companies; 121 firms and 24 individuals and 223 interests in all.

More than half of West German collaborators are thus firms which clearly predominate in the West German industrial structure. About seven West German companies have entered into more than one collaboration agreement with Indian partners. The names of these companies are: Messrs VEB Electro Apprat Werke (3 agreements) and M/s. Linn, Merck A.G., Fabrik Chemacher, Linder, Electrica Kondensatorua-fabrik and Seimen's Engineering and Manufacturing Co. (two agreements each).

Indo-German Collaboration

A large number of Indo-West German collaboration agreements are for the manufacture of engineering goods, both machinery and components including electrical machinery, instruments and precision instruments. Not a single agreement envisages the production of light consumption material. The following are some of the articles manufactured in our country in collaboration with West Germany: industrial furnaces; industrial machinery; industrial gases; single-phase and three-phase electrical meters; refractories; tyre cord; acetic acid; industrial roller chains; rail equipment; capacitors; wire-drawing and wire-rope manufacturing plant; hydraulic press; submersible pumps; high-tension insulators; wire-ropes; oilers and equipment; sanitary-ware; malleable castings etc.

There are 113 Indo-Japan collaboration agreements out of which 93 are Japanese limited companies, 16 firms and four individuals. It clearly shows that more than four-fifths of the Japanese collaborators are big, well-established joint-stock companies, and the share of firms and individuals in Indo-Japanese collaboration is insignificant. The four following Japanese companies have entered into more than one collaboration agreement with Indian partners: Tokyo Shibaur Electric Co., Ltd. (five agreements); Mitsubishi Heavy Industries (Reorganised) Ltd. (three agreements); Nitie Seikan Co., Ltd. (two agreements); Farukawe Elec. Company Limited (two agreements).

About a third of the collaboration agreements are designed to manufacture electrical goods: cables; meters; anistorized radio-receivers and loudspeakers; signalling equipment; transformers etc. Other items of manufacture re: dye stuffs; chemicals; glass products; watches; machinery and precision instruments, etc.

About 70 Indo-Swiss collaboration agreements have been approved by the Government of India out of which 42 of the Swiss firms are limited liability companies, 24 firms and 4 individuals. Three Swiss companies have entered into more than one collaboration agreement with Indian partners, Dow Chemie A.G. (3 agreements), Swiss Locomotive Machine Werke and Interfonda Limited (two agreements each).

Generally Indo-Swiss joint ventures have been set up for the manufacture of precision instruments like time-pieces, micrometers and high-precision press, etc. Other items of manufacture are: Chemicals and pharmaceuticals; processes for bleaching, dyeing, printing and finishing cloth; electrical and diesel and refrigeration machinery; gramophone discs, etc.

All the 50 French collaborators approved by the Government of India are limited liability companies. The following two French companies have more than one agreement with Indian collaborators: L' Air Liquide, Paris (3) and L' Horlogerie De Savoie (2).

L' Air Liquide Company of Paris has all the three agreements with Asiatic Oxygen & Acetylene Company Ltd. and L' Horlogerie De Savoie Company has two agreements with Mr. J. S. Parekh of Bombay. Indo-French collaborations have been set up for the manufacture of engineering and electrical goods; wrist watches; paper; chemicals; perfumery; cranes; Diesel engines; cement and chemical machinery; sanitaryware; mopeds; fuel and vacuum pumps; castings and forgings, etc.

Italian Parties

Thirty of the 45 Italian collaborators are limited liability companies, 13 firms and two individuals. Only two Italian companies have two agreements each with Indian parties. They are: M/s. Centro Magneti Permananti and M/s. Braco Industries Chimica S.P.A.

The articles of manufacture are: automobiles; scooters; auto rickshaws and parts; tyres and tubes; pharmaceuticals; electrical goods; caustic soda and sulphuric acid plants; other chemicals and intermediates, etc.

The organizational pattern of the Swedish collaborators is as follows: limited liability companies 9; firms 14; individuals 1; institutions nil; total 24.

Indo-Swedish enterprises will manufacture the following articles in India: Primus brand burners and parts; pulp and paper-making plant; air control equipment; typewriters; calculators and adding machines; foam fire-fighting equipment; dairy machinery; self-lubricating bearings, etc.

Czechoslovakia being a communist country, all the Czech collaborators are government departments or companies. Only four companies have entered into more than one collaboration agreement, Techno-Export (3 agreements); Strojexport (4 agreements); Motokov (2 agreements); Kova (2 agreements).

The articles to be manufactured are: motor cycles; autolooms; electric and welding generators; horizontal and universal milling machines; textile processing machinery, etc.

The organizational pattern of the 25 Dutch collaborators are as follows: Limited liability companies 22; firms 2; individuals 1; total 25.

A special feature of the Indo-Dutch collaboration agreements is that one big company of Holland accounts for about half the Indo-Dutch joint venture agreements; M/s. N. V. Phillips of Holland has as many as 12 collaboration agreements with Indian collaborators out of the total of 25. Generally Indo-Dutch joint ventures have been formed to manufacture electrical goods and machinery. Other articles of

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to be expanded only when new lines of products have emerged from the inventive processes of modern science.

To make this discussion as concrete as possible, the experience of the Centre at Okhla will be drawn upon. That will permit a discussion not only of the guiding principles common to all Centres but also some of the problems which confront them in practice.

Operation of the Centres

Four main stages may be distinguished in the operation of the Prototype Production and Training Centres.

(i) Selecting the item

Only those items are selected for prototype development which are suitable for manufacture by a small industrial unit with the tools and technical qualifications appropriate to it. Machines at present not manufactured in India naturally enjoy the highest priority, even if their production involves collaboration with a foreign firm. Apart from the overriding aim of replacing imported by indigenous products, the following factors, among others, enter into the selection of the products: (a) a rugged and fool-proof design; (b) accuracy in operation; (c) small power consumption; (d) satisfactory output; (e) interchangeability of parts; (f) ready availability of servicing facilities and spare parts; (g) low cost of maintenance; and (h) low purchase price.

(ii) Negotiating foreign collaboration

Once an item has been selected for prototype manufacture, negotiations start with a foreign manufacturer. The rights to be acquired must include the manufacture of the original design, with modifications, if any, in the design to adapt it to Indian production and marketing conditions. The contract

usually includes the import of a few complete sets of ready-to-assemble components with which to start off work in the assembly shops without delay. When necessary, the contract may specify a lump-sum payment for technical knowledge and royalty payments over a specific period. In these matters the Centre plays an essential intermediary role, since it is hardly possible for the small manufacturers either to enter into or successfully to conclude direct negotiations for a transaction of this type with the foreign manufacturer of the original piece of machinery.

(iii) Planning design and engineering and setting up the production line

Once an item has been selected for prototype manufacture, the Centre carries out some or all of the following functions: (a) design or redesign of the product; (b) preparation of process schedules; (c) manufacture of jigs, fixtures and tools for production; and (d) manufacture of a sufficient number of prototypes to ensure smooth production.

At this stage, the Centre may need to be in touch with some of the technological research institutions in India. It is expected that particularly close relationships will be established soon with the Machine Tool Design Institute now being set up by the Government of India in Bangalore.

(iv) Training and assistance to the small unit for commercial production

All the technological knowledge acquired during prototype manufacture and assembly is then handed as a "package" to selected small units for commercial production. As part of the training, the prototype is handed over to the unit together with all drawings, process schedules and instructions from the original manufacturer. Further advice is extended regarding

machinery and equipment, raw material supplies, etc.

Prototype production of any machine at a Production and Training Centre is usually confined to a small number, to what may be called a "Zero" series. In general, a small-scale enterprise is not expected to manufacture a whole complex machine by itself, since it seldom has the necessary facilities. The trend towards increased specialization within each unit and co-operation between units, the Government of India has encouraged through special incentive scheme. Accordingly, a prototype is broken down into several component parts, one or several of which are manufactured by different small units and then assembled in another small factory.

Increased specialization helps to overcome other major obstacles. Some of these arise from the basic discrepancies between the general levels of technology in India and those obtaining in highly industrialized countries. Others may arise from legal restrictions, for instance, proprietary rights, on the manufacture of certain machine parts. Specialization in a country like India allows production to proceed in progressive stages, from early manufacture of the less complex parts of a machine and their assembly along with imported parts, to the indigenous manufacture of an increasing number of parts, and finally to the production of the whole item within the country. In this way, specialization does not wait on industrial development but, on the contrary, makes it feasible.

An example may show how this development takes place in practice. At the Okhla Centre, three types of machines, manufactured in the Federal Republic of Germany, were taken up for initial development: a small bench lathe, a tool and cutter grinder and a milling machine. From 1960 to 1962, detailed drawings were prepared for undertaking, between 1962-66, the following production programme at the Centre:

Production	1962	1963	1964	1965	1966
Precision lathe (Weiler)	100	150	200	—	—
Tool and cutter grinder (Hahn and Kolb)	—	50	125	175	100
Horizontal milling machine (Steinel)	—	100	150	200	—
Total	100	300	475	375	100

A relatively large number of machines are to be produced at the Centre because it is desired to perfect prototype production and to implement a broad training programme built around a regular production line. The production of these machines by the Centre is to be discontinued in 1967.

The terms of collaboration between the Centre and the German manufacturers allow small units in India to produce and sell these machines in the country. In the beginning, some complete sets of components were imported, ready to assemble. This allowed the fitting and assembly sections of the Centre to begin working at the same time as the sections the manufacturing component parts, that is, the foundry, the forging shop and the machining shop, were starting their own operations. It is envisaged that the imports of component parts will be gradually reduced until they comprise finally only those items which carry proprietary rights or which are not manufactured anywhere in India.

A parallel method is followed for familiarizing small entrepreneurs with the products and processes developed at the Centre. At first, all the components and parts are provided to the unit for study and assembly, and, as the unit begins to manufacture its own parts and other units take up the manufacture of other parts, the Centre gradually fades out of the picture.

An effective form of organization would be to set up a

functional industrial estate as a counter part of a Prototype Production and Training Centre. Such an estate is devised for small enterprises producing parts of a given article, the assembly being done in one of the units of the estate. The Centre would provide training and guidance to the small units, and, if necessary, manufacture, in the beginning, certain parts and undertake the assembly of the product. Later on these functions would be taken up by some of the occupants of the estate. The Centre would continue to provide technological guidance and, if need be, common design and toolroom facilities.

It is to be expected that, because of differences in levels of technology and in available facilities, the collaboration between the Centre and the foreign manufacturer and between it and the small units will remain an active one for a long time. The fact that a few complete sets of components are originally imported does not usually mean that the product for which manufacturing rights have been obtained can be copied "in toto". Certain parts may be far too complex to be copied in India, at least for some time, or may be far too expensive to manufacture. Such parts would therefore continue to be imported from abroad.

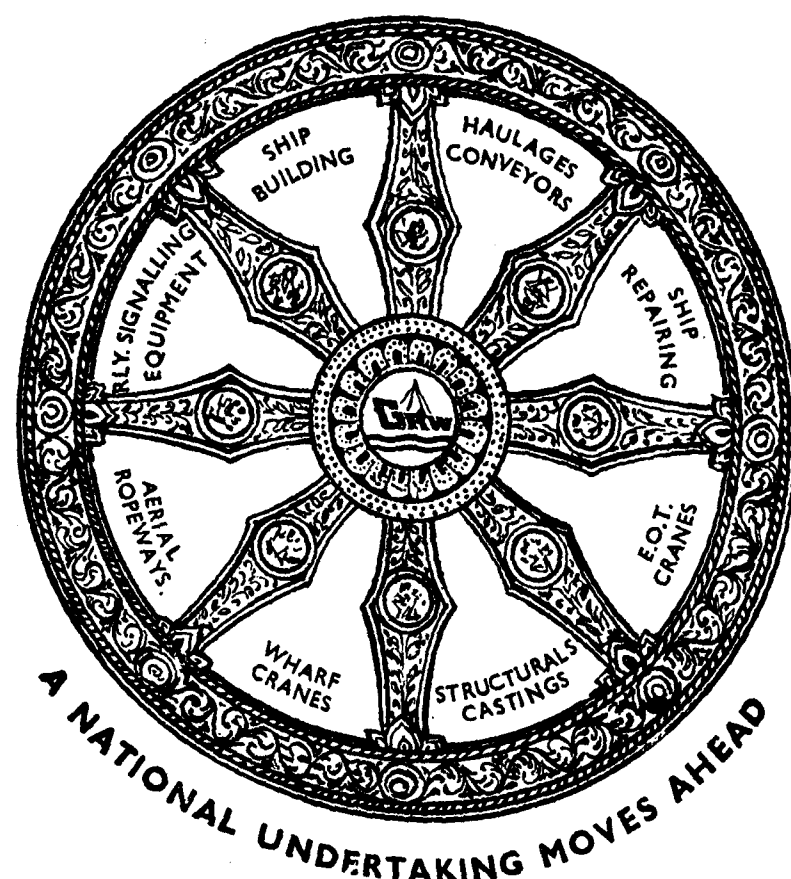
Adaptation of Equipment

Modifications of the product are often needed to meet local conditions, and the Centre has an important role to play in devising adaptations of processes and equipment. Minor changes may be needed in the size of standard items such as screws, nuts and bolts, so that they conform to standards in common use in India. Major changes may affect, for instance, raw material specifications in order to bring them in line with resources available in the country. The case of steel is particularly serious in this respect. In a highly industrialized country, securing specified steel may be a matter of lifting the telephone and getting it "off the shelf". In a developing country such as India, however, where most of the steel alloys are imported, this presents a grave and very difficult problem.

Even though the requirements of small units for any particular type of steel alloy may be very small, and even when they are given an import licence meeting their individual requirements, actual supply to the required standard and in the proper time cannot always be guaranteed. Foreign manufacturers of steel are not much concerned with the small requirements of a single importer. Quite often, the types of steel required are not included in their current manufacturing programme, and they may be reluctant to accept special orders for small quantities. Moreover, small industrial units are not in a position to carry large stocks of every type of steel required. These difficulties compound others arising, for instance, from the shortage of foreign exchange, and constitute a serious obstacle to the development of small-scale industries.

For the Prototype Production and Training Centres, the problem resolves itself into two major parts. The first question is that of rationalizing the use of steel. In many cases, the wide variety of steels originally specified for the production of a machine can be reduced without affecting to any appreciable extent the quality of the product. Reducing the number of different types of steel to be imported makes it possible to increase the amount of orders for each individual type and so to induce foreign manufacturers to include such orders in their production programme. In the second place, the Centres will need to assure the small entrepreneurs that the substitute materials will be as good as those used thus far, instruct them in the use of heat-treatment processes appropriate to the new types of steel, and extend other advice and assistance. The Government is now considering the possibility of setting up, as part of the facilities of each

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Training for Production of Prototype Machinery

A. D. BOHRA

THERE IS in India a very large number of small industrial establishments, employing some 3.5 million people and adding Rs. 4,550 million (approximately US \$1,000 million) to the value of the materials they process (excluding textiles). Thus far their main contribution to the economy has been to help in meeting the increased demand for consumer articles. Now, they are increasingly taking up the manufacture of simple producers' goods for industry and agriculture and of component parts of more complex capital goods produced by large industrial undertakings. Thus closer relationships are being established among small industries and between them and the rural economy on one side and large-scale industry on the other.

In India enterprises having a capital investment of Rs. 5 lakhs (about \$100,000) or less, in certain cases even Rs. 10 lakhs (about \$200,000) or less are designated small-scale industries. Units of the maximum size may have adequate access to capital and be modern in every respect. Most units are, of course, much smaller. Characteristically they lack bargaining strength in buying and selling and in securing capital. Their internal organization is little specialized, one to three persons carrying out all technical and managerial functions. These weaknesses become particularly evident when new lines of production are to be developed, especially producers' goods never before manufactured in the country, either by small enterprises or not infrequently, by large concerns. In view of the fact that the Government is deliberately promoting the indigenous manufacture of goods hitherto imported, it is common occurrence that industrial operations have to be undertaken which have a character of complete novelty for the country.

Socio-economic Problems

It is the view of the Government of India that small-scale industries help to ensure an equitable distribution of the national income, to mobilize resources of capital and skill which will otherwise remain idle, and to avoid some of the socio-economic problems created by industrialization. Consequently, the Government has taken many steps to promote this sector: the extension of advisory services on improved methods of production and management; assistance in the purchase of new machinery; provision of factory space in modern industrial estates and dissemination of modern knowledge through a nation-wide Industrial Extension Service and training institutions. The Government's policy is aimed at helping small-scale industry to become a more self-reliant and self-supporting sector of the national economy.

The fact, referred to above, that small-scale industries are increasingly undertaking the manufacture of new types of producers' goods has led the Government to provide them with a new form of assistance. A number of Prototype Production and Training Centres are being set up in different parts of the country, with a view to carrying out the following tasks:

(a) the development and production, with foreign collaboration if necessary, of prototypes of machines, implements, tools, accessories, component parts and the like which are at present being imported but are suitable for subsequent reproduction on commercial lines by small-scale units;

(b) the development and production of prototypes of im-

proved types of machines which are now manufactured in India but do not come up to the adequate standard and, at a later stage, of new types of machinery and equipment especially well suited to the needs of small industrial units in India; and

(c) the practical and theoretical training of the operating staff of small-scale units and of the technical staff of the Government Extension Services engaged in assisting small industrial units to carry out the above tasks.

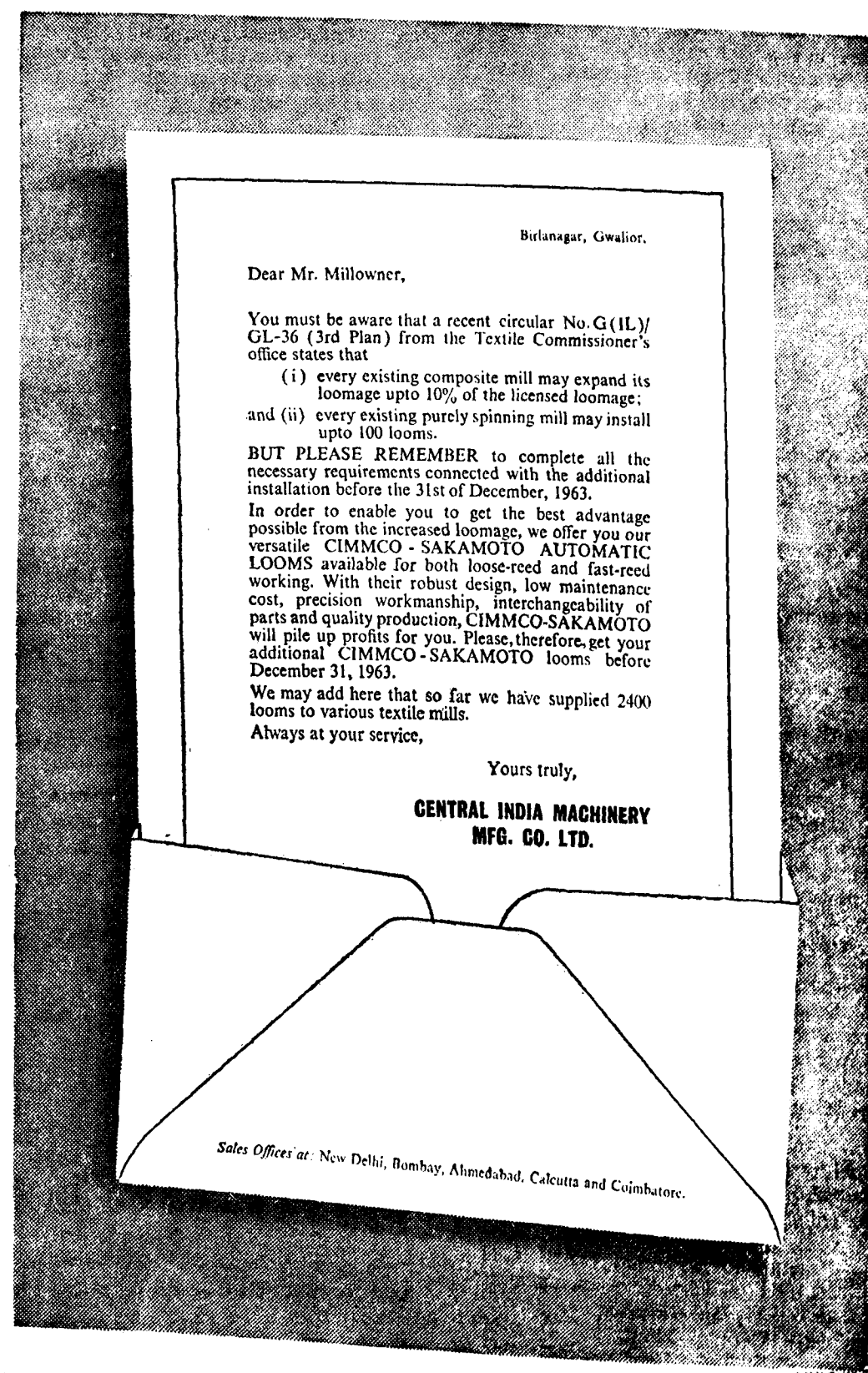
(d) As a subsidiary task, the Prototype Production and Training Centres are also intended to undertake themselves the manufacture of such component parts or to carry out those phases of production for which facilities do not exist in the small units; however, this may be done only if it does not hamper the attainment of their three main tasks.

Model Centres

Thus, the Centres are intended to serve a number of small industrial units as a common development department providing them the necessary technical knowledge and training for their personnel, to enable them to undertake commercial production of new items which are of considerable importance for the further development of industry, especially in their own sector. At the same time, it is expected that each Centre would serve as a model for similar training centres to be set up by the Government or other agencies and that the organization and operation of each Centre would be a model both for individual small-scale units and for co-operative groups of small-scale units engaged in complementary industrial operations. Thus far, three Prototype Production and Training Centres have been established and are functioning. The first Centre, set up at Rajkot (Gujarat) in 1957 with the help of the United States Government, was originally intended to function as a central workshop providing a wide range of services for the establishment of model production units suitable for operation on a small scale, such as the manufacture of furniture or wire products. This purpose was, however, abandoned because it was felt that the demonstration value of setting up model production units could not outweigh the disadvantage of having these competing with existing small commercial units, and it was decided that the Rajkot Centre would specialize in training for production of machinery for foundry, wood-working and sheet-metal manufacture. In 1959, a second Centre was located at Okhla, a suburb of Delhi, with the help of the Federal Republic of Germany and it specializes in training people in the production of prototype machine tools. This Centre is described in some detail below. The most recent addition to the chain of Centres is at Howrah, a part of Calcutta. It receives help from the Japanese Government and concentrates on industrial machinery particularly suitable for small industry and on electrical instruments for switchboards.

Each Centre is an all-India institution in the sense that it services small units all over the country. Present plans envisage the establishment of twelve additional Centres, each specializing in a specific range of producers' goods. It is expected that a network of fifteen Centres will be sufficient to meet all current and prospective development and training requirements of the small-scale industry sector, and will need

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Centre, a raw materials depot with a view, in particular, to importing special steels and supplying them to the small units in the region. Another, perhaps less obvious example of the need for local modification, relates to the type of lubricants to be used for the prototype machine. The basic principle in the area of design or modification of the existing design is to simplify by maximizing the number of standard component parts and minimizing the number of types and sizes of raw materials.

Replanning the process schedules for the manufacture of various components and of the tools, jigs and fixtures required for manufacture is another important kind of modification carried out at the Centres. The technical information on this aspect supplied by the foreign manufacturer is at best a good guide. The schedules have to be modified to suit the scale of production and the type of machinery available not only at the Centre, but, more especially, at the units which will undertake commercial production. In the worst case, the original methods are practically irrelevant to the developing country; for instance, when the machine to be developed as a prototype is so standard in the country of origin that it is mass-produced on highly productive automated equipment.

Training

The third main function of the Centres, training, is closely integrated with their production function. It is, in fact, attempted through supervised production. The staff of the Centres is trained by foreign experts before it begins

* In addition, special courses are organized for qualified technical and other personnel of the nationwide extension organization in India, who provide technical assistance to small enterprises, and who are required to be informed of the latest developments in their fields of specialization.

providing instruction to the workers of the small enterprises. The experts train the staff of the Centres through their day-to-day work, exactly as, at a later stage, the staff will train the workers. To train the staff, the prototype production programme has been phased into three stages providing for progressively advanced instruction.* These are: (a) development of machinery and equipment through foreign technical collaboration with such modifications in design or manufacture as may be required to suit Indian conditions; (b) improvement in sub-standard products already manufactured in India by modifying design, processes, type of raw materials and so on; (c) design and development of new machines to cater for local needs or export markets.

As the staff and the foreign experts take these steps together, they also develop ancillary appliances and tools. Special work benches, cupboards and portable, hand-operated cranes are some of the many items developed in this way at Okhla. While they have been developed in the first place for the Centre's own use, they have attracted the interest of many small manufacturers, some of whom wished to procure the new appliances and tools for their own use, and others to procure the drawings in order to manufacture the items on a commercial scale. Such sideline contributions by the Centres may be important enough to affect the planning of their production programmes.

Training the workers of the small units is the key element in passing from prototype production to commercial manufacture. If training is to be fully effective, it must be preceded by a careful selection of small-scale industrial units

which hold out most promise of achieving commercial production of new items—a difficult task because many factors may make or mar this promise, such as the experience of the unit, its material resources, and the personality of the entrepreneur.

In spite of those difficulties, the selection of the units should be attempted well in advance of the commencement of prototype production. An early association would yield immediate practical benefits in addition to the obvious long-term ones, since some forms of training could be imparted to the operating personnel beginning from the stage of planning, and be continued and developed as production is undertaken by the Centre. Thus, even while the processes are being planned in the Centre, the supervisor of the small unit can be specially trained in the Centre during this phase of the work. When tools are being designed and then manufactured for prototype production, the tool-makers may be called in, and the moulders and machinists when the components are being cast or machined. Such a procedure would ensure the participation of the various categories of personnel at every stage of development of the product.

Proper training arrangements should greatly reduce or even eliminate disturbances and difficulties in the units resulting from the absence of staff away for training. The problem need not arise significantly — nor need it arise at all — in units newly set up for the very purpose of producing the prototype machine commercially, provided the units are selected early enough. Their staff can then work alongside of the staff of the Centre as the latter develops the prototype, and can begin work in their own units when a stage of training has been completed. The position need not be different if an existing unit has to enlarge its activities in order to enter this new line of manufacture, since it will need new staff in any event. Disturbances can affect units which wish to change over from an earlier line of production to the new one, or which request the Centre for modifications in their established designs for reintroduction in the same shops. In such cases, the changes in design may be as upsetting as the training of the staff.

Technical Personnel

There are in general three levels of technical personnel in a small enterprise in India; workers, technicians, foremen or supervisors, and superintendents or technical managers. In very small units, these levels are usually compressed into two and sometimes even one. Originally, the Prototype Production and Training Centres were to provide advanced training only to personnel having already acquired basic skills through formal training or experience. Now that some basic training courses have been organized for certain categories of technicians and foremen, the Centres have assumed responsibility for improving the technical skills of all the three categories of technical personnel.

Technical education is provided in India by the following institutions:

Institution	Nature of training
Technical high schools	General education with emphasis on technical instruction.
Trade schools, junior technical schools and industrial training institutes.	Practical and theoretical training in particular trades, such as turning, fitting, welding, and the like.
Specialized schools, such as those organized by ordnance factories & large enterprises of the public sector.	Practical and theoretical training in certain trades to meet specific requirements of the factories.

Institution	Nature of training
Schools of engineering & Polytechnics (diploma courses).	Practical training with theoretical background in a field of engineering — such as mechanical and electrical engineering, ceramics, etc.
Engineering colleges (degree courses).	Theoretical training with practical bias in one field of engineering.

To supplement such basic training, the Centres organize separate courses for skilled workmen, supervisors and engineers. Originally, the following qualifications were laid for selecting trainees in these categories:

- Skilled workmen: minimum experience of three years, excluding period of earlier training.
- Foremen: diploma holders with three years of practical experience; or skilled workers who after finishing course as under (i) above have further experience of about two years; or non-diploma holders with five years of practical experience, possessing prescribed qualifications.
- Superintendents and shop-masters: practising superintendents and shop-masters; and foremen with minimum experience of five years.

While these selection standards could not be applied rigidly, minimum standards providing for practical and theoretical tests for all candidates before admission have been prescribed and held for each course.

In all their courses, the Centres emphasize practical training. Theoretical subjects are left to be dealt with in vocational schools and colleges. At the Centres, teaching is centred on those aspects which allow the trainees to realize the causes and the advantages of each task. Such training has obvious limits: for instance, while the Centres can provide practical training to design and development engineers, they cannot go so far as to train them in machine construction; this is left to higher technological institutions in the country.

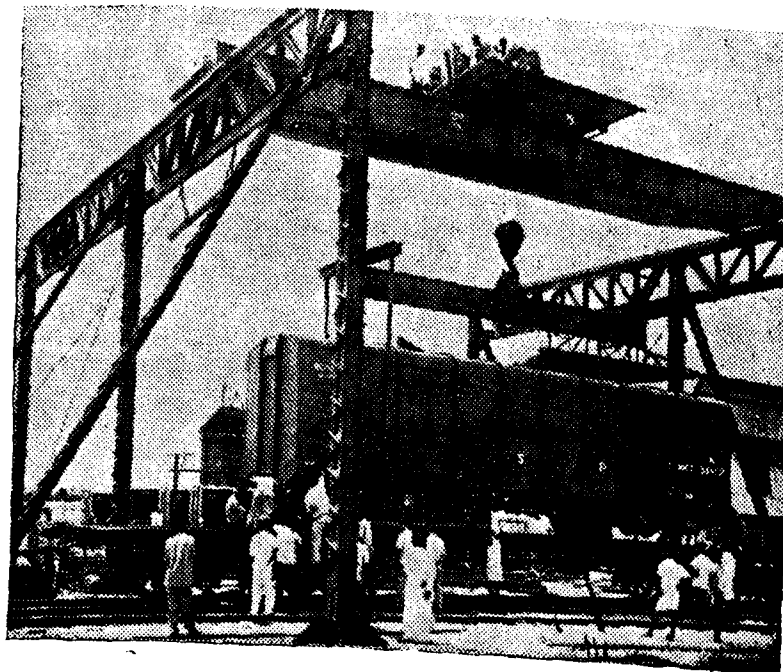
Since most of the trainees are already employed in small units, whether newly established or not, or in the Government's extension organization, both of which find it extremely difficult to spare their personnel for long, the training period must be as short as possible. Originally, none of the training courses lasted longer than six months. A few longer courses have now been organized for special purposes and for trainees who are to be employed in completely new vocations.

At the Okhla Prototype Production and Training Centre, the training courses cover the following subjects: turning, milling, gear-cutting, planing, grinding, fitting and assembly, heat treatment, electroplating, tool room, foundry, forge and sheet-metal work, welding, wood-working, pattern-making, materials testing, inspection and draughtsmanship, and maintenance.

In the middle of 1962, there were 150 trainees at Okhla divided into six categories:

- Skilled workers from small industrial enterprises in the age group of seventeen to thirty, employed in the engineering sections of their units. These workers have had one to three years' experience in the trade which they have chosen for training. They are able to read, write and understand English. Preliminary selection of the candidates was made by the Small Industries Service Institute, which is the Govern-

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ment's extension agency at the state level, and the final selection by the Okhla Centre. The duration of training is six or twelve months, depending on the experience of the trainee. Each trainee is paid a monthly stipend of Rs. 50 and provided with free furnished accommodation.

(b) Regular apprentices who are "freshmen" having passed matriculation, or an equivalent grade in science and drawing, and were recruited from all over India through advertisements in the leading newspapers. The course organized for them lasts three years. During the training, the trainees are paid a monthly stipend of Rs. 50 for the first year, Rs. 60 for the second year and Rs. 70 for the third year.

(c) Trainees from Industrial Training Institutes are at the Centre for advanced training for one year. These trainees have had at least one year's experience in the trade, and have been admitted after the nominees of small industrial enterprises have been accommodated. They are subject to the same rules and regulations, and receive the same stipend as the latter.

(d) Graduate apprentices are at the Centre for training on an 'ad hoc' basis. These trainees have competed for places with those from the Industrial Training Institutes, but do not receive any stipend or hostel accommodation.

(e) Assistant draughtsmen in training at the Centre are matriculates with at least twelve months' previous training in draughtsmanship.

(f) Junior trainees in draughtsmanship are matriculates in the age-group of seventeen to twenty years with at least some basic knowledge in this skill.

It is expected that the total number of trainees at Okhla will increase as follows in the next few years:

Type of course	Number of trainees			
	1962	1963	1964	Total
Three years' apprenticeship course	..	..	21	21
Six months' course	..	207	240	687
Twelve months' course	..	100	200	500
Courses for assistant instructors, technical assistants, assistant draughtsmen, junior draughtsmen, etc.	..	69	140	349
TOTAL	..	376	580	601

Not included in this compilation are the technical specialists of the Government's extension organization and technical training institutes who come on an 'ad hoc' basis for three to six months. They do not receive special stipend or accommodation.

A number of broad guide-lines are used in framing the syllabi for the three main categories of trainees, the duration of the courses varying with the nature of the trade and the grade of the trainees:

(a) **Skilled workmen** are given theoretical training covering the fundamental principles of different operations, types of machines and tools, blue-print reading, raw material supplies and manufacturing techniques relating to their trade; and practical training in the operations allied to their trade and in the manufacture of the component parts of machines and machine tools.

(b) **Foremen** are given practical and theoretical training covering machine tools, structure and composition of raw materials, and manufacturing processes; inspection and testing, blue-print reading, design and manufacture of simple tools and implements; and practical training in operations allied

to their trade and in the manufacture of parts of machines and machine tools.

(c) **Shop-masters and superintendents** are given, in addition to the training imparted to foremen, courses in time-and-motion study, cost accounting, design and manufacture of simple machines, jigs and fixtures, and workshop management including planning and production control.

In order to ensure that the setting for practical training approximates closely to normal production conditions, all production departments of the Centres are organized on regular production principles. After an initial period of a few weeks, trainees are attached to permanent staff members of the Centre who supervise their work. They receive preliminary instructions on the job and are then expected to execute their work according to established standards. Supervision is maintained until such standards are achieved.

Like other organizations, the Prototype Production and Training Centres have their share of day-to-day operational problems, the effective solution of which mainly depends upon the quality of their staff. In the following, some operational problems peculiar to this new type of organization are examined, and some indications given concerning the range of material resources required to set up new Centres.

Inherent Difficulties

The theoretical case for training personnel through actual production processes leading to finished products is tight but such integration has inherent difficulties. One problem is that production conditions for the manufacture of prototypes are not the same as for commercial manufacture. According to principle, when the two are proximate, the time has come for production to be transferred from a Centre to a commercial unit. However, if the principles were followed, it would be impossible to operate a Centre according to a regular schedule since production schedules would change far more frequently than is sound for purposes of training. To avoid this danger, fewer items have been taken up for prototype production at the Centres than would have been desirable and the production of at least some of them is being continued at the Centres well beyond the time needed to develop the prototype for commercial production.

The remedy to this danger gives rise to another one, namely, that the attention of the staff of the Centre may stray from the primary goal of manufacturing prototypes and training personnel to the subsidiary one of undertaking commercial production at the Centre itself. Encouragement has been officially given to the Centres to accept job orders on a non-commercial basis so as to put the equipment to maximum use, although it has been clearly stated that such orders could only be accepted, if they did not hinder the performance of the Centre's primary functions. The operative question is whether commercial production threatens exclusively to take up the attention of the Centre's staff. Whether this danger is avoided or not depends to a large extent on the criteria by which higher levels of the Government evaluate the operations of the Centres. It can be minimized if they assess the operations primarily in terms of the primary goals of the Centres and do not allow themselves to be sidetracked into assessing these institutions as if they were commercial units.

As in all training institutions, the number and quality of the staff of the Centres are the influential factors that affect the speed and quality of the work, both as regards prototype production and training. They determine the "atmosphere" of the Centre and the extent to which the staff can communicate to the trainees important matters beyond immediate technical training, such as, in the management field, record-keeping procedures, inventory control systems, costing and financial accounting, and still more generally, standards of

good order, cleanliness and punctuality; and, even beyond that, standards of personnel responsibility and co-operation.

Persons able to live by such standards and communicate them to others are rare anywhere, and especially in rapidly industrializing countries. One consequence of this shortage is that the best among the trainees tend to be retained by the Centres on their permanent staff, while at the same time, the Centres are losing experienced staff very frequently. There is no doubt that the quick turn-over of staff affects the Centres' regular programmes adversely. It seems that the only way of remedying this difficulty is to organize a continuing programme of staff training, once the limitations imposed by the Government machinery on recruitment of permanent staff can be relaxed.

In principle, all three parties to the benefits of training are to contribute towards its cost: the Centre, the trainee himself, and the small unit which has deputed him. The small unit may pay the trainee a part of his normal salary for the mediating family expenses during the training period. The trainee may cover some additional "out-of-pocket" expenses. In practice, it has been found difficult to enforce this principle rigidly without the small entrepreneurs losing their interest in the training of their staff at, and that of the staff itself in the training of the Centre. This touches on major questions relating to the appreciation, accorded in rapidly industrializing countries, to the learning of practical skills and to the traditional relations between people and their government. Meanwhile, the stipends paid to trainees are adequate for them to meet their expenses at the Centres.

Organisation of New Centres

The organization and working conditions — not to mention the buildings and the campus of each Centre—should be so planned that they would fit into the development programme; also that the trainees should have a lasting memory of their stay at the Centre and establish and develop ties between it and their own firms. Every facet of the Centre's organization and activity should serve to promote better human and professional communications.

The buildings and their lay-out can in themselves be prototypes. At Okhla, extensive use has been made of prefabricated components in putting up the structures. The roofs are of light foam-concrete slabs which are both nearer and considerably cheaper than other load-bearing materials. Since the Okhla Centre was built, these features of its construction have been adopted by many industrial units.

In view of the fact that no regular production programme is ever scheduled for a definite period ahead, all sheds at Okhla are so designed that the lay-out of machinery and the sequence of operations can be readily altered. There are no inside pillars. The roof spans and the overall length of individual sheds are great.

Similar considerations have determined the lay-out of the electric installations. An overhead wiring system has been installed. The distribution lines in the factory sheds branch off from the feeders along the larger walls and are carried on pillars standing on the floor with only light fastings. The arrangement can be easily adjusted to every change in the lay-out of machinery.

Another special feature of the Okhla Centre is the provision of a visitors' gallery running along the entire length of its main sheds. A production factory would not need this, but a Prototype Production and Training Centre is a place where visitors — officials, technicians, owners and managers of workshops and factories, students, people from all walks of life — come every day. Permitting free access to the Centres is an effective way of demonstrating development work in a stimulating and convincing manner. The gallery provides visitors with an unobstructed view of activities in the shed while preventing them from interfering with the regular flow of work.

Some less important features of the buildings include the following: the administrative buildings and classrooms are away from the workshops to avoid noise, dirt and gases. Stores are at one end of the workshops. Though in close proximity, they need to be separate in order to reduce fire risks. Workshops liable to accumulate or disperse dirt or dust are situated as far as possible from those requiring freedom from dust. Wide traffic lanes are provided in the workshops for floor-level transport of materials. Inter-shed transport is effected by suitable lift-type carriage and battery-type electric carriage. It will be desirable to have an overhead travelling crab system along the entire length of the two transport lanes.

General Purpose Machines

As a rule, small-scale enterprises employ principally general-purpose machines, and it may take a long time before they are able to acquire labour-saving machinery involving high investments. Accordingly, if a Prototype Production and Training Centre is to meet the needs of small enterprises, its equipment and machinery should not be of the very latest and most modern type. If they were, the training received would be of little use to the workmen upon return to their units. On the other hand, the Centre's equipment should be better than the sub-standard machinery usually available in small enterprises. The equipment should therefore be standard and well above the general level of small industry, but it should lie within its reach, even if it takes some effort. Some special equipment to provide common service facilities to small units must also find a place in a Centre. In India, examples of such equipment are gear-manufacturing and jig-boring machines.

The selection of machinery for a Centre poses major problems of a special nature inasmuch as the production programme, that is, the nature and quantum of the workload on different types of machinery, is not known in advance. The production programme will vary with changes in the prototype programme, and the latter should be projected in advance so as to ensure a balanced availability of machinery and equipment. The provision by the Centre of common service facilities (for instance, heat treatment and laboratory testing) and the use of machinery for job orders both help to ensure a balance in the utilization of equipment which might be difficult to achieve in the production of prototypes alone.

The equipment for individual workshops and the inventory of parts and supplies required for carrying out all phases of work and practical training cannot be planned in detail far in advance and will in part be contingent upon the development of the prototype programme. The Okhla Centre, which specializes in machine tools, has all the sections required in a modern engineering workshop: machine-shop, foundry, carpentry, smithy, metal finishing shops, design office, sheet-metal shop, and so on. Each section is well equipped to cater for the normal requirements of all phases of the Centre's activity. In the initial stages, some outside job orders were taken to utilize idle equipment and to organize proper training while the normal work of the Centre gained momentum. The equipment at Okhla cost nearly Rs. 6 million (\$1.2 million) for a training capacity of 250.

The lecture rooms are simple but furnished with teaching aids such as projectors for films, film-strips, and overhead projection. Extensive use of audio-visual aids helps in reducing the period of training.

Since the activities of the Centres are both very important and quite new to India, it is essential to get the best available persons in the country on their staffs.

In some cases not even the best is good enough, and assistance from foreign governments in the form of services of technical experts is needed to support indigenous talent. In India, specialized assistance from abroad has been obtain-

ed in many fields, particularly design, time-study, work-measurement and job-preparation.

While the foreign experts' knowledge in their fields of specialization can safely be assumed, more often than not their experience of India is limited or nil, and they may not therefore readily fit their knowledge to the actual working conditions. When a foreign expert teams up with an Indian, there can be a happy blending of the former's technical knowledge and the latter's local experience. In the Centres as in other institutions or factories, the foreign experts are placed in positions where they do not have to implement the programme directly, but are expected to provide advice and training. In the Centres, the local staff member is held fully responsible for the working of his section, and foreign experts assist him in doing the job. The key role of the foreign expert is clearly that of training his counterpart to do a job rather than to do the job himself. It is usually possible for the Indian counterpart to take over full responsibility within three years.

There are certain limitations in training Indian personnel at the Centre with the help of foreign experts, particularly as regards technical staff at the higher levels. There are programmes for sending personnel abroad for further training, whenever possible at the foreign firms who collaborate with the Centre in its manufacturing programme. Overseas training is preceded by six months to one year's work at the Centre, as it has been found that only then does the staff obtain full benefit of its stay abroad. Overseas training is granted subject to a guarantee from the trainee that he will serve with the Centre for a specific period upon his return to India.

The initial investment in each Centre thus far established in India has been of about Rs. 10 million (\$2 million). About half of this expenditure has been met by foreign countries—the United States at Rajkot, the Federal Republic of

Germany at Okhla and Japan at Howrah. Their contribution includes the foreign exchange costs of equipment, expenditure on foreign staff for an initial period of three years, and training costs of Indian instructors abroad. The rupee costs of the project for land and building, Indian staff and other working expenses are met by the Government of India.

Fostering Complementary Relationship

The Prototype Production and Training Centres are an important new link in the chain of institutions serving and assisting small-scale industries. By concentrating on producers' goods which can both be manufactured and used by these industries, they contribute directly to the acceleration of industrial growth. By fostering complementary relationships between small-scale industries, they contribute to strengthening this economic sector. Their work is complementary to that of technological research institutes in solving the problem of adaptation of equipment; to that of small-scale industries services institutes and industrial extension centres in providing specialized technological assistance and advice; and to that of educational and training institutions in providing specialized practical instruction.

Since the major function of Prototype Production and Training Centres is to facilitate the transfer and adaptation of technologies developed in the advanced countries, foreign assistance will in most cases be necessary to set up such institutions in the industrializing countries and to provide guidance and training in the first stages of their operation. In India, such assistance was provided under bilateral agreements. It is suggested that industrializing countries could usefully request it also from international organizations. In some cases, expert advice may be needed to conduct investigations prior to starting a programme of establishment of Centres. In many cases, the supply of funds to meet the foreign exchange cost, in particular, those of equipment, would be a useful adjunct to the provision of expert help, when permitted by the statutes of the contributing organization.

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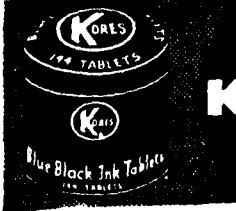
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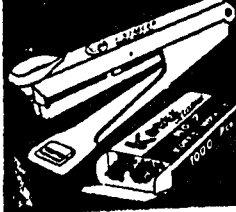
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**Speech of the Chairman of the Meet.ng,
Shree S. Vaidyanatha Aiyar**

Gentlemen,

I extend to you all a hearty welcome to the 5th Annual General Meeting of your Company.

Before I proceed to matters specific to your Company, I must express our profound sorrow at the tragic assassination of President Kennedy and the demise of Shri M. S. Kanamwar, our Chief Minister and five top Officials of our Defence Services.

As participants in the Prosperity of your Company, you will appreciate that the whole project came into existence owing to the vision, the enterprising spirit and business acumen of the entrepreneurs, Shree Nanubhai Jhaveri and his brother Shree Promod Jhaveri, the well-known jewellers. The successful completion of the project owes much to their Highness the Maharaja and Maharani of Travancore and His Highness Madansinghi the Maharao Saheb of Kutch.

By and large, Nylon occupies a place of importance. It is a synthetic fibre created by modern technology and has proved to be vital for industrial development in many countries. In India, it is in great demand for several purposes. Apart from its high utility value for tyre cord, it is used for fabrics for rain wear, ground sheets, light-weight tents, gun equipment covers, safety belts and parachute harnesses. Its tensile strength, its resistance to water and its durability combined with lightness render it eminently suitable for commercial, industrial and defence requirements.

Because of this development, the establishment of the Nylon Plant of Messrs. Nanubhai Industries now known as Nirlon Synthetic Fibres and Chemicals Limited is of relevance and importance. Your Company will be of increasing importance in the years to come as India's industries and military requirements and resources develop. The new name of the Company encompasses admirably the purposes of this Organisation which was promoted and organised in 1958 and was intended to develop into an integrated synthetic fibre vertical unit.

The Company has, you will be pleased to learn, decided to go ahead with its Rs. 10 crore programme of expanding its present capacity for Nylon yarn production and of undertaking for the first time in this country the production of Nylon tyre cord and also of Caprolactam, the much coveted principal raw material for the Nylon industry.

The range of the Company's production, at present covers Nylon yarn of 15D, 20D, 30D, 60D and 70D. The Company's entire production is readily absorbed since there is an ever growing demand for Nylon yarn in the country both for civilian and Defence requirements. The quality of the yarn produced by the Company is satisfactory. This is naturally due to the rigid quality control enforced at

every stage of manufacture. The full production of the Plant is expected to result in an annual turn-over of Rs. 4 crores.

Further, with a view to meeting the speedily growing demand for Nylon, the Company has decided to raise its capacity for Nylon yarn production to 5.6 tons a day from 2 tons a day as at present. This is a happy augury for the future. The necessary industrial licence for expansion of capacity has already been obtained by the Company and negotiations with the U.S. Government Lending Agency for a Foreign Exchange Loan are in progress.

The expansion programme is expected to cost about Rs. 2.77 crores inclusive of Rs. 1.68 crores in foreign exchange. The original Nylon Plant of the Company has been so designed as to accommodate additional Plant and Equipment without any additional construction work. Your Company has chalked out plans to undertake within the licenced capacity manufacture of stretched Nylon yarn used by the Hosiery industry and Nylon tyre cord required by the Automotive, Tyre Industry. Nylon Tyre Cord is now fast replacing viscose tyre cord in the production of rubber tyres for automobile heavy duty vehicles and aircraft in U.S.A. and Europe.

For the main raw material Caprolactam, your Company depends on imports at present from Messrs. Allied Chemical Corporation, U.S.A. The imports of this material are paid for through exports of fabrics. The Company has commenced its export programme and has been able to export to Europe, Middle-East and Far East and has established some important connection in these areas. Further the Company has been able to secure firm orders for exports to meet all the foreign exchange requirements. This scheme will continue to operate till the Company's own Caprolactam Plant starts functioning. In order to save the foreign exchange expended on raw material imports, the Company has already secured a licence for the establishment of a Caprolactam Plant with a daily capacity of 12 tons. The Company is negotiating for collaboration with a firm of International repute, the largest producers of Caprolactam in the U.S.A., and the Central Government have indicated approval of the terms of negotiations. It is proposed to set up the Caprolactam Factory at Thana where Phenol required for the production of Caprolactam will be available. The over-all capacity of the proposed Caprolactam Plant will be big enough to meet the requirements of the Nylon industry in the Country. When the Caprolactam Plant is in full production, it is expected to yield 60 tons per day of Ammonium Sulphate, Nitrogen-rich fertiliser as a by-product. It will be also possible to tap Cyclohexanone, an important intermediary compound used in a number of industries such as paints, lacquers, pesticides and pharmaceuticals. We should be able to achieve these targets with the co-operation of all of you as well as those new members who are expected to join us.

Now, I turn to what is upper-most in your mind, the Accounts. The Accounts for the year ended 31st March, 1963.

December 27, 1963

reveal the position as follows:

Sales for the first 4 months of production. (The Company commenced production on 2nd December 1962) ..	Rs. 28,58,985
Profit before depreciation ..	Rs. 2,69,882
Deduct depreciation including extra shift allowance on Plant and Machinery.	Rs. 16,73,866
Net Loss carried to Balance-Sheet ..	Rs. 14,03,984

The loss is mainly due to our providing depreciation on the diminishing balance method which naturally would be heavy during the first few years. Development Rebate at 20 per cent on the value of Plant and Machinery installed is available under the Income Tax Act. Reserve for the Deve-

lopment Rebate will be created when sufficient profits are available.

The Sales for the subsequent 8 months from April to November 1963 amounted to Rs. 1,49,82,000. The shareholders can look with confidence and optimism to the future and expect a fair return on their investment.

I may inform you that we intend to enter the Capital market for the issue of 106,000 Equity Shares of the face value of Rs. 100 each for cash at par.

Before I conclude, I wish to express on behalf of the Board, my appreciation for the co-operation and valuable services rendered by our foreign collaborators and loyal services of our staff and workmen at the Factory.

Now, I move that the Accounts be adopted.

Bombay,
16th December, 1963.

TUBE INVESTMENTS OF INDIA LIMITED

Chairman's Review

Speaking at the Fourteenth Annual General Meeting of the Shareholders held on December 18, 1963 at the Registered Office of the Company at 52/53, Jehangir Street, Madras, the Chairman, Sir A. Ramaswami Mudaliar, K.C.S.I., D.C.L. (Oxon) said :

Gentlemen,

Let me extend to you a cordial welcome to the Fourteenth Annual General Meeting of the Shareholders of Tube Investments of India Limited. The Director's Report, the Audited Balance Sheet as at, and the Profit and Loss Account for the year ended 31st July, 1963, have been in your hands for some time and with your permission I shall take them as read.

The Directors' Report deals with the many problems that have faced the Company during the year under review. The production of cycles, which was our original objective and which still remains one of the main purposes of this Company, has fallen in number and has been ten per cent less than in the previous year. The fall in production is due to causes which are fairly familiar to industrialists particularly in this part of the country.

part of the country.

Tubes of the requisite type are obviously essential for cycle manufacture, and the Company, therefore, established a Tube Mill at the appropriate time, but the short production of tubes, the causes of which will be referred to later, has affected the production of cycles. To this was added a severe cut imposed by the Government of India in the value of import licences issued to the Company. Essential consumable stores, mostly chemicals, nickel, etc., could not be had in sufficient quantities. Above all, the almost complete cut in the supply of electricity by the Madras State Electricity Board, extending over a period of two weeks, led to the closure of the Factory and entailed, consequently, the failure to reach the planned targets for cycles and spare parts.

I referred to the fall in the production of tubes. The Cold Roll Mill installed in 1962, started production in March of that year with hardly any teething troubles, so long as imported skelp and strips were used. During the year the Company had to use steel from the Rourkela Factory and was glad of the availability of indigenous products for the purpose, but unfortunately experience showed that the sup-

plies were not of the requisite quality and specifications. The defect in the skelp supplied often became manifest only after the steel has been pressed and naturally resulted in the processed article being also discarded with considerable financial loss to the Company. The demand for our tubes and Cold Rolled steel strips has been steadily growing and the Company has under consideration a scheme for a substantial increase in our present capacity of Cold Rolled steel strips. Some of the details relating to the scheme are now under discussion with Government and our collaborators.

The costs of production have been increasing fast due to various causes. The last budget has added very considerably to the costs of the end products in most industries. While realising the need for meeting the needs of the Defence requirements, consequent on Chinese aggression, and desiring to play its part without reserve, Industry may be allowed to point out that some of these tax burdens may considerably add to the costs of manufacture without compensating advantages to Governments. The increase in the import duty on plant and machinery, the enhancement of inter-State Sales Tax, the increase in the import duty on essential raw materials not readily available, are some of the tax burdens, which one may venture to suggest, deserve a second and more thorough examination by the top authorities concerned.

METAL SECTIONS

The Directors' Report refers to the fact that in spite of all the setbacks, preparations have been made including selection of personnel for the special training required, and the erection of buildings to install the plants and machinery of this unit, but Government orders for capital goods licence have not yet been received.

T.I. DIAMOND CHAIN LIMITED

The Factory has made good progress. The production suffered only due to shortage of raw material and the power

cut, already referred to. The cycle chains manufactured in this Factory have been of such quality that they have been exported in considerable quantity to Nottingham and more exports are in contemplation. The production of Industrial Chains, it is hoped, will be commenced early in the new calendar year.

T.I. MILLER LIMITED

As the Directors' Report mentions, the Factory building has been completely constructed and most of the plant and machinery has been installed. The production of dynamo lamps is now expected to commence early in the new year.

In spite of the handicaps which have been mentioned above, the operating costs are fairly satisfactory, but those in charge of Management must feel a sense of frustration when on the one hand they are asked to have a productivity drive and show results and on the other hand for causes beyond their control, production falls even below normal. I feel bound to emphasise this point as the difficulties experienced at the present day are not confined to any particular industry or industries but are general and are the result of the complexities of the controls in operation which in their turn lead to unconscionable administrative delays. The obstacles in the way of establishment, maintenance and development of industries catering to the needs of the country, and even of the export trade, are legion and these, I believe, are also realised and even appreciated by persons in authority but

remedial measures have been tardy and haphazard. It is to be sincerely hoped that steps will be taken to remove, in the coming year, in good measure, the causes which hamper Industrial productivity and development.

I should like to record my deep thanks for and appreciation of the ready help and advice that the Company has continued to receive from our Associates, Messrs. Tube Investments Limited, of the United Kingdom, and other companies in their group. The foreign collaborators of our Subsidiary Companies have also continued to help us with their best advice and have placed their latest know-how at the disposal of our Factories without reserve. We are also grateful to the Government of India and the Government of Madras for their interest in the development of this Company and the facilities they have extended and the advice that they have given in its expansion programme. If in spite of their desire to help, either raw materials or the supply of electricity had to be cut, some at least of the blame must be attributed to nature.

We continued to have cordial relations with our Factory Workers and Office Staff both at the Factory and Head Office and I have great pleasure in acknowledging with thanks the co-operation they have extended to us and their enthusiastic support in the successful working of the Company.

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

THE MYSORE KIRLOSKAR LIMITED

YANTRAPUR P. O. HARIHAR

Speech of the Chairman, Sri M. D. Shivananjappa, I.A.S., read on Saturday, the 23rd November, 1963, at Harihar at the time of the twenty-second Annual General Meeting of the Company.

Ladies and Gentlemen:

It is with great pleasure that I welcome you today to this 22nd Annual General Meeting of your Company.

Before proceeding with the regular work, however, I have a sad duty to perform. I wish to refer to the sad demise of Sri A. K. Phalnikar on the 6th October, 1963. Sri A. K. Phalnikar had been associated with this Company since its inception. He was a partner of the Managing Agency Firm—Messrs. KIRLOSKAR ASSOCIATES since December, 1956 to Messrs. 31st March, 1962, when he formally retired. Sri A. K. Phalnikar rose from a very humble position in the Organisation to the position of a Partner in the Managing Agency Firm and had been all along closely associated with all the factories in the Kirloskar Group of Companies. In his death we have lost a close associate. His mature counsel was always available to your Company. May his soul rest in peace.

Turning now to the regular business, the Balance Sheet of your Company as at 30th June 1963 and the other relevant statements of accounts as also the Directors' and the Auditors' Reports for the year ending 30th June 1963 have been already in your hands for sometime and I trust you may have gone through them with interest.

According to the usual practice and with your permission I take the same as read.

Taking the Profit and Loss Account statement of your Company first, you will have noticed that the net sales amounted to Rs. 2.23 crores during the year under report as against Rs. 1.81 crores in the previous year, showing a rise of about Rs. 42 lacs. In percentage terms, this rise is slightly more than 23 per cent over the previous year. This progress, though in itself, quite encouraging, would have been still more had it been possible for us to receive the imported components in time and had we been able to get quality Pig Iron. In spite of these difficulties, the Company has made some commendable progress.

As regards the several items in the revenue expenses during the year, raw materials including Stores and Work-in-progress with transport charges accounted for 37 per cent as against 41 per cent in the previous year. Salaries and Wages to employees accounted for 23 per cent. Power and Fuel expenses and depreciation remained steady at 3 per cent and 6 per cent respectively. Indirect expenses were also steady at 10 per cent. The tax liabilities, however, increased to 12 per cent from 9 per cent in the previous year. This is due mainly to the Super Profits Tax recently introduced, as a result of which about Rs. 6 lacs have to be paid. The ratio of turnover to employed capital has gone up from 82 in the previous year to 83 in the year under report, taking the employed capital at 100 as the base. The ratio of turnover to gross block has also gone up to 148 during the year under report from 144 in the previous year.

Turning now to the Balance Sheet, you will find that there has been an addition to the plant and machinery valued at Rs. 30.20 lacs during the year under report as against Rs. 6.84 lacs in the previous year.

The construction work of the building for the Foundry is well in progress and is expected to be completed by the end

of March 1964, though we have already commenced to use a part of the building.

Plans for the construction of the Machine Shop at our Hubli Branch are well underway. Orders have been placed for the import of the machinery required for the various expansion schemes.

The estimated amount of contracts remaining to be executed on capital account is about Rs. 53.70 lacs.

You will, therefore, notice that your Company has taken all the necessary steps in expanding its activities to meet the growing demand for its products.

Your Company has also proposed to diversify its activities by adding one or two new lines of Machine Tools. The negotiations in this regard for collaboration are in progress and it is hoped, they will bear fruit in the current year.

I would now like to make a few general remarks. At the time of the last Annual General Meeting, I had made a reference to the inadequate quantity and unstandard quality of Pig Iron. This has been a problem over the last several years and it is high time that some specific steps are taken immediately by the authorities concerned to relieve the situation.

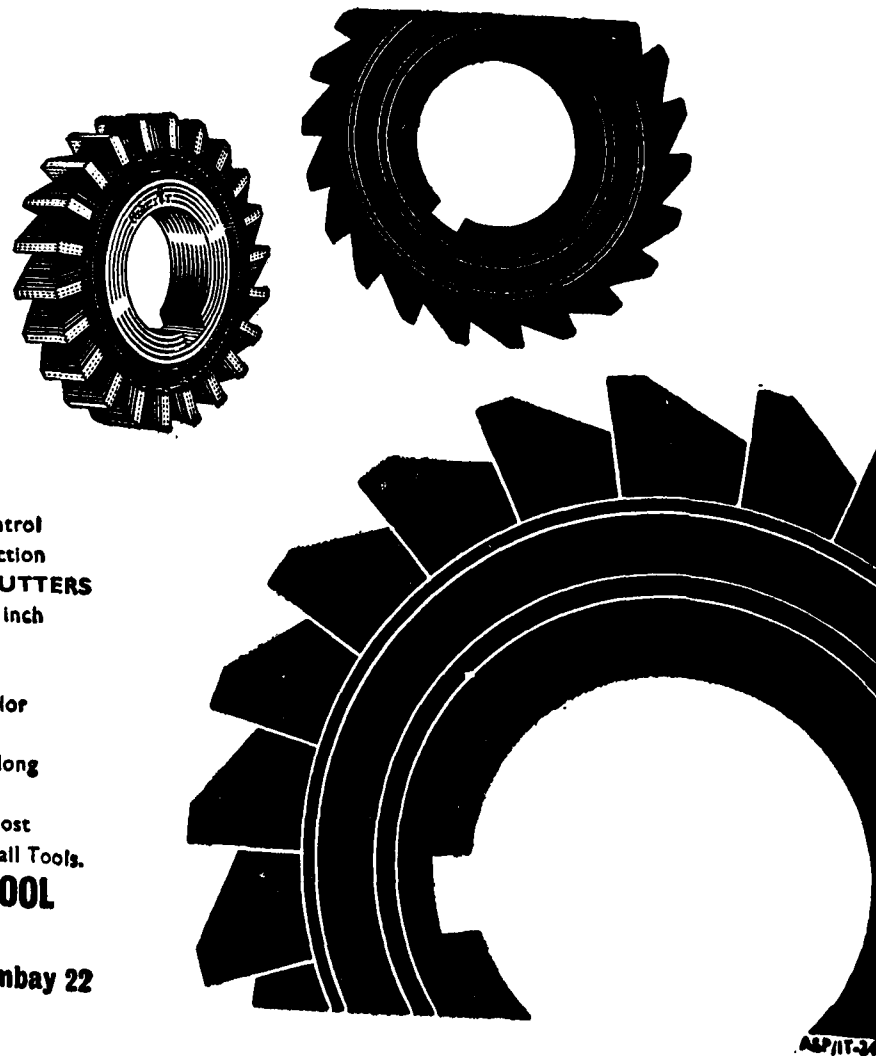
The members might have read in the newspapers that the Secretary to the Government of India, Department of Iron and Steel, visited Goa and Hospet in connection with the establishing of a Steel Plant of a million ton capacity in Goa-Hospet region. The Technical Consultants are expected to submit their report within about a month or so and the Government of India would be taking a decision immediately thereafter. It is hoped that a decision would be taken expeditiously and a million ton Steel Plant with a provision to produce foundry grade Pig Iron in adequate quantities would be established in the region to meet the needs of the Engineering Industry.

I had also given you an idea about the extent of demand for Machine Tools as a whole within the country. The scope for expansion of the Machine Tool Industry is still quite considerable. We in our humble way have tried our best to play our part to the extent possible, under the present circumstances. However, there are various handicaps which are hampering partially the expansion programme of the Company. A large chunk of your profits which was being ploughed back for developing the industry is now being denied due to the imposition of the Super Profits Tax. The Super Profits Tax has worked as a damper on raising additional capital due to the tight money market conditions. It is no doubt true that attempts are now being made to revitalise the capital market and even if these efforts are successful, the damage done so far cannot be denied.

In my speech at the last Annual General Meeting, I had made a few suggestions for providing some tax reliefs vitally necessary to enable the industry to keep the plant modern and up-to-date and to stand the competition from foreign countries in the International market.

I had then particularly referred to the need for allowing tax-free replacement reserves. It is common knowledge that the depreciation allowance provided under the Income-tax Act meets only the original cost of the machinery and does

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not provide for the rise in the cost of the machinery prevailing at the time of replacement. It is also common knowledge that the replacement costs have gone up to 2 to 3 times the original cost of machinery. Unless therefore adequate tax-free replacement reserves are allowed to be built up, the industry cannot maintain its plant modern and up-to-date. Unless this is done, the productivity of the plant also cannot be maintained.

I will not be shy in appealing to the authorities concerned year after year to appreciate the basic logic in the above suggestion and provide timely relief to enable the industry to run on efficient lines. The position has in fact been accepted by the Government while charging the premium on replacement price of the machinery under the Emergency Insurance Scheme and my own suggestion is that the same principle should be applied for allowing depreciation on machinery and building also.

I would like to make a further suggestion that the provisions under Sections 84 and 85 of the Income-Tax Act, 1961, in regard to tax holiday be extended for a period of eight years and should also apply to the expansion schemes of the

industry in addition to new undertakings. This tax relief is necessary particularly in the case of Machine Tool Industry where the expansion is generally a slow and difficult process, in that, a lot of preliminaries are involved, such as training of adequate personnel to man the expansion project and increasing the technical services all round to ensure quality production. It is for this reason that in a machine tool industry adequate tax reliefs are necessary over a longer period.

Ladies and Gentlemen, during the year under report the Management and the staff and the workmen have exerted their best in showing the commendable progress during the year under report and I take this opportunity of sincerely thanking them not only on my behalf but also on behalf of you all.

Ladies and Gentlemen, I also thank you for giving me a patient hearing.

I now propose that the Directors' Report and the Accounts for the year ended 30th June 1963 produced at this meeting be approved and adopted.

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

THE SCINDIA STEAM NAVIGATION CO. LTD.

Summary of the Statement of Shri Dharamsey M. Khatau, Chairman, The Scindia Steam Nav. Co. Ltd., made at the 44th Annual General Meeting of the Shareholders on Wednesday, the 18th December, 1963, at Scindia House, Ballard Estate, Bombay.

The improvement in the Company's results in the year under review, observed Shri Dharamsey M. Khatau, Chairman of the Scindia Steam Navigation Co. Ltd., in his statement to the Shareholders of the Company at the 44th Annual General Meeting was due to improved performance and the upward revision of freight rates coupled with such rationalisation of the fleet and services as the Company achieved in its overseas trades having due regard to its essentially liner nature. The 10 per cent increase in the West-bound freights had come not a day too soon inasmuch as these freights had remained steady at the same level since 1957.

Regarding employment of 10/12,000 d.w.t. ships as tramps for carriage of cargoes presently being carried by Liner vessels, he said this would lead to wasteful competition. Shri Khatau requested the Government of India to bear this in mind and to see that no parallel service is sought to be established by tramp interests, as such a step would merely give a set-back to what has already been achieved by Indian shipping in the field of international shipping.

As regards the rates of freight on the Coast, Shri Khatau referred to the appointment of Shri T. S. Parasuraman, as a One-Man Commission to review the case of shipowners, and he hoped that the Commission would look into the urgent need of allowing the coastal operators an appropriate increase in freight rates so as to provide an adequate return on capital employed.

There was another aspect of coastal shipping which Shri Khatau dealt with in his observations: commenting on the occasional shift one noticed in the Government policy in allocation of coal cargo leading to withdrawal of some ships from coastal employment, he said it would be only fair that Indian shipping should expect to carry on the coast the increased quantity of the cargo that would be adequate for

increased coastal tonnage so that coastal operators did not have to face the serious situation about finding cargo for their increased tonnages.

Shri Khatau referred to the problem of mounting operating costs arising from increased benefits given to the dock labour under various Awards and also from increased port charges and he said it was very necessary that the steps should be taken to establish an appropriate machinery like the Tariff Commission to evaluate such rise in costs with a view to suitable compensation in freight rates.

He further advised the meeting that, out of the three 17 knots fast motor vessels — JALAKIRT type — ordered with Messrs Hindustan Shipyard, the first vessel is now expected to be delivered by about the middle of 1964, although its keel was laid as far as back as on 12th October, 1961. The second vessel is scheduled to be launched shortly and it will be ready sometime in 1965. Keel of the third vessel was laid on 26th April, 1963. He also referred to the recent addition to the Company's fleet of two second-hand motor vessels—one of 12,800 d.w.t. and another of 11,700 d.w.t. — both built in 1958 and having a speed of 14 knots. These vessels have been acquired on a deferred payment basis.

His observations about future prospects were that: "the recent spurt in the international freight markets about which a reference has been made earlier will, it is hoped, have a steadying influence on the general level of liner rates. I also hope that the findings of the One-Man Commission now examining the coastal freight rates will lead to recommendations of more reasonable upward revision. With the Government of India recognising the need to ensure economic freights for our shipping and by proper planning, both in coastal and international spheres, we can look forward with confidence to a steady

and planned progress of our industry."

As regards Konkani Services, Shri Khatau stated that the amounts in respect of a subsidy in lieu of 8 per cent increase in fares as well as the repair cost in excess of the Railway Committee's estimate for the years 1961-62 and 1962-63 had not been received as promised by the Government. As no agreement could be reached with the Government of Maharashtra in regard to the question of payment of dues payable by them, the Company could not resume the Konkani Services from 1st September, 1963. Thanks, however, to the good offices of the Central Government, the Maharashtra Government aid an 'on account' amount of Rs. 4 lakhs which enabled the Company to resume its services from 11th October, 1963. He further stated that the Committee that was proposed to look into the matter had not yet started functioning and urged that early steps be taken to set it up.

Shri Khatau thanked Shri Jagjivan Ram, the then Minister of Transport and Communications, and Shri Raj Bahadur, Minister for Shipping and the officials of the Ministry of Transport for the interest taken in the shipping problems. He also referred to the services rendered to the cause of Indian shipping by Shri G. L. Mehta, the First Chairman of the National Shipping Board and welcomed Shri C. H. Bhabha, the newly appointed Chairman of the Board and expressed his confidence that with his inspiration and efforts we would soon achieve and even exceed the target of two million tons for our national shipping.

He also appreciated the services rendered by the officers and staff and the Company's Agents abroad and in India and thanked the shippers and consignees for their continued support.

CONSOLIDATED COFFEE ESTATES (1943) LTD.

Summary of the speech of Mr. M. A. Sreenivasan, Chairman, at the twentieth annual General Meeting at Pollibetta, Coorg, on 6th December, 1963.

Quite a few men with intimate knowledge of coffee planting and its problems have spoken at meetings and conferences of the U.P.A.S.I. and other associations of Planters of the difficult time this industry has been having in recent years, and the disheartening outlook ahead. If I take this occasion also to speak on the subject it is because I feel that I should, on your behalf, add my voice to theirs in the interest of the great enterprise of growing coffee in which our Company has played and continues to play a leading part.

The history of Coffee planting is a long and fascinating one of which the country may well be proud. Even in the recent decade from 1950 to 1960 the performance of the plantations has been so outstanding as to serve as an example of agricultural enterprise and farming husbandry. In those ten years Coffee production was more than trebled. Not only did the producers prosper during that period and pay substantial sums to the Government by way of taxes, they also provided housing — with no subsidy from the Government — for other industries were given, water supply, dispensaries, canteens and creches to the workers and their families. In addition they earned valuable foreign exchange.

The record of our own Company in that decade was no less impressive. In those ten years our acreage under coffee was extended by over a thousand acres. Our production too was trebled, and we produced a record crop in 1961 of nearly four times of what we produced in 1950.

At a time when the pace of agricultural production in other fields is lagging behind and causing anxiety, and foreign exchange worth crores of rupees is spent on imports of such agricultural products like rice and wheat and cotton it is well to ponder how the coffee growers achieved results that are in such sharp contrast to the performance in other fields and farms. How did this happen?

There were, of course, many factors that contributed to the result. But the most important single factor was that the planters were left relatively free and undisturbed, without threat of insecurity and encroachment and worry over controls and permits—free to plant and to replant, to

plough back earnings to extend cultivation and improve yield, unharassed by bureaucratic meddling, unfettered by chains of Acts and Amendments, and unburdened by oppressive taxation. Till about the beginning of the last decade, as luck would have it, plantations did not attract the zeal of the agrarian reformer, or the solicitude of the ideologist.

But this freedom was shortlived. The conspicuous performance of the planters itself made them — large companies in particular — the target of increasing attention of many authorities, including a variety of taxing authorities at all levels, Central and State, Municipal and Panchayat. In 1962 the maximum rate of agricultural income-tax in the Mysore State (which only five years before had been stepped up from 25 per cent to 40 per cent) was further raised from 40 per cent to 60 per cent, outstripping the scale of taxation imposed by all other State Governments including Kerala. In the same year, Excise duty on Arabica was raised from Rs. 21 a cwt to Rs. 28 a cwt. In the very next year a surcharge of 20 per cent was imposed on the already raised excise duty on Arabica and on Robusta as well.

In his speech at the Annual General Meeting in 1961 Mr. Machia pointed out how taxation in that year had taken 41 per cent of the profits of the Company as compared with 23 per cent in 1951 and how, on a production of less than 1,500 tonnes of coffee in 1951, the Company had retained a surplus after tax of Rs. 17 lakhs, while on the production in 1961 of a record crop of nearly three times what was produced in 1951 the higher taxation left the Company with less than Rs. 5 lakhs more. In the next year, viz. 1962, taxation took over 50 per cent. In 1963 it took over 57 per cent, — more than double of the taxation in 1951. On a crop of over 3,000 tonnes for 1963 we were left with about Rs. 18 lakhs after tax which is what we got for half of that production in 1951.

I am quoting these figures to point out how the recent taxation has led to the paradoxical and disheartening situation in which we produce more and more to get less and less.

The introduction of the slab system in taxing agricultural income has resulted in putting a heavy and iniquitous burden

on shareholders of Companies like ours.

It is no exaggeration to say that large companies like ours give the lead to the industry not only in such matters as labour housing, medical facilities and labour welfare but also in farming techniques, quality production, the battle against pests, against maladies old and new, and research promotion. They produce the bulk of the coffee of export quality. Yet, being conspicuous, they offer easy targets. Unable to hide or divide themselves they are relatively more vulnerable. I doubt if it is generally realised that a hundred shares in a company like ours represent just a little over one acre of coffee; and that except for a few large shareholders like the Life Insurance Corporation, most of the shares are widely distributed and held by a large number of people. In fact, over two-thirds of our shareholders own shares that represent a fraction of an acre to 2 or 3 acres of coffee. And these small holders are all taxed at the maximum rate of 60%. Were it possible for a company like ours to divide and fragment itself it could save lakhs of rupees in taxes. This system of taxation has, in fact, already led to sub-division and fragmentation of plantations. In the seven years from 1953 to 1960 the number of holdings of 250 acres and above has declined from 227 to 157, and the number of those less than 10 acres has gone up from 27,000 to 38,000. The effect of this trend, even if only in the context of the pressing need for export, calls for consideration.

Before I leave the matter of taxation I must mention an ingeniously contrived new levy imposed on the industry which though fortunately not substantial, is of interesting significance. As you know, coffee curing works are under an obligation to take out a fidelity guarantee insurance policy in respect of the coffee they hold for the Coffee Board. Till 1962 the curers were free to do this with any of the insurance companies; and our curing works had been paying Rs. 105/- a year for the policy. Last year the Coffee Board, evidently under the direction of the Government of India, issued a directive to all curers that the said fidelity insurance should be placed only with one of two insurers named by it, and no other. Both these insurers charged a premium of Rs. 1,250/- a year for what our insurer had been and was still prepared to do for Rs. 105/-. We are thus forced to go to some one—one of them a subsidiary of the Government-owned Life Insurance Corporation—who charges over a thousand per cent over what we were paying for the same guarantee.

Last year a new law was enacted called the Mysore Land Reforms Act imposing ceilings on reserve land owned by planters and planting companies, as well as on the acreage on which they grew paddy. This year we have two more enactments—one called The Mysore Agricultural Income-Tax Amendment Act and another called The Mysore Forest Bill. Like many other instances of recent legislation both the Act and the Bill were quite obviously designed to meet certain High Court decisions that were against the Government and were in favour of the planter. Both the enactments make inroads into the timber assets of plantation companies. The former Act, which became law in October last, contains many clauses with retrospective effect among which is one that says the word 'timber' shall be and shall always be deemed to have been inserted in the previous Act. It also contains an extraordinary amendment that "shall be and is deemed to have been added with effect from the 1st April 1963" which lays down that any remuneration or benefit of any kind paid to a director of a company shall not be deemed to be expenditure laid out for the purpose of earning the income of the company, thus denying what the Companies Act envisages, and the Indian Income Tax Act allows. If the affairs of companies are to be managed by Directors who have responsibilities and liabilities under the Company law it is hard to see

how any—even the most modest—remuneration or benefit given to Directors including the Managing Director for services rendered can reasonably be deemed as not laid out for the earning of the company's revenue. One can only feel thankful that payments to work people are not likewise deemed.

The Mysore Forest Bill takes power to impose new controls and restrictions on trees in plantations. We, in the Mysore State, know how by tradition and long usage, sandalwood has come to be regarded as Royal, and accepted as a State monopoly. It is interesting to see the way the Bill uses sandalwood as a wedge to admit trees of all descriptions into the circle of bureaucratic control and to find Honne and Jalari, Kamara, Kiralbagi, Bore, Sagade, Mamidi and Mushini pushed in to enjoy the status once reserved for Royal sandalwood, ushering truly democratic socialism.

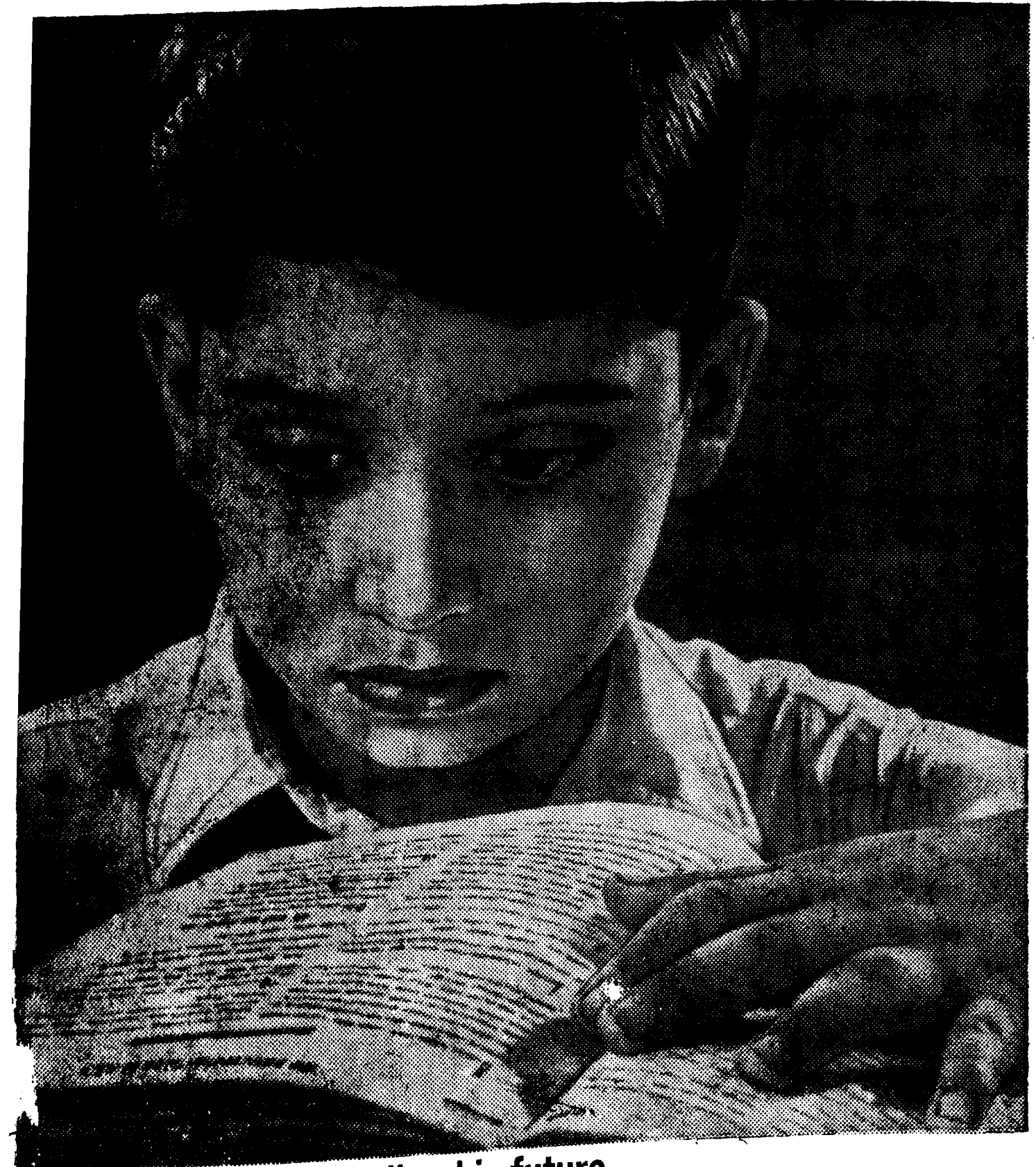
At the last Conference of the U.P.A.S.I. the President Mr. U. K. Lakshman Gowda pleaded for a new deal for the industry. On behalf of our Company, and of the entire industry I would warmly endorse his plea. I would go so far as to say that it would be a new deal in itself even if it were but a halt and a reversal of the kind of deal the industry has recently been having, and a restoration of the conditions of comparative freedom that it was permitted to enjoy in the decade that is past;—the decade in which, as I have pointed out, this field of agriculture was enabled to achieve an annual rate of growth of 30% which, if I am not mistaken, is five times the target of the Planners and ten times the present rate of growth achieved in other fields of agriculture. I would plead that this shining example should be maintained and magnified, and not allowed to fade and be lost. These green and smiling estates around us were jungle once, and can become jungle again if injured or uncared for. Ceilings and floorings are good for offices and houses; but for fields and farms the best flooring is the good earth, and the finest ceiling, the sky. Tractors do them more good than road rollers. As for controls, the only controls they need are strong fences, and the relentless control of pests.

It is now increasingly clear that all the crores of rupees spent and all the high-level Government attention focussed on the growing of more food grains in the last few years have failed to produce the expected results. Experience has shown that the best and most natural way to boost production is to create boom, or near boom conditions, be it for growing rice or chillies, wheat or mulberry, onions, cotton or coffee. When such conditions are created for a crop, and the grower prospers, even the authorities have found it difficult to get him to grow some other crop. Experience has also shown that paddy cannot be produced by legislation. Neither exhortations nor export drives can grow coffee or tea; they can only beat about the bush.

I am confident that if the industry is given another decade of the relative freedom it enjoyed in the last one, it can attain still higher peaks of production, and earn far more foreign exchange.

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

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Poland : 1944-1964

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A Phoenix Named Poland

ON JULY 22, Poland will celebrate the 20th anniversary of its liberation from the German occupation of World War II. This is an occasion on which the Polish people will be entitled to, and will, receive the admiration and goodwill of the peoples of the world, irrespective of differences in political beliefs or economic practices. For, over a thousand years of its tortured history, the Polish nation has shown an indestructible will and capacity to survive and endure and thereby written itself into the lore and legends of the human race.

In the last 20 years, the efforts of the Polish People's Republic to build a political and economic system based on Communist principles have been watched with a great deal of interest in the non-Communist world. It may be suggested perhaps that this interest has not been entirely unsympathetic. This is, above all, because of that special quality of the Polish people which is their sense of humour, their national characteristic of a capacity to laugh at themselves — and others. Typical of Polish political humour is this story of God, worried about the international situation, who sends Saint Peter down to earth to investigate and to report. On Saint Peter's return, the following dialogue ensues:

"What are the Americans doing?" asks God.
"They're afraid and they arm."
"And the Russians?"
"They're afraid and they arm."
"And the Poles?"
"They're not afraid and they don't arm."
"Oh, dammit, they're counting on me again."

God in the tale is not being strictly fair to the Polish people. If there is one lesson to be learnt from Polish history it is that Poles have never felt or acted

helpless. In the last 20 years, particularly, they have shown a resilience as well as determination of spirit hardly surpassed by any other people in all that grand chronicle of the restoration and re-building of Europe after the last War. It is true that economic progress has not been as spectacular in Poland as it has been in Western Europe, but, given its context, it has certainly not been either inconsiderable or discouraging. There has clearly been much diversification and expansion in industry as the accounts in the following pages will suggest. And it is, in any event, admittedly the case that, even within the rigid conditions set by centralized political organization or economic planning, Polish development procedures have managed to be, on the whole, pragmatic and flexible. To us in this country, particularly, the course of Polish economy, especially during the course of Poland's new five-year Plan, which is due to start next year, will be of special interest since Poland, like India, is confronted with the twin compulsions of stepping up agricultural production — where there have been disappointments — and expanding export capacities — where there have been difficulties.

Meanwhile, Poland and this country have come together in many ways in the last 20 years, not least in the sharing of international obligations, as, for instance, in South-East Asia. Poland, again, has extended friendly assistance to this country in its economic development and supplies of Polish machinery and development goods are playing a valuable rôle in building basic industries in this country. Indo-Polish commerce has been growing side by side with Indo-Polish goodwill and both may be expected to advance many times more rapidly in the next 20 years than they had done in the last 20.



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Interads

Balance Sheet of Twenty Years

P. OGRODZINSKI

Polish Ambassador in India

TWENTY YEARS in the life of a man is a long period. In the history of nations, twenty years can only be but an episode of historical development, a continuation of processes evolved through hundreds of years. Was it not that many of us while in school sitting over books of ancient history did make mistakes in historical dates presuming that after all they were not of any essential importance? The tempestuous and dynamic epoch in which we live has, however, taught us to respect the dates. The events of this epoch have made many ancient nations to start recounting their history as if anew, as they entered a new and basically different stage of their development.

For India such a threshold was the year 1947 — when she became independent. For our country — for Poland, such a turning point was the year 1944. On July 22, 1944 in the town of Lublin on the first stretch of Polish soil liberated from the Fascist German occupation, the People's Government of peasants and workers — the first in the history of Poland — came into existence and it took upon itself the heavy burden of leading the country clear of the chaos of war losses and destruction.

The foreigners who came to Poland in the first years after the war reported that they found the country bombed, turned into ruins, burned, destroyed and levelled to the ground. Indeed, many towns had practically ceased to exist, among them Warsaw, the capital of Poland, a city of 12,00,000 inhabitants before war. More than six million Poles, or one-fifth of the population perished as a result of hostilities. One-third of the industrial potential and 35 per cent of the agricultural wealth were destroyed. The total loss of national wealth suffered by Poland on account of the war amounted to 38 per cent.

Backward Structure

Twenty years ago we had a still more difficult task, since we were starting from the ruins and ashes, from the removal of rubble, from curing of very deep wounds inflicted on the nation. The material means were less than modest if one also considers that pre-war Poland did not belong to well-off countries. The dependence of the pre-war economy on foreign capital was great and the economic and social structure was backward. Sizable unemployment, compulsory economic emigration, and even a fall in industrial output were other characteristics of the pre-war Poland.

Even the people opposed to democratic transformation that was being carried out in Poland admitted that the People's Government had undertaken the task which appeared to be beyond the creative and material possibilities of a few generations to come. They, of course, added that all the plans were likely to stay in the sphere of dreams and boasts as Poland's emerging out of so tragic a downfall was out of the question.

Today, after twenty years we, Poles, have the right to say that we have not gone astray and in the difficult moment we chose the best course and the only one, indeed. While removing the ashes of war we had at the same time started to build in a different way, anew. The effort of the people had been directed not only towards the economic development of the country, but also towards the transformation of the whole economic structure, in keeping with modern requirements. It included the radical land reforms, the nationalisation of the basic branches of national economy such as industry, mining,

banks, transport etc. On the basis of these fundamental changes, we started the industrialisation of the country consisting in both the development of the traditional branches of industry such as coal mining, black and non-ferrous metallurgy, and simultaneous construction of new, so far non-existent industries, e.g. shipbuilding, electronics, heavy machine tools, etc. Great attention was paid to the development of chemical industry which next to the coal mining has become the most important national industry.

In consecutive economic plans the direction of our investments has been determined not by temporary needs, but by the requirements of constant dynamic development of the whole Polish economy. Naturally, this was the most difficult road for the people, the one requiring greater efforts and not a few sacrifices; but, today, after twenty years, the face of Poland is changed completely. During the twenty post-war years, we have achieved a three-fold growth of the output of hard coal, iron ore and rock salt and almost five-fold increase in the output of zinc and lead ores as compared with the year 1938. We have started the exploitation of the new y discovered deposits of sulphur, copper and lignite, the raw materials of which nobody had even thought of in Poland before the war. Poland, which in the world's statistics of the output of sulphur had no place, now ranks second in this field.

Solid Foundation

The following data illustrate precisely the present condition of the Polish industry. While in 1960 the world industrial production was more than three-fold the level of 1938, Poland's industrial production rose seven-fold. (In 1963, our industrial production was 9 times that of pre-war level). Another comparison, no less illustrative is: the per capita industrial output of Poland was only 20 per cent of the corresponding average index of the U.K., France, Italy and Germany in 1937. It rose to 60 per cent in 1960 and will reach 80 per cent in 1965. The industrialization of Poland, her transformation from a backward agricultural country into a modern industrial one, has reduced the gap separating Poland from the highly industrialised nations of the world. It has changed her socio-economic structure. It has provided Poland with solid foundations for a constant, harmonious development of all branches of economy, foremost among them being agriculture — the second largest sector of the national economy. It is generally known that the rate of growth of agricultural production is much slower than that of industry; it is dependent on many factors in which we have scored considerable achievements during the past twenty years. As a result of agricultural investments, land improvement, mechanization of cultivation, the increased supply of fertilizers, construction materials, machines and implements, the average yield of the four basic cereals has risen during the last six years from 5.9 quintals per acre to 6.9 quintals per acre. At the same time the total agricultural output rose by 11.6 per cent. These, of course, are not yet satisfactory results. Poland is still compelled to import considerable quantities of grain, covering it by export of sugar, tinned meat, eggs, butter etc., but efforts are made to reduce this costly import as far as possible. Further investments in agriculture, the increased state credit assistance to the farmers, the supply of more than 1 million tons of fertilizers (in terms of nitrogen) in this year, of 20,000 new tractors, of large quantities of concentrate fodder, etc. will serve this purpose.

In a discussion of the economic situation of Poland after

20 years of independence, it is worth mentioning one more field of the economy which is often called the mirror of the economy of a country, I mean the foreign trade. The most significant phenomenon is the general change in the structure of the Polish export, as compared to the pre-war period. The place of Poland in world commerce was determined before the war by raw materials and agricultural produce. Today the pattern of Polish exports is completely different. The share of food products came down from 34.5 per cent in 1937 to 16 per cent in 1963 and that of raw materials from 62 per cent to 32 per cent. The opposite is being observed in the export of machinery and equipment. Their exports grew from less than one per cent of the total in 1938 to 33 per cent in 1963. It is estimated that during the coming years the export of machinery will grow to 40 per cent of the total and shall become the basis of our total exports. Machinery of different types as well as complete industrial plants constitute the main item of our trade with India. Our fruitful co-operation, for example, in the field of coal mining can be an ideal illustration of the changes that have taken place in Poland during the last twenty years.

Poland maintains today trade relations with 150 countries and the turnover of Polish foreign trade was in the last year twice as high as in 1956.

Dwelling upon the achievements of our twenty years of independence, I have devoted much space to the economic

problems and have often quoted percentages and figures. This is indispensable while presenting a balance sheet since 'all social changes are closely connected with the transformation of the economy of a country.

Shifts in occupational and social structure follow the development of industry. In Poland during these twenty years a considerable part of the population has found employment outside agriculture and the people living in towns are employed in industry, transport and services which now absorb half of the population. The youth, whether urban or rural, have uniform prospects of education, which is compulsory and free, and of gaining higher education, of choosing their profession and of promotion. Gradually we hope to extend to the countryside also the system of free medical care, of pensions and various schemes of social and state care. The removal of disparity in the level of living between urban and rural life seems to be one of the essential elements, or — to be more precise — effects of economic and social development of Poland of today.

I have presented the most important elements of the balance sheet of our 20 years of independence. These were difficult years, strewn with many obstacles. These have been twenty years of not only successes, but of sacrifices too, but for which it would not have been possible for us to look back with pride at the path traversed. We strongly believe that the next twenty years will be equally fruitful, because we are entering them armed with the experience gained in the past.

Polish Coal Industry

TOMASZ MIECIK

POLAND IS sixth in the world in the production of coal. In 1963, the Polish coal-mines are estimated to have produced 113 million tons of coal; in per capita production of this valuable fuel, Poland is second in the world. The coal industry, employing 3,450,000 people, is a mainstay of the Polish economy.

In the Polish fuel economy, coal is the chief item; for many years, it also was the key export item. This is the reason why coal mining is one of the most heavily invested Polish industries. In the years 1950-56, the annual investment outlays for coal mining averaged 2,860 million zlotys, which amounted to 17.5 per cent of Polish total industrial investment outlays; in the years 1956-60 average annual outlays rose to 5,800 million zlotys. Such enormous expenditures made it possible to complete the construction of several new coal-mines and of dozens of new galleries. Labour productivity kept upward pace: particularly good effects in this respect were recorded in the years 1956-60 when the annual extraction of coal rose by 10 million tons while employment in the industry fell by 10,000 workers, the working day was cut to seven hours and a half, and the average yield per worker per day rose from 1,147 to 1,326 kilogrammes in 1961.

In the current five-year Plan, 41,800 million zlotys have been earmarked for investment in coal mining, which accounts for nearly 16 per cent of the total value of industrial investment in this period. Out of this sum, 15,700 million zlotys have already been spent in the years 1961 and 1962. At present, 11 new pit mines and 52 new galleries are under construction. By 1965, construction of one more coal-mine will have been undertaken.

As a result of such an enormous investment effort, the capacity of the coal industry has been greatly expanded. Coal production rose from 78 million tons in 1950 to 109.6 million tons in 1962, or by 40.5 per cent over the span of 12 years. Ten new coal-mines have been completed since the war.

Demand Outpaces Supply

Nonetheless, the nation's demand for coal kept rising even faster, mainly due to the spectacular rate of development of the national economy. The economy consumed 52.4 million tons of coal in 1950, and 95 million tons in 1962, a rise of 81.3 per cent, while the extraction of coal — as stated above — increased by about 40.5 per cent, thus lagging far behind the swelling rate of demand.

This situation necessitated substantial cuts in the size of coal export. Whereas in 1950 26,570,000 tons (or 34 per cent of actual production) were exported, in 1962 only 17,313,000 tons of coal (15.8 per cent of production) were exported. Yet, even though exports decreased as did world coal prices in the meantime, coal is expected to retain its very important role in Polish export for many years to come. Among the Western countries, the bigger importers of Polish coal are Denmark and Finland, buying some 2.5 million tons annually each.

The considerable increase in coal production has been achieved not solely through the extension of old mines and development of new ones. Primarily, it has come in the wake of new technology being introduced into the mines. Nearly 4,500 million zlotys were expended for the mechanization and electrification of coal mining in the years 1956-1960. Technological and organizational progress has been directed mainly towards the concentration of production and increased labour productivity.

The years 1957 through 1962 witnessed a rapid rise in the

number of coal-mine machines of the basic types. The number of coal-cutting combines working the coal-face increased 3.7 times, that of gallery assemblies 4.1 times, and that of armoured combing conveyor belts 2.4 times. As a consequence of the introduction of thousands of new machines, all indices of mechanization rose rapidly, but above all rose the proportion of coal loaded mechanically: 18.12 per cent in 1957, 36.18 per cent in 1962, and an estimated 40 per cent in 1963. This means that in 1962 machines loaded some 40 million tons of coal whereas in 1957 only 17 million tons were loaded mechanically. Also in 1962, coal-cutting machines worked some 40 per cent of all coal extracted whereas in 1957 they worked only 34 per cent.

Higher Productivity

Technological and organizational progress has been directed towards a high concentration of production and towards a higher labour productivity. The degree of production concentration, achieved so far by the Polish coal industry, is evidenced by the realization of the maximum production capacity with a relatively small number of coal-faces worked. In 1958, 5,597 coal-faces were exploited for a total extraction of 96 million tons, and in 1962, 4,663 coal-faces yielded 109.5 million tons — a rise in production of about 14 per cent with a parallel decrease in the number of coal-faces worked by almost 17 per cent. In 1963, the number of faces exploited further fell to about 3,400, while production was estimated to rise to 113 million tons. The sharp decrease in the number of active coal-faces brings beneficial results in the form of a greater concentration of highly skilled personnel and technical supervisory staff, which in turn has a favourable effect on work safety: it further helps improve the distribution and utilization of materials and equipment, and the gainful utilization of man-power available. There is no other industry in Poland, where production capacity is used to the maximum degree so constantly as it is in the Polish coal-mines.

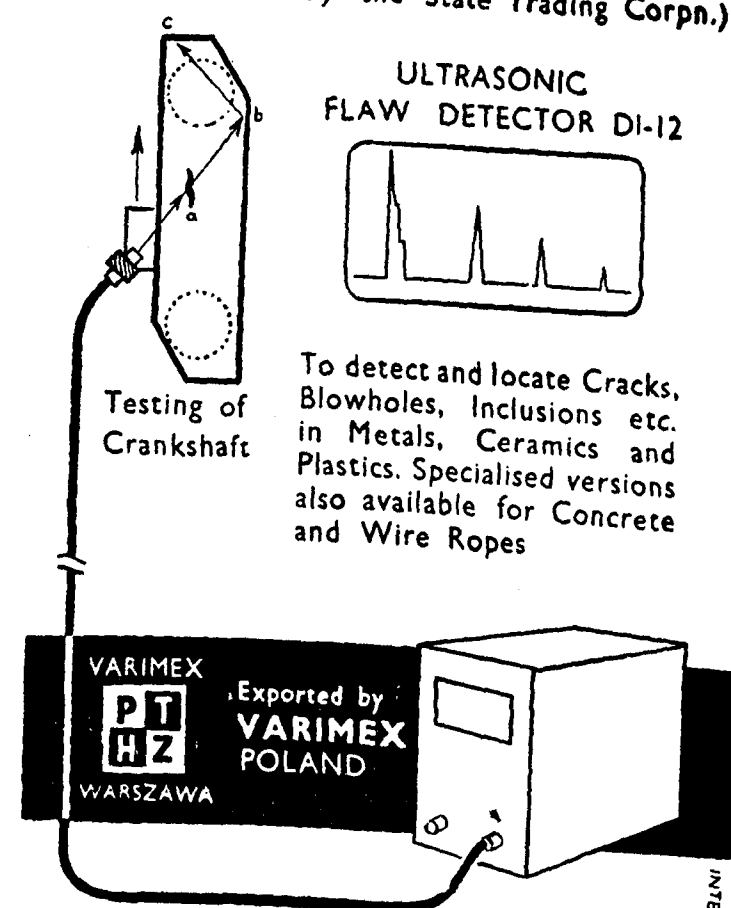
In consequence of the many technological and organizational improvements, labour productivity in the industry has been keeping an upward trend. The process is well illustrated by the following table:

PRODUCTIVITY IN KGS. PER DAY PER WORKER

	Year					
	1957	1958	1959	1960	1961	1962
Among pit miners proper	1619	1680	1737	1793	1865	1930
All over industry	1132	1188	1239	1286	1324	1354

The success achieved so far in the extension of coal mining does not satisfy all the needs of the expanding Polish economy. Therefore, in the next decades, too, the coal industry will continue to expand. Plans provide for the completion of another 25 new coal-mines by 1980. Even in the next fifteen years, construction will go on at 39 different mine sites. Geological conditions clearly favour such an intensified programme of building. Throughout the Silesian Coal Basin, extensive coal seams do not dip lower than a thousand metres (thus being accessible with the use of present-day technology) and their total deposits are estimated at 80,000 million tons. Thus, even with the continually growing rate of extraction the present deposits are not likely to be depleted for a few centuries. And a fast rise in the production of coal remains a necessity for the Polish economy.

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Achievements of Iron & Steel Industry

FRANCISZEK KAIM, M.Eng.

(Deputy Minister of Heavy Industry for the Iron and Steel Industry)

DURING THE past twenty years the iron and steel industry in Poland took a big leap forward. Taking the production level in 1937 as 100, the growth of the basic iron and steel products achieved in 1963 is as follows:

	Growth index	Production in 1937 (tons)	Production in 1963 (tons)
Pig iron in terms of open hearth steel	613	880,000	5,395,000
Crude steel	556	1,441,000	8,004,000
Rolled goods	505	1,074,000	5,457,000
Pipes	590	80,300	473,000

Taking into consideration the tremendous war losses, one comes to the conclusion that apart from the workers in the iron and steel industry having put in their best, the efforts on the part of the State which allotted necessary means for the development of the industry have been commendable. It needs to be emphasised that in 1945 Poland's industrial enterprises were in various stages of devastation, only 5 enterprises, constituting 18 per cent of the total, were left intact. The most ravaged were the rolling mills.

Tottering Apparatus

The state of the installations in departments spared from destruction was bad. The plundering economy of the occupant, which believed in production at all costs, wore out the machines speedily: numerous coke batteries were extinguished, some blast-furnaces were frozen, many open-hearth furnaces collapsed. The majority of installations required capital repairs before putting them into operation again. Taking into consideration the disorganisation of the managing and production apparatus of the steel works, big losses in the personnel of engineers and technicians during the war, the difficulties in the post-war initial development period in the iron and steel production can well be imagined.

In the light of the above facts the following development stages in the iron and steel industry were planned: 1945 — setting into motion of works as well as the provisional patching up of the devastations; 1946 — further removal of war-devastations, increased production and the preparation to the three-year reconstruction plan of the iron and steel industry; 1947-49 — the implementation of the three-year reconstruction plan. The following stages, i.e. the six-year plan, the first five-year plan and the second five-year plan, encompassed wide expansion and modernisation of the iron and steel industry. During this period old steel works and production departments were thoroughly modernised. Thus in the field of blast furnaces, modernisation encompassed the change of Langen locks into up-to-date locks, the expansion of the utilised capacity of blast furnaces, armouring of furnaces, appliance of stronger blowers and raising of the blow pressure, reconstruction of the stoves and raising of the blow temperature,

mechanisation of the supply of charges, installation of ingot casting machines for pig iron, expansion and modernisation of ore agglomerating plants, building of stockyards equipped with reloading bridges, and diggers for ore blending.

Changes in the field of blast furnaces production are illustrated in the following table.

	1945	1950	1955	1960	1963
Average utilised capacity per 1 blast furnace (old works) sq. metres	345	370	451	465	465
Average utilised capacity per 1 blast furnace (including those of Lenin works), sq. metres	345	370	498	544	587
Average yearly production of pig iron per 1 blast furnace (old works), th. tons	19.7	80.7	112.3	137.0	145.2
Average annual production of pig iron per 1 blast furnace (including those of the Lenin works), th. tons	19.7	80.7	124.5	175.5	196.6

The comparison of the growth figures of average capacity of blast furnaces (including the Lenin works) with the annual, average production of pig iron per blast furnace proves that, in the years 1950-63, the 59 per cent growth in average capacity of a blast furnace was accompanied by an average production growth of 144 per cent, i.e. the growth in production of pig iron was 2.4 times higher than the growth of average capacity of blast furnaces. This was achieved by setting in

INDIA AND POLAND: PER CAPITA PRODUCTION OF STEEL AND OTHER PRINCIPAL INDUSTRIAL GOODS IN 1963

	Unit	Poland	India
Crude Steel	Kgs.	258	13
Electricity	KWH	1,194	54
Coal	Kgs	4,145	145
Aluminium	Kgs	1.5	0.12
Cement	Kgs	247	20
Paper	Kgs	19	1.1
Cotton Fabrics	Metres	22	16
Sugar	Kgs	42	5
Cigarettes	Nos.	1,713	89
Bicycles	Per 10,000 inhabitants	214	26
Commercial Vehicles	"	15	0.6
Sewing Machines	"	70	7
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motion of up-to-date blast furnaces of large capacity, modernisation of old furnaces, improvement in the preparation of charges and the introduction of modern technology.

In steel mills nearly all open-hearth furnaces in old works were reconstructed. The capacity of furnaces was increased by changing them into mazout-fired and coking gas-fired furnaces, and by introducing automatic controls of the furnace work. Steel mills were additionally equipped with strippers, charging machines, pig iron mixers and other auxiliary equipment. As a result the productivity of old open-hearth furnaces in 1963 increased by 57 per cent in comparison with the year 1945. In the year 1962, two installations for continuous steel casting were put into operation: an experimental one in the Baildon mill for casting alloy steel and the other one in the Jednosc mill for casting tube steel.

Rolling mills were badly devastated during the last war. It is estimated that the production capacity of rolling mills was lowered by about 60 per cent in comparison with the pre-war years. In the post-war period rolling mills in old steel works have been thoroughly reconstructed, which resulted in production surpassing the level of pre-war times. In old iron works 13 new roll lines were installed after the war, and 14 lines were modernised.

An important achievement in rolling mills in the post-war period is the production of a number of new articles such as rails for heavy cranes, watertight piles, special parts for wagons, steel sections for the building industry, pipes for steam heaters, sheets clad with acid-proof steel. Also introduced were high-speed heating of ingots made of austenitic steel, production of steel with ferro-structure and of high-speed steel, sections made of stainless and fire-resistant steel. Cleaning of charges was expanded. Touchless measuring of sheet thickness was introduced. Work on automation bloomers was started. Besides, work was conducted on increasing production of cold-rolled strips and piles. Finishing departments and departments of thermal working were expanded.

The building of the Lenin and Warszawa steel works was the turning point in the development of the iron and steel industry in Poland. These two new works are of decisive importance for the development of the production of the iron

and steel industry as well as for supplying the country with rolled goods. The works built on the basis of Soviet documentation and on the deliveries of basic equipment from the Soviet Union are the pride of the Polish industry and turn out at present about 30 per cent of the production of steel and rolled goods. These works will continue to be developed and by 1970 they should produce about 4.2 million tons of steel annually. The rate of reconstruction of the iron and steel industry and the production growth of steel are illustrated by the figures of per capita steel production in Poland as given below.

STEEL PRODUCTION ON PER CAPITA BASIS

Year	Kg. Per Head
1937	43
1949 (after a Three-Year Plan)	94
1955 (after a Six-Year Plan)	162
1960 (after a first Five-Year Plan)	223
1962	253
1963	265

The figures given above highlight the transformation process in Poland from a purely agricultural country into an agro-industrial one. This was made possible greatly through the particular attention given to science, technique, and economic development of the country in the post-war period.

In the period 1950-1963 over 40,000 million zlotys were earmarked on investment in the iron and steel industry. The several works of the Upper Silesian Industrial Basin crammed into the densely populated towns will be modernised and adjusted gradually to the production of articles made of quality and alloy steels, having in view the far-reaching specialisation of the different works. The other works such as the Bierut, Zawiercie, Labedy and Nowotko, having in their neighbourhood sparsely inhabited territories, will also be markedly expanded.

Science Solves Mining Problem

THE "ZGODA" technical equipment plant in Swietochlowice (upper Silesia) has become recently a very important experimental centre at which a problem of great importance for the world mining industry has been solved. It concerned the extraction of coal from beneath a factory without interrupting its work, with the simultaneous preparation of means for the protection of precision production. The "Polska" colliery, some of whose deposits are situated under a factory, has extracted already the first million tons of such imprisoned coal, an event without precedent in world mining.

Scientists from the Mining and Metallurgical school in Cracow have won much renown by the preparation of a method for extracting coal from so-called protection pillars, i.e., for extracting coal from towns, large industrial plants, etc. The deposits running under towns, large industrial plants, etc. The invention of the Cracow scholars was recognized as a very important achievement of modern mining science, but could not be used for the exploitation of deposits under factories whose production process is running with great precision, as is the case with the production of the "ZGODA" plant in Swietochlowice.

The main difficulty of this bold undertaking consisted in the working out of a system for protecting large machines and

machine tools from the possible effects of small subsidence. Experts from various disciplines carried out numerous examinations to find out which machine tools require special protection because of the precision of their work. They received first of all special type foundations. Regulation wedges were installed beneath them to bring them back to ideal level in case they began to lean sideways. Sensitive control indicators and devices registering all changes in the position of the machines were also installed.

The entire campaign was aimed at protecting the factory not from any "earthquakes", but only from deviations from the perpendicular of the order of 0.02 millimetre. The apparatus which registers such changes has been designed by scientists from the chair of machine tools of the Cracow polytechnic. They intend now to design devices which will not only indicate the inclination of machines, but also remove it automatically.

The achievement of the Polish scientists, technicians and miners permitted the selection of other plants under which rich deposits of coal are imprisoned. We shall avoid in this manner huge expensive investments in the shape of the construction of new mining levels in the existing mines or even wholly new mines.

Poland's Chemical Industry

JAN POJDA, Eng.

MUCH HAS been said and written in Poland in recent years about the chemical industry. Poland's chemical output has grown more rapidly than gross industrial production. This is due to the policy of modernisation of the country's industry and the progressive use of chemicals in the national economy. Between 1953 and 1963, for instance, the chemical industry grew fourfold as compared to the 3.5 times increase in the output of the entire socialised industry.

It was not easy for Poland's chemical industry to reach its present potential. The first stage of its growth was characterised by the creation of a foundation in the form of the inorganic industries: sulphuric acid, calcinated and caustic soda, chlorine, nitrogenous and phosphorus fertilizers, carbides, etc. This was followed by the development of the organic industry: dyestuffs and their semi-manufactures. The key processes were mastered of the chemical synthesis industry making possible the production of methanol, formalin, acetic acid, phenol, phthalic anhydride, etc. Considerable effort was put into the development of artificial viscous fibres industry, rubber, pharmaceuticals, pesticides, paints and lacquers and other industries. By 1949 the gross output of the chemical industry was already double that of 1938.

The growth of the production branches mentioned above rested in great measure on domestic raw materials; rock salt, limestone, sulphur-bearing substances, barytes, coke as well as the derivatives from coke — tar, benzol (benzene, naphthalene, xylene, etc.). The domestic base was supplemented by the import of scarce raw materials, mainly phosphorus, rubber, technical fats, vegetable oil, viscous cellulose.

The turning point in the development of the chemical industry came towards the end of the 1956-60 five-year period. As a result of considerable investment in heavy synthetic chemicals, the production was started of important modern products on a large scale: synthetic butadiene-styrene rubber (in 1959), polychloride vinyl (1957), keprolactam (semi-manufactures for polyamide fibres), processed plastics, for artificial fabrics, synthetic dissolvents, technical urea, etc.

Important Investment

One of the most important investments of the previous five-year Plan was the building of the Tarnobrzeg sulphur combine commissioned in 1960. It has enabled Poland to exploit the rich sulphur deposits discovered in that region along the Vistula River. Alongside coal and copper, sulphur, estimated at 125 million tons, is now one of Poland's most abundant raw materials.

Now, in the second half of the current five-year Plan gross production of the chemical industry (including the rubber industry) reached the value of 63 milliard zlotys in 1963, or 8.5 per cent of total industrial output value. In 1955 it constituted only 5.5 per cent. The same year the output of the basic products reached the following levels (in 1,000 tons): sulphuric acid — 888, calcinated soda — 543, sulphur — 235, carbides — 380, chlorine gas — 79, nitrogenous fertilizers in terms of N₂ — 330, phosphoric fertilizers in terms of P₂O₅ — 271, phenol — 29.5, methyl alcohol — 43.5, acetic acid synthetic — 14.7, dyestuffs — 12.9, pesticides concentrate — 7.6, total artificial fibres — 76.8, polyamide fibres — 8.1, synthetic rubber — 36.0, total rubber products — 171,000 tons, of which automotive tyres accounted for 1.5 million pieces. Value of pharmaceuticals was 5.1 milliard zlotys.

The rapid growth of the national economy confronts the

chemical industry with ever new tasks. Large investments are now being made in order to realise them. Among the most important new chemical combines built are the Plock refineries and petrochemical plants, Pulaw nitrogen plants, the Tarnow II organic nitrogen combine, the sulphur mine at Machow (near Tarnobrzeg), the tyre factory at Olsztyn, chemical plants at the Silesian sheet iron works, the artificial fibre mills at Torun and Lodz. Besides, 60 other chemical plants are being considerably expanded. Investment in the chemical industry in the current five-year period constitutes 12.4 per cent of expenditures for the growth of industry as a whole.

Within 2 to 3 years the chemical plants mentioned above will yield considerable results. Agriculture, for instance, will receive larger amounts of artificial fertilizers. The use of nitrogenous fertilizers per hectare of arable land will rise from 20.0 kg. of N₂ in economic year 1962-63 to 37.0 in 1966-67. Light industry will receive a new type of fully synthetic polystyrene ("Terylene" type) and polyakrylone ("Orlon" type) fibre. As a result, the total share of chemical fibre in the consumption of textile raw materials will grow from 37.7 per cent in 1963 to 44.4 per cent in 1966, while the assortment of these fibres will be modernized. The increased output of the artificial fibres will yield large savings from the reduced imports of corresponding quantities of wool and cotton. These savings are estimated at 90 million dollars per annum.

Production Doubled

The fact that the output of artificial fibres will by 1965 double that of 1962 will have a decided influence on many branches of the economy. Building construction, heavy industry, particularly the electro-technical, machine-building, ship-building, the rolling stock and precision industries as well as light industry (footwear, textiles, fancy goods), the paper and furniture industries will receive a great deal more artificial raw materials. This will, of course, enable a considerable saving of timber, coloured metals, leather and hides, paper, oils etc.

The intensification of chemical exports and the special growth of the output of import substituting products is now given priority. For many years Polish chemical exports were characterised by heavy weight and relatively cheap articles (soda, carbides, rock salt, etc.). But in recent years, in keeping with the growth of chemical capacity, there has been a rapid increase in the export share of highly precious articles: pharmaceuticals, dyes, photographic materials, paints and lacquers, rubber footwear, etc. Among the most important items of import limiting production are synthetic fibres, artificial rubber, synthetic lacquer raw materials and artificial fabrics. About 40 per cent of Poland's total chemical exports now go to the socialist countries. And the trade turn-over with these countries will continue to grow with the specialisation of chemical production fixed between Poland and the other members of the Council for Mutual Economic Aid.

The national economic development plan for 1966-1970 is now being elaborated. One of its central provisions is the continued emphasis on the growth of the chemical industry over that of the industry as a whole. Investment in the chemical industry in 1966-70 will be 35 per cent higher than in the previous five-year period. And among the most privileged positions in this growth will be occupied by the artificial fertilizers industry (with tripled output), the petrochemical and related artificial fibres industry as well as synthetic

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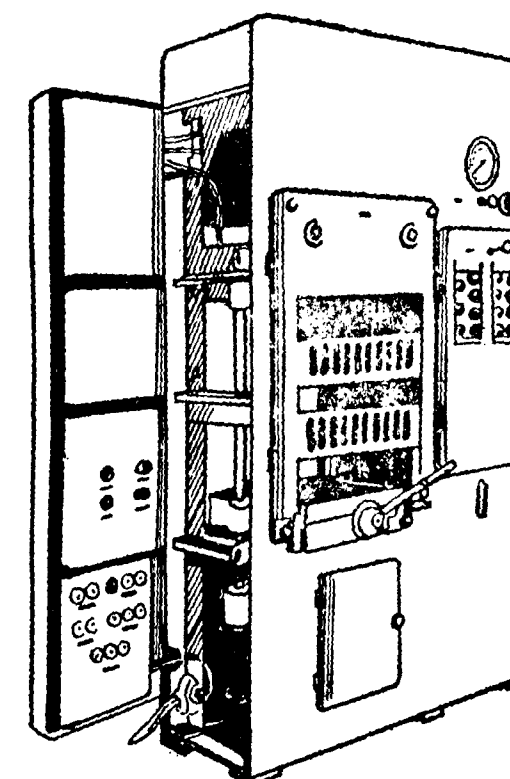
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Poland Builds Factories in 36 Countries

CEKOP, Poland's agency for exporting complete industrial plants, has a portfolio full of orders. It has concluded contracts valued at more than 500 million dollars with 38 countries of Europe, Asia, Africa and Latin America. In 1963 CEKOP made 80 million dollars worth of deliveries and completed the construction of 97 industrial units for abroad. Since it commenced to export finished industrial installations, i.e., since 1955, Poland has built or equipped more than 290 factories abroad. CEKOP is building new, deep coal mines in India; shipyards in Indonesia; sugar refineries in Iran, Morocco and Ghana; a powerhouse in Brazil, a foundry in Austria, zinc refining plant in Holland and dye plants in the United Arab Republic.

These are a few examples of many-sided activity embracing 70 types of factories in many branches of production—from large plants employing thousands of workers to comparatively small mechanical plants, chemical products workshops or modern automotive equipment factories, the cost of equipment of which does not exceed the average financial means of private industrialists in Asian or African countries.

Ninefold Growth

Poland entered relatively recently the market as an exporter of equipment for industrial plants and of commercial installations (liquid fuel tanks, rice and grain silos etc.) and of equipment for hospitals and other public utility enterprises.

This phenomenon is connected with the intensive growth of Polish industry, which in the course of 20 years increased its productive capacity ninefold. A number of new branches of production were commissioned in that period: heavy machinery and power equipment and installations, turbo-generators and high parameter transformers, combustion and electric locomotives — to mention only a few. There has also been developed a modern shipbuilding industry (which in respect of production volume and assortment of vessels built occupies ninth place today), an electronic industry and many others. The highest growth is marked by the electric machinery-building industry which was thirty-fold in the current 20-year period, while the chemical industry grew twenty-fold.

The numerical growth of the corps of highly specialised technical personnel has kept pace with the growth of industry. Poland now employs more than 100,000 engineers with highly technical education, besides a corresponding network of specialists with medium education. There are scores of specialised designing bureaux, hundreds of drafting and construction offices and technological laboratories. All this has created favourable conditions for the rapid growth of Polish exports not only of machinery and equipment but also of complete industrial plants and installations.

The Polish export of complete industrial plants began in 1955 with sugar refineries. Herself one of Europe's largest sugar raisers, Poland has great traditions and has acquired much experience in the production of the apparatus and in the assembly of factories in this branch of production. Between 1955-63 Poland has exported 24 complete sugar refineries even to such highly industrialised countries as the Soviet Union, beside Greece, Iran, Morocco (beet sugar plants), China, Vietnam, Ceylon and Ghana (cane sugar plants).

The export of complete coal mining installations has also

developed rapidly. Poland disposes of rich experience in this field too — as one of the leading coal producers. Poland specialises in building complete deep mines (very extensive work is being carried on now in this field in India in connection with CEKOP's contract to build nine mines) and supplies all kinds of equipment, such as coal washing and sorting plants. Among the first has been the export of liquid fuel tanks provided by Polish manufacturers with liquid roofs to prevent loss from evaporation. Poland exports such tanks mainly to the United Arab Republic (Suez Canal zone) as well as to Western and Northern Europe.

Favourable Terms

Chemical plants occupy an important place in Poland's export of complete industrial units (dye, sulphuric acid, sodium, artificial fertilizers plants), metal and structural steel plants, powerhouses, cellular concrete mills and other building material plants, including cement factories. It is worth noting that on the basis of Polish patents a cellular concrete mill produces yearly ceilinged and roofed wall panels corresponding to 6 million bricks, with 40 per cent lower building costs than with the use of traditional bricks. Poland has thus far exported 18 such plants mainly to European and Asian countries.

One of the factors inducing foreign customers to avail themselves of CEKOP services in undertaking important investments, are the advantageous credit conditions offered by Poland. This pertains in most cases to the developing countries of Asia, Africa and Latin America, who can repay the credits advanced by Poland with the export of their own goods. Thus by supplying these developing countries with machinery and equipment indispensable for their industrialisation, or for expanding the exploitation of their own natural wealth, Poland does not burden their balance of payments. On the contrary, orders for Polish supplies increase their exports to Poland.

Another requirement of the developing countries is technical, and often purely scientific aid. At the customers' desire Polish specialists conduct preliminary investigations, which are very important both for the exploitation of natural resources and for commissioning factories based on local raw materials. Polish specialists prepare complete technical and technological documentation of the units supplied, assure technical supervision over the assembly work or do it themselves. They make the plant going, train workers in the servicing and conservation of machinery and equipment, watch over the course of production in the first period and in case of need train technical personnel in Poland for the newly commissioned plants. In a word, the Polish supplier takes full responsibility for the proper operation of the factories built or equipped by it.

Need for Specialisation

CEKOP has ceased to be a monopoly in supplying from Poland complete industrial plants. The growing demand in other fields has induced the need for specialisation. Hence the enterprise "CENTROZAP" now applies itself to the export of foundries, equipment for mines and steel mills, installations for processing raw materials. The export of textile spinning and weaving mills is the domain of "METAL-EXPORTS". The division of labour and specialisation in the production of complete industrial plants enables a fuller satisfaction of customers' needs and the fulfilment of larger orders.

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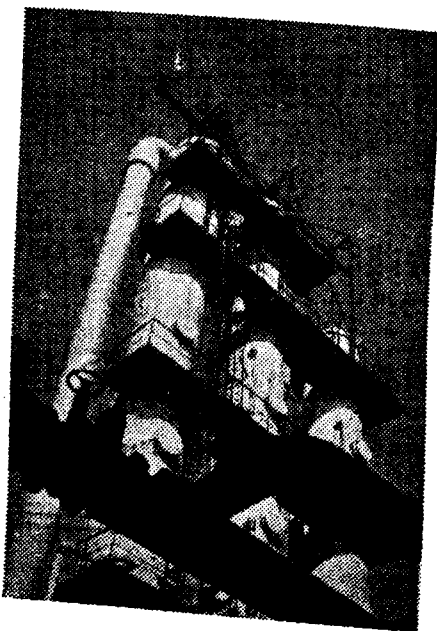
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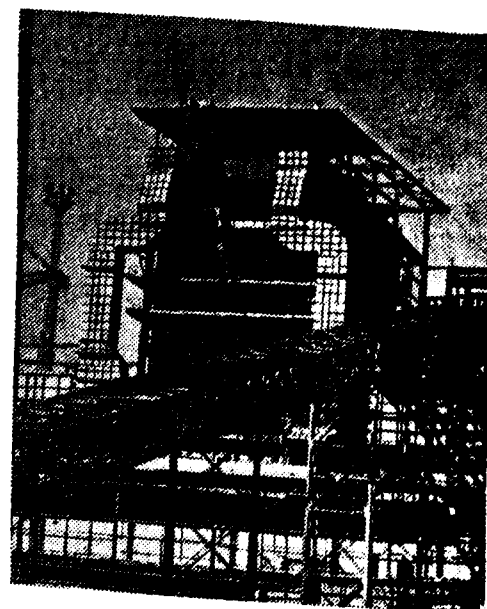


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- next seven deep shaft mines—collaboration in designing and erection of other coal washeries—pig iron plant—zinc smelter plant—Coal mining machinery plants—reconstruction and modernization of mines.



3. ENGINEERING:

- steel structure mfg. plants, machine tools factories including foundry and smithy departments—electric meter factory
- E.O.T. Cranes and hoists factory
- motorcycles and scooter factory
- Under negotiation:
- shipyards and other engineering plants for manufacture of similar products



5. CHEMICAL AND OTHER INDUSTRIES:

- Under negotiations only:
- sulphuric acid factory—phosphatic fertilizers factory—various chemicals manufacturing plants—slaughter houses and food processing plant—complete sugar factories and its individual equipment—grain silos—small scale industrial plants

6. THE SCOPE OF OUR OFFERS COVER:

- preliminary techno-economical investigations—preliminary project report—detailed project report—workshop, civil engineering and erection drawings—constructional drawings of the products to be manufactured (licence documentation)—supply and Poland—technical supervision personnel both in India putting in operation and first running period of the factory; or alternatively turn-key job.

KINDLY VISIT CEKOP stand at the XXXIII Poznan International Fair between 7—21 June, 1964.

For particulars please contact:
THE POLISH COMMERCIAL COUNSELLOR'S OFFICE
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THE CONSULATE OF THE POLISH PEOPLE'S REPUBLIC
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July 17, 1964

EASTERN ECONOMIST

Polish Foreign Trade

WOJCIECH RYDYGIER

IN THE years 1947-1949 foreign trade of Poland played an important role in pulling out the national economy from the tremendous war damage. It rose in a dynamic manner during that period; the average annual increase of exports was 35.9 per cent, and of imports 25.4 per cent. In the years 1950-1955 export value increased from 2,500 million to 3,700 million foreign currency (F.C.) * zlotys, and import value from 2,700 million to 3,700 million (F.C.) zlotys.

Beginning with 1958, there was a considerable acceleration in the rate of increase of foreign trade turnover. The average annual import increase in the years 1958-1962 amounted to 11.1 per cent (as against 6.8 per cent in the years 1950-1955), and its value increased from 4,900 m. to 6,700 m. (F.C.) zlotys. The increase in annual export in the years 1958-1962 amounted to 11.6 per cent (as against 7.4 per cent in the years 1950-1955), while its absolute dimensions increased from 4,200 million to 6,600 million (F.C.) zlotys. Despite the acceleration of the rate of increase of export it did not keep pace with the rate of increase of import. The main reason for this was a drop in the revenue from the export of coal, which in the years 1947-1958 represented 33-43 per cent of the entire value of Polish export.

Taking the matter generally, the balance sheet of the Polish foreign trade in the years 1947-1962 was an adverse one. This was due, among other reasons, to the credits sought by Poland abroad for the development of her national economy.

But all these credits were received on conditions different from before the war. They are higher, the interest paid on them is immeasurably lower, they do not contain any clauses infringing the economic or political independence of the country, they do not open the road to the conquest of Polish industry by foreign capital.

Despite the considerable acceleration of the rate of increase of her trade turnover with abroad in comparison to the twenty years between the two world wars, Poland's share in the world import increased, it is true, from 1 per cent in 1938 to 1.3 per cent in 1962, but did not change as regards export and remained, in 1962, on the 1938 level of 1.2 per cent.

Commodity Structure

Raw materials, materials for production and fuels have been and still continue to be the main items in Polish import. The main items in the import of raw materials are: metalurgical products (their import has increased from 18 thou and tons in 1938 to about 537 thousand tons in 1962), iron ore (whose import increased from 588 thousand tons to 81 million tons), oil products (an increase from 6.5 thousand tons to 2.6 million tons), cotton (from about 75.5 thousand tons to 120.6 thousand tons), wool, crude oil, copper, coking coal, manganese ore, etc. Despite the fact that the 1962 import of raw materials, materials for production and fuels was in absolute figures 5.6 times higher than in 1938, its relative share in the total value of Polish imports dropped from 65 per cent in 1938 to about 46.8 per cent in 1962. This was due to the more rapid rate of increase of the import of other commodity groups.

The second largest item in Polish imports is machines, installations and means of transport. The 1962 import of machines and installations was twelve times higher than in 1938 and their share in the overall value of her import increased from 21.2 per cent to 33.2 per cent. The rapid rate of the increase of the import of machines and installations is connected with the social and economic changes which have taken place in Poland. This import (77.3 per cent of the entire

import of machines and installations came in 1962 from the Communist countries, including 30.8 per cent from the Soviet Union) has played and still continues to play an extremely important role in the industrialization of Poland.

The third largest item of her import is agricultural food articles. This import by 1962 increased nearly 9.4 times

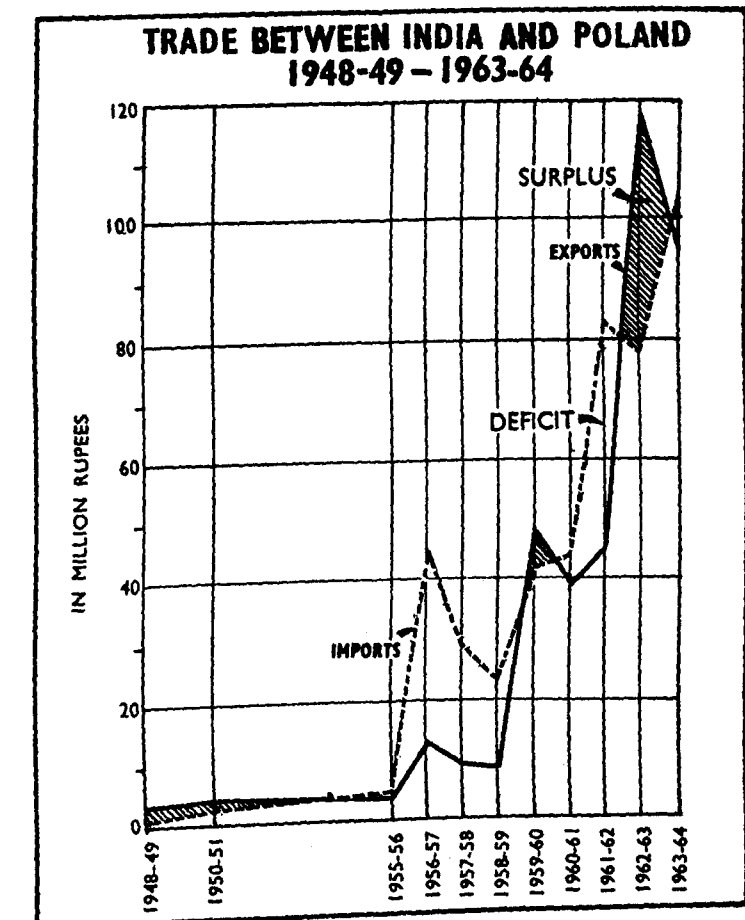
COMMODITY STRUCTURE OF POLISH IMPORTS

(Percentage)

Group	1938	1950	1955	1960	1962	1962: 1938
Total imports ..	100.0	100.0	100.0	100.0	100.0	768.7
Machines, Installations, Means of transport ..	21.2	32.4	30.9	27.1	33.2	1,204.8
Raw materials, Production materials, Fuels ..	64.1	53.1	51.7	51.5	46.8	561.4
Agricultural food products ..	10.9	11.2	13.1	13.1	13.3	938.1
Industrial consumer goods ..	3.7	3.3	4.3	5.4	6.7	1,342.9

in comparison to 1938, and the share of agricultural food products in the total value of her imports increased from about 11 per cent in 1938 to over 13 per cent in 1962.

Much deeper changes in comparison to 1938 have taken



* While 84 domestic zlotys equal to Rs. 100, in terms of foreign exchange a zloty is equivalent to an Indian rupee.

place in the commodity structure of Polish exports.

Poland is a big exporter of iron and steel products, zinc, a number of chemical semi-finished products (calcined and caustic soda, carbide, naphthalene), sawn wood, paper and oil products. But the main role has been played by coal in her export of raw materials, and in export as a whole by coal. The export share of raw materials has increased from 56.9 per cent in 1938 to 64.8 per cent in 1955, while the share of coal in the years 1950-1956 represented 33.43 per cent of the overall value of Polish exports.

COMMODITY STRUCTURE OF POLISH EXPORTS

Group	(In per cent)				
	1938	1950	1955	1960	1962: 1938
Total exports	100.0	100.0	100.0	100.0	100.0
Machines, Installations, means of transport	1.4	7.8	13.1	28.0	30.0
Raw materials, Production materials, Fuels	56.9	56.0	64.8	43.8	39.0
Agricultural food products	36.4	24.0	14.9	18.1	19.2
Industrial consumer goods	5.3	12.2	7.2	10.1	11.8

Beginning with 1953 the role of raw materials in Polish exports has decreased, and their share has dropped to 37.40 per cent of the overall value of her exports.

The second largest item in the Polish exports is at present the group of machines, installations and means of transport. This is probably the most eloquent symptom of the changes which have taken place in the commodity structure of her exports. The share of machines and installations in the total value of Polish exports amounted in 1938 to a mere 1.4 per cent. As the industrialization of the country progressed, the situation underwent a gradual change. The share of machines and installations in 1950 amounted to 6.8 per cent and in 1955 to 13.1 per cent of the total value of exports. The export of machines and installations has increased in the years 1953-1960 by about 31 per cent, and its share in the overall value of exports to 28 per cent. As a result of these changes the commodity structure of her exports as regards the share of machines and installations has drawn closer to the commodity structure of the exports of highly industrialized countries.

Agricultural food products are the third largest group of commodities in Polish exports. Their share in the overall value of her exports has decreased, in view of the more rapid increase of the export of other commodities, from 24.9 per cent in 1950 to 14.9 per cent in 1955. Beginning with 1958 the export of agricultural food products shows a rapid increase, and its share in the total value of exports increases to 19.2 per cent in 1962.

Most Polish agricultural food products for export are sold to highly industrialized capitalist countries (75.6 per cent in 1962).

Industrial consumer goods are the fourth largest group of commodities exported by Poland as regards their share in the overall value of her exports. The 1962 export of industrial consumer goods was more than 16 times bigger than in 1938, although as regards the volume in absolute figures and the share in the total value of her exports this is the smallest commodity group.

Poland maintains trade relations with numerous countries. The rate of the increase of Poland's trade turnover with the Communist countries in the years 1949-1962 was more than twice faster than with the other countries and nearly twice faster than with abroad in general. As a result of this the participation of the Communist countries in her trade turnover with abroad has increased from 44 per cent in 1949 to 63.5 per cent in 1962.

Geographical Imperative

The share of the Communist countries in Polish imports has increased from 42.6 per cent in 1949 to 65.1 per cent in 1962. The Communist countries at present supply:

- over 77 per cent of Poland's needs as regards import of machines, installations and means of transport (in 1949 — 39.1 per cent),
- over 60 per cent of her demand for imported raw materials, fuels and materials for production (in 1949 — 41.3 per cent),
- between 40 and 50 per cent of her demand for imported agricultural food products (in 1949 — 51 per cent).

— nearly 90 per cent of her demand for imported industrial consumer goods.

The share of the Communist countries in Polish exports has increased from 45.4 per cent in 1949 to 61.6 per cent in 1962. As the result of this, the Communist countries are at present her market for:

- nearly 88 per cent of the export of machines, installations and means of transport (in 1955 — 95.0 per cent),
- nearly 59 per cent of the export of raw materials, fuels and materials for production (in 1949 — 47.7 per cent),
- over 24 per cent of the export of agricultural food products (in 1955 — 37.6 per cent),
- over 70 per cent of the export of industrial consumer goods (in 1955 — 56.4 per cent).

Thus the rate of increase, the share and finally the nature of Polish trade turnover with the Communist countries show that this is the main direction of the development of Poland's trade turnover with abroad.

But it is also the motto of her trade policy to develop widely economic relations with all countries of the world. Despite the fact that Poland's trade turnover with the other countries of the world was developing more slowly than with the Communist countries, it was nearly doubled in 1962 in comparison with 1949 and was nearly three times higher than in 1938.

INDIA AND POLAND: BALANCE OF TRADE (Rs. Million)

	Imports from Poland	Exports to Poland	Balance of Trade
1948-49	0.8	3.2	+2.4
1950-51	3.0	4.0	+1.0
1955-56	4.3	3.8	-0.5
1956-57	44.4	12.4	-32.0
1957-58	30.0	9.2	-20.8
1958-59	23.0	8.8	-14.2
1959-60	41.9	49.3	+7.4
1960-61	44.2	38.8	-5.4
1961-62	83.1	45.7	-37.4
1962-63	78.4	117.0	+38.6
1963-64	103.6	96.0	-7.6

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- * Technical assistance during initial period of operation.
- * Plant modernization and introduction of technical improvements.
- * Training and instructing technical and economic staff etc.

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Twenty Years of Polish Maritime Trade

TADEUSZ DZIEKONSKI

THE LIST of countries maintaining trade contacts with Poland contains a round number of one hundred-and-fifty. Out of these 150 countries at least 120 are situated outside the European continent. So out of every five trade partners there are four that carry on trade turnover with Poland mainly, if not exclusively, by sea. True, Poland's most important contracting parties are the neighbouring socialist states with which she conducts trade by land. It is also true, however, that almost all her exports to such important geographical regions as Scandinavia or the British Isles, as well as imports from these regions, are carried by the merchant seagoing fleet. The greater, or at least a substantial part of trade turnover between Poland on the one hand, and Denmark, the Federal Republic of Germany, the Netherlands, Belgium, France and, of course, in Mediterranean countries on the other hand, is conducted by sea.

Over 20 million tons of cargo imported and exported by the Polish foreign trade agencies passes every year through Gdynia, Gdansk and Szczecin: coal, ores, liquid fuels, timber, grain. Apart from those "bulk shipments" there are about 6 million tons of goods, packed or single, the value of which is not measured by weight alone, beginning with wicker baskets and ending with locomotives and complete equipment of industrial plants, the handling of which often requires precise, complicated operations. And it is exactly general cargo that gradually takes the lead among the various categories of goods handled by the Polish ports. In 1965, eight million tons and in the next five years even 11 million tons of general cargo are estimated to be loaded and unloaded annually. This development trend is not accidental. It results from the changed structure of Polish foreign trade which, particularly in exports, is characterised by increased sales of machines, industrial equipment and other industrial articles.

Speaking about exports, one cannot omit a very important category of goods which, while not included in the statistics of goods handled by ports, reach their place of destination by sea. They are the vessels built in the Polish shipyards. Every year, 20-30 seagoing ships, 10,000-tonners, trawlers, motherships, etc., leave the Polish ports to fly the flags of other countries. The above mentioned transformations in the structure of export in favour of ready-made industrial goods are not the only feature of Polish foreign trade. They are accompanied by gradual changes in the geography of her foreign trade, her overseas trade partners playing a more and more important role. The developing countries of Africa, Asia and Latin America are gaining more and more importance in the total Polish turnover with overseas countries.

Natural Trade Partners

Contracts with the developing countries enable Poland to reach the direct sources of many raw materials and semi-products needed by her economy, such as cotton, wool, caoutchouc, phosphates, hides, oleaginous seeds and tropical agricultural and food articles. Poland, on the other hand, exports rolled goods, cement, chemicals, machine tools, power equipment, transport facilities, complete industrial plants and other goods the developing countries need for the expansion of their national economies. Thus those countries constitute a market easily absorbing Polish capital goods and durable consumer goods as well.

On the other hand, other highly industrialized European countries, and also the United States and Japan, work on the same principle and engage in a lively trade exchange with the same regions. To have any real chance in such a strong

competition one must not only have good products, good salesmen and good advertisement system, but also possibilities of efficient transportation. Speed and punctuality of deliveries constitute one of the conditions of success in modern trade. And here a merchant fleet comes as a great help. The fulfilment of this basic demand is made easier when Poland has her own direct shipping lines connecting Poland with the regions of interest to her foreign trade. One should not forget, moreover, that her fleet saves foreign currency on freights and earns substantial sums in foreign currency paid for the transport of cargo from other countries.

Across Three Oceans

Apart from lively trade exchange with Brazil, Argentina, India, Indonesia that have been among the leading Polish trade partners for several years now, the turnover with the Near and Middle East, North and Equatorial Africa, South Asia and Central America is constantly increasing. On the other hand, the Polish ports, thanks to their geographical situation, are most convenient points of reloading goods exported by Czechoslovakia, Hungary and the German Democratic Republic, a large percentage of which are also destined for the overseas countries. All this taken together results in the fact that the Polish merchant marine is consistently and speedily expanding. At present Polish ships are servicing 28 regular shipping lines, calling at over 300 important ports in about 100 countries.

The most distant line is to South-East Asia, linking Gdynia through west European ports (e.g. Rotterdam and Antwerp), the Egyptian, Indonesian and Malayasian ports, with China and Japan. Every two weeks the popular Polish "ten-tonners", fast motor ships of the Polish Ocean Lines, adapted to the transport of general cargo, leave Gdynia for South-East Asia. The line linking Gdynia with Brazil, Uruguay and Argentina is serviced by ships leaving the port every ten days; and some four or five ships monthly go to the Mediterranean ports. The ships going to the tropics are equipped with cooled holds. There are also regular lines to India and Pakistan, to the Red Sea ports and the Persian Gulf, and to Central America. For four years now, Polish ships have been regularly calling at the west African ports.

As Polish shipowners have established contacts with almost all the countries of the world, they now put emphasis on increasing frequency on these lines where traffic is particularly heavy. As a result more modern ships will be directed to service the Central American line, the East African line and the line linking Polish ports with Indonesia. It is possible that the latter will be extended so as to include some Australian ports.

Along with the development of regular shipping lines, the number of tramps calling at distant ports has also been increasing. In the next two years 10 big ships destined to carry bulk cargo will be added to the Polish merchant fleet. Obviously, Polish shipyards will supply most of the ships that will be added to her fleet up to 1965, the total tonnage of ships flying the Polish flag in that year being planned to reach 1,500,000 TDW, as compared with 1,200,000 TDW at present. Polish shipyards have won recognition the world over as producers of excellent merchant and fishing vessels.

The development and improvement of Polish merchant fleet will no doubt help her exporters in enlivening contacts with foreign partners and guaranteeing punctual delivery of goods carried by Polish ships to the most distant parts of our globe.

INDUSTRIAL PROGRESS OF POLAND: 1938-64

Products/Unit of measure	1938	1946	1949	1955	1960	1963	1964 plan
Electric power (thousand millions of kWh)	4.0	5.8	8.3	17.8	29.3	37.0	40.0
Hard coal (million of tons)	38.1	47.3	74.1	94.5	104.0	113.2	114.3
Pig iron (million of tons)	0.9	0.8	1.4	3.1	4.6	5.4	5.6
Crude steel (million of tons)	1.4	1.2	2.3	4.4	6.7	8.0	8.4
Rolled goods (million of tons)	1.1	0.8	1.5	2.9	4.4	5.4	5.7
Machine tools for metal (thousands of units)	4.3	1.6	5.4	14.5	25.4	27.0	27.7
Electric rotating machines (thousand of units)	26.9	8.7	51.8	201.0	1,108.0	1,872.0	1,615.0
Motors cars (thousand of units)	1.9	—	—	4.0	12.9	18.2	18.5
Motor lorries (thousand of units)	1.8	—	0.2	10.5	19.5	26.8	26.8
Buses and coaches (thousand of units)	—	—	—	0.4	2.1	3.4	3.5
Motor cycles and scooters (thousand of units)	0.8	—	4.2	30.1	125.0	155.0	145.0
Double-axle tractors (thousand of units)	—	—	2.5	8.1	7.7	17.0	19.2
Ocean-going ships (th. TDW)	—	0.02	5.4	104.0	256.0	301.0	348.4
Wireless sets (thousand of units)	142.0	—	66.1	461.0	627.0	487.0	420.0
TV sets (thousand of units)	—	—	—	—	171.0	366.0	400.0
Household washing machines (thousand of units)	—	—	—	28.1	531.0	536.0	500.0
Household refrigerators (thousand of units)	—	—	—	3.4	37.7	120.0	181.5
Sulphuric acid (100 per cent) (thousand of tons)	189.0	124.0	276.0	450.0	685.0	888.1	1,025.0
98 per cent calcinated soda (thousand of tons)	87.0	81.2	123.0	219.0	533.0	543.3	605.0
Nitric fertilizers in terms of pure component (thousand of tons)	42.9	35.1	73.9	154.0	270.0	329.6	365.0
Phosphorous fertilizers in terms of pure component (thousand of tons)	43.0	27.8	73.6	132.0	207.0	271.4	320.0
Cement (million of tons)	1.7	1.4	2.3	3.8	6.6	7.7	8.7
Paper (thousand of tons)	205.0	148.0	253.0	376.0	504.0	587.2	621.4
Cotton and cotton-like fabrics (million of m.)	288.0	206.0	403.0	561.0	667.0	694.6	674.5
Woollen and woollen-like fabrics (million of m.)	37.7	22.9	50.1	75.7	78.9	84.0	86.6
Footwear with leather uppers (million pairs)	—	—	8.6	24.6	39.0	43.3	48.5
Sugar (thousand tons)	491.0	387.0	745.0	981.0	1,381.0	1,309.0	1,450.0
Cereals (4 varieties) (million tons)	12.5	5.1	11.9	12.7	14.3	14.5	14.7
Cattle (million of heads)	10.6	3.9	7.1	7.9	8.7	9.8	9.9
Pigs (million of heads)	7.5	2.7	9.4	10.9	12.6	11.7	12.3

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L.A.A.

Indo-Polish Chamber

A GROUP of Indian businessmen and bankers interested in promoting economic and trade relations between India and Poland have set up, in co-operation with the Polish Trade Representation in India, an Indo-Polish Chamber of Commerce, with its headquarters in New Delhi. An office of the Chamber will also be set up in Poland. The main functions of the Chamber include (i) organising trade fairs and exhibitions, symposia, lectures and advertisement campaigns in India and Poland, (ii) collection and dissemination of relevant information (including statistics) on industry and trade, (iii) arbitration in commercial disputes arising out of business contracts between Indian and Polish firms, and (iv) representation of specific problems concerning trade, industry and technical collaboration to the Indian and Polish Governments. The promoter-members of the Chamber are: Escorts Ltd., The Punjab National Bank Ltd., The General Radio & Appliances Private Ltd., M/s. Harshadray Pvt. Ltd., and a few other firms. Any company, business organisation or institution interested in business or economic relations with Poland is eligible to join as a subscribing member on payment of admission fee of Rs. 500 and the recurring annual fee of Rs. 500. A few distinguished persons in the field of industry, trade, agriculture and public service will be co-opted as honorary members.

The annual trade turnover between India and Poland last year (1963) was of the order of about Rs. 24 crores both ways. According to the trade and payments agreement signed be-

tween India and Poland at the turn of the current year, the Indo-Polish trade during 1964 is expected to be of the order of Rs. 32 crores both ways. As envisaged by the mutual trade agreement between India and Poland, signed in June 1964, the annual trade between the two countries in 1966 may be around Rs. 38 crores both ways. In terms of these agreements India will export to Poland engineering goods including textile machinery and accessories, machine tools, diesel engines, cotton textiles, duplicators, handicrafts and handloom products, leather footwear, ready-made garments, collapsible tubes and razor blades in addition to the traditional export items such as iron ore, manganese ore, mica, tobacco, de-coiled linseed cakes, tea, jute products, spices shellac, groundnuts and cashewnuts. India's export from Poland will include mining machinery, machine tools, tractors and rolled steel products including alloy and special steels, textile machinery and chemicals. Poland will also be assisting India in the development of its mining industry, particularly coal mining, and will also train 10 to 20 Indian engineers at the Indian School of Mines, Dhanbad. Under an agreement signed between the two countries Poland will receive a number of Indian engineers to be trained in the construction of power plants, electric motors and textile machinery. Poland may also provide training facilities in India in the techniques of shipbuilding. Polish assistance is also being provided for the construction of nine deep coal mines in India.

INDIA'S EXPORTS TO POLAND (COMMODITY-WISE): 1948-49 — 1963-64

Commodity	1948-49	1950-51	1955-56	1960-61	1962-63	1963-64
(Rs. Million)						
Oilcakes	—	—	—	13.2	35.9	38.3
Iron Ore	—	—	1.0	6.6	11.1	6.6
Jute goods	—	—	—	—	15.3	2.0
Jute raw	2.2	3.1	—	—	5.9	1.5
Mica	—	0.1	1.3	3.9	5.8	6.7
Coffee	—	—	—	—	9.1	1.2
Tea	—	—	—	—	4.5	6.9
Oilseeds	—	—	—	—	4.1	2.4
Hides and Skins	—	—	—	4.6	3.8	1.1
Manganese Ore	0.1	—	0.5	3.2	3.4	4.8
Tobacco raw	—	—	—	1.7	3.4	10.2
Cotton raw	—	—	—	—	2.5	—
Spices	0.3	—	—	—	2.4	2.7
Vegetable Oils	—	—	0.2	1.6	2.4	2.5
Others	0.3	—	—	1.4	2.4	2.5
Total	3.2	4.0	3.8	38.8	117.0	96.0

INDIA'S IMPORTS FROM POLAND (COMMODITY-WISE): 1948-49 — 1963-64

Commodity	1948-49	1950-51	1955-56	1960-61	1962-63	1963-64
(Rs. Million)						
Machinery, non-Electric	—	0.1	1.5	12.7	23.4	48.3
Electrical Machinery	—	—	—	0.3	4.6	5.5
Iron & Steel	—	—	—	—	17.4	13.8
Railway Equipment	—	0.3	0.2	9.7	8.0	6.4
Chemicals	—	—	—	5.9	8.1	11.9
Paper	0.5	0.1	0.2	1.5	5.0	5.2
Others	0.1	0.1	0.5	3.4	11.9	12.5
Total	0.8	2.4	1.9	10.7	78.4	103.6



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Quality Control and Standardisation

B. N. SINGH

MODERN TECHNIQUES of quality control have an important part to play in the improvement of quality, enhancement of productivity, creation of consumer confidence and expansion of exports and thereby help in the rapid development of the industrial economy of the country. When properly used, these techniques can lead to substantial improvement without any capital investment on new equipment or excessive drainage of foreign exchange. The knowledge and practice of these techniques has become all the more imperative in view of the vast increase in the number of industrial undertakings due to the implementation of successive five-year Plans. In the present national emergency also, which calls for more and more industrial production and conservation and man-power and materials by way of reduction in the amount of inspection, re-work, scraps, etc., quality control would be found eminently suitable to meet these needs.

It may be mentioned here that Japan had its economy almost completely shattered during the last World War, but its economic reconstruction thereafter has been something of a marvel. Today Japan has considerably improved the quality of its products and is also able to sell them comparatively at lower prices thereby emerging as a powerful competitor in the world market. Besides, it has also assumed a position of leadership in case of certain products. Quality control, which is now being very widely practised in Japan, has played a considerable part in this economic recovery. An idea of this can be had from the fact that, of all the companies employing 100 hands or more, 60 per cent of them are having full-fledged quality control programmes. Even of the remaining companies employing 10 to 99 hands, 30 per cent are having quality control programmes.

Considerable Saving

Judging from economic considerations alone, the application of quality control techniques may lead to considerable savings at the various stages of production. While the amount of savings will differ from plant to plant depending upon the nature of the existing quality of production, 10 to 15 per cent savings may not be uncommon and may even be as high as 20 per cent or more. For example, certain cotton mills as reported a saving of 15 to 20 per cent, jute mills about 18 per cent and engineering firms about 10 per cent. Again, the one engineering firm reported a saving of ten times the expenditure on the introduction of quality control within a year. Then, there is another aspect of this problem of economy. The extent of effort and money at present being expended in an unsystematic manner to keep the consumers satisfied, may be much more than it need be. British and American figures agreed in showing that the total cost of quality assurance mounted to between 4 and 12 per cent of the total turnover of manufacturing organizations. Eight per cent was the average figure and 10 per cent was by no means uncommon. By the application of quality control methods appropriate to the need, it should be possible to halve this figure within a year or two of starting the exercise. Thus, taking into consideration the aforesaid two types of savings, manufacturing organizations would be benefited considerably

from the application of quality control and at the same time the quality of the products would have been raised.

In the application of quality control techniques, standardization is of fundamental importance, for the first step in applying quality control cannot be taken unless the quality characteristics are assessed, specified and measured. In other words, the specification defines the quality and prescribes the means to evaluate it. Quality control endeavours to attain the specified quality level and maintain it at that level or improve it still further. Besides, the specification may also prescribe the sampling procedure for appraising conformance of a lot of manufactured items to the specified quality. Quality control and specifications are therefore closely related and each depends upon the other.

The Indian Standards Institution has been making extensive use of the quality control principles and techniques in its standardization effort with a view to bringing about overall improvement of product quality and building up consumer confidence at home and abroad. This paper attempts to describe briefly the contributions made by ISI to various aspects of quality control, namely, definition of quality, method of evaluating quality and inspection for appraising conformance to specified quality.

Control Chart

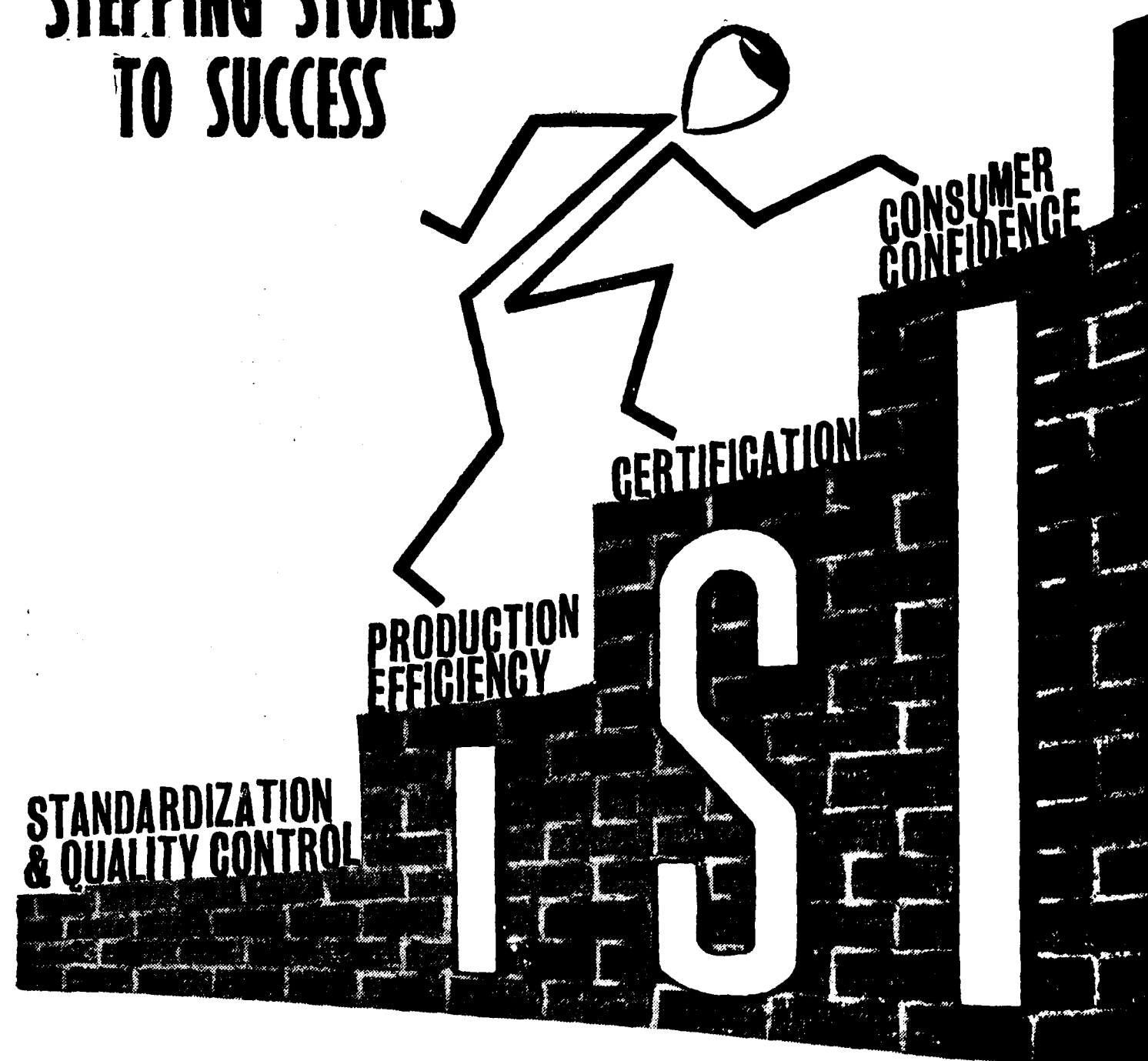
To propagate the principles of quality control and to assist manufacturers in controlling production, ISI has published IS: 397—1952 method for Statistical Quality Control During Production by the Use of Control Chart. This standard gives the basic principles of control charts in general and illustrates how these principles might be applied in specific cases. In other words, it gives the basic guidance to the manufacturer in evolving his own control charts and methods to keep production to the specified quality levels.

To assist consumers in tackling their sampling problems as also to help the various committees of the institution in evolving suitable sampling plans for individual specifications, ISI has issued IS: 1548-1960 Manual on Basic Principles of Lot Sampling. This manual explains the various statistical concepts underlying sampling inspection schemes and lays down some of the basic principles of lot by lot sampling.

The Indian Standards Institution has also undertaken the preparation of an Indian Standard on Sampling Inspection Tables for ready reference and use. This standard would help the consumers in selecting their own sampling plans for ascertaining the acceptability of their purchases. Part I of the Standard dealing with inspection by attributes and count of defects has now been published as IS: 2500 (Part I) -1964. The plans as given in this standard would be sufficiently flexible to meet a wide variety of quality requirements and administrative and technical conditions. Part II of the Standard dealing with inspection by variables is under preparation.

In the manufacture of any product, the first and foremost requisite is to specify what the product should be. This is achieved in two ways, either by providing a prototype of the product or by writing down the requirements for various characteristics which determine the quality or performance of the product. In the latter case it is essential that the require-

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ments are written down in a language understood by everybody so as to give little room for doubts or discrepancies. Indian Standard specifications play an important role in this respect as the quality defined in these specifications is precise and represents the best compromise solution to the problems of quality. In arriving at the quality levels, it may be mentioned, the quality control principles can be made use of by studying the manufacturing processes of a product in the various units of manufacture and statistically analysing the data resulting therefrom. Attempts have been made to arrive at quality levels in this manner and specific reference may be made to IS: 564-1961 DDT Dusting Powders (Revised) and IS: 1300-1959 Phenol-Formaldehyde Moulding Powder.

Indian Standard specifications are constantly reviewed and, wherever necessary, revised to improve the quality of indigenous manufacture, statistical analysis of the production data helps considerably in determining the revised quality levels. Mention may be made here of IS: 564-1961 DDT Dusting Powders (Revised) wherein the requirement for average DDT technical content (as given in the old version) has been deleted in view of the inclusion of statistical criteria for conformity.

Evaluation of Quality

Method for measurement (or evaluation) of quality is another prerequisite for control of quality. Not only precise methods of tests but also agreements on the procedures are necessary so that a product evaluated at two different sources yields comparable results. To meet this need, ISI has formulated a number of Indian Standards on methods of test for quality determination. In the development of a new industry, these standards play an important role; reference may be made to IS: 326-1952 Methods of Test for Essential Oils whose publication as early as in 1952 enabled ISI to formulate specifications on a number of essential oils to assist their development.

While standardising a test method, it is important that its reliability, i.e., the variation between duplicate determinations be known in quantitative terms so as to serve as a guide to users of the test methods for judging the acceptability of test

results. The magnitudes of this variation when the determinations are made in the same laboratory or in different laboratories, are of practical significance. Numerical estimates for these variations are expressed in terms of repeatability and reproducibility of the test methods and their values have been specified in certain Indian Standards such as IS: 1350-1959 Methods of Test for Coal and Coke, & IS: 1448 (Part I)-1960 Methods of Test for Petroleum and Its Products.

In cases where different test methods are available for the same purpose, statistical methods have been used to decide on the choice of these test methods which are likely to lead to more reliable results.

The inspection of quality in order to judge the conformity of a lot to the specification, is an important aspect of quality control. In many cases it may not be possible to test every product in the lot and hence inspection has necessarily to be carried out on sampling basis. Attempts are being constantly made by ISI to provide suitable sampling plans in Indian standards so as to give objective guidance to the consumers for ascertaining the acceptability of their purchases. The sampling plans in such cases are evolved by suitably blending the theoretical requirements with practical considerations so that, while providing the necessary quality assurance, they lead to considerable savings in money and time and are acceptable to trade and industry. These sampling plans, besides specifying the frequency of sampling, also lay down the criteria for judging the conformity of a lot. There are a number of Indian standards wherein such sampling plans have been incorporated, for example, IS: 779-1961 Water Meters (Domestic Type) (Revised), IS: 1116-1957 Glass Globes for Hurricane, Lanterns, IS: 1970-1961 Hand Compression Sprayer for Public Health, etc.

Sampling of bulk materials like gypsum, iron ores, manganese ores, coal, etc. presents problems of a different nature. These materials consist of particles of various sizes which differ appreciably in respect of certain quality characteristics, thereby making it difficult to collect representative samples for test. Hence, to provide guidance for obtaining a reliable estimate of lot quality in such cases, ISI has prepared and is preparing a number of standards on the methods of sampling

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international level at the instance of ISI and will be meeting for the first time in India this month.

The scope of this technical committee (CDC 42) has been kept wide to deal with the following aspects of standardization of the raw rubber industry, namely:

- (i) Sampling and methods of test for natural, synthetic and reclaimed rubber;
- (ii) Packing and packaging codes for natural, synthetic and reclaimed rubber;
- (iii) Marking and issue of ISI Certification Marks when desired by the industry.

Its immediate concern is, however, to rationalise the grades of natural rubber and to prescribe simplified packing and packaging codes for internal transit and storage.

ISI Certification Marks Scheme — ISI Certification Mark is a third party guarantee. Presence of ISI mark on products conveys the assurance that they have been produced to comply with the requirements of a standard, under a well defined system of inspection, testing and quality control during production.

Packing and Marking — At present bales of various weights (ranging from 25 to 113 kg.) and dimensions are in vogue. It has been felt, however, that the bales should conform only to two weights and that the size and shape of the bales should be standardized. The mode of wrapping as well as painting has also to be codified. There also seems to be a real demand for rubber packed in smaller bales. Presented in a paper bag or polyethylene sack, displaying the trade mark or brand name could enhance the consumer-appeal.

Testing Facilities

The need to have a well equipped laboratory, which can conduct intensive work on indigenous produce based on the internationally recognized methods of test, is keenly felt. Without our own test data collected on the indigenous produce, it would do no justice to the cause of standardization. Attempt is, therefore, being made to establish a well equip-

ped research, development and testing laboratory by the Rubber Board, through the good offices of the rubber industry and the State, besides tapping the present laboratory facilities within the country. Such an attempt may facilitate our study of factors like co-efficient of variation in modulus for fixed vulcanizing conditions; study of certain rheological properties of practical significance such as the extent of recovery of a rubber compound from deformation after extruding or calendering, etc., which may to some extent contribute to a technical classification and a scientific grading.

Natural rubber is bound to play a greater role in the country's economy with reference to rubber production. ISI's approach to standardization of this vital product is based on the following considerations:

- (a) Reduction in the number of grades and types in the light of country's needs as we are not to export natural rubber for many more years.
- (b) Fixing up the minimum quality requirements based on authentic test data on indigenous produce, tested according to internationally recognized methods of test. In course of time, it may be necessary to further differentiate grading of general purpose natural rubber with the grading of speciality natural rubber.
- (c) A well laid out method of sampling.
- (d) Simplified and well defined code of practice for packing with particular reference to transit within the country.
- (e) Uniform marking practice.
- (f) Quality marking to ensure that the consumer gets the material of his choice.

Work has also been initiated to standardise the synthetic rubber and rubber latex produced in the country presently, to serve as guide to the rubber manufacturers to plan their production with the indigenously available raw material. The work on standardization of reclaimed rubber will also be taken up in the near future as and when this industry gains certain momentum.

Standardisation : Its Significance in Relation to Food

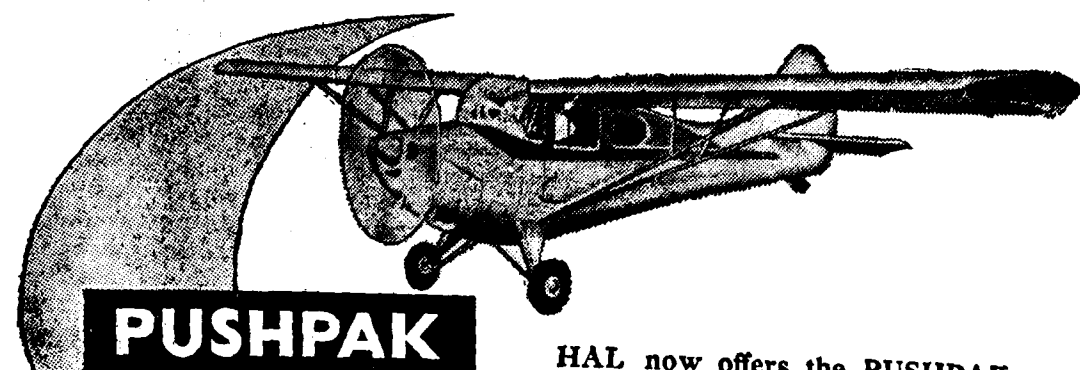
C. K. ROY

FOOD IS a combination of organic and inorganic chemicals which, in combination, provide nutriment to the body. For the proper maintenance of health it is essential that food must consist of nutrients in the proper, balanced proportion. The ingredients used for preparing food, that is the main food-stuffs, should not contain any extraneous and harmful matter other than its natural constituents.

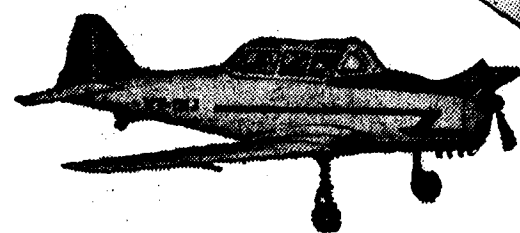
Standardisation of various products helps the consumers in getting a material of good quality, free from adulteration. They can consume the product without any damage to their health as the certification mark stamped on the package assures them that it has been produced in a hygienic manner as laid down in the Standard and has been checked by experts. Let us take the example of a common item like atta (flour) which nearly every one of us consumes daily. We all know that atta is made from wheat but we do not want that the chapati made from the atta be gritty to taste or be rubbery or brittle in texture or that it should contain a high proportion of bran (chokar). To ensure that we get

atta which will make chapatis free from all these defects, the Indian Standards Institution has laid down a certain standard. This standard specifies the maximum permissible limits for sand and silica, the residual bran when the atta is sieved through a particular sieve for a certain period and the minimum amount of gluten (which is a part of the total protein in the atta and which helps in giving the proper texture to the chapati due to its own elastic texture). Similar standards have been laid down for certain fresh vegetables, oils, ghee, vanaspati, spices and condiments, pulses, sugar, boiled sweets, milk and milk products like butter, cheese, whole milk powder, skimmed milk powder, sweetened condensed milk, infant foods and tinned foods like tinned vegetables, fruits, jams, jelly and scores of other products packed in tin containers. Even animal feeds like bran, and oilcake and poultry feeds have been standardised. Such standards have been laid down by all progressive countries of the world for all products meant for internal consumption or for export. Having known the advantages of consuming standardised products, it should be our endeavour to use pro-

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of these materials. In case of certain materials like gypsum, it may be added, sampling investigations had to be conducted with a view to collecting relevant information for laying down rational sampling procedures. Some examples of such standards are: ISI: 1289-1960 Methods of Sampling of Mineral Gypsum, ISI: 1405-1960 Methods of Sampling Iron Ore, ISI: 1449-1961 Methods of Sampling Manganese Ore, etc

Certification Marks Scheme

To make quality goods available to the consumers, ISI operates a certification marks scheme according to which licences are issued to manufacturers for the use of ISI mark on their products to guarantee the quality in accordance with the relevant Indian Standard. To ensure that each marked product conforms to the relevant Indian Standards, the manufacturer has to agree to follow a scheme of routine inspection which is drawn up by ISI in consultation with the manufacturer. These inspection schemes are evolved on the basis of quality control principles and techniques. They include a sampling plan which takes into account the importance of the various characteristics, the number of tests that should be made at various levels of control and the criteria for determining the conformity of the control units to the relevant specification.

According to the inspection scheme, adequate records about the quality during production have also to be maintained by the licensee on suitable proformas prescribed for this purpose. From these records, the licensee can determine

whether or not the production line is progressing satisfactorily; if not, he can rectify the process so that the products conform to the relevant Indian Standard. Besides, ISI brings to the notice of the management of the licensee the benefits accruing from the use of quality control and assists them in introducing these techniques into their plants.

It is interesting to mention here that introduction of quality control techniques is making available systematic data on the capability of different manufacturing units for uniform production of quality goods conforming to Indian Standards. This information is most useful to ISI for revising Indian Standards from time to time to reflect the improved quality performance in the product.

In the application of quality control techniques in a manufacturing unit, innumerable difficulties are met at each stage. To solve these difficulties, it is essential that standardisation of quality, methods for evaluation of quality and sampling inspection is achieved. The work done by a national body such as the Indian Standards Institution in this respect represents sound, satisfactory and economic solutions to many of these quality problems. It is, therefore, in the interest of the manufacturer, as also of the country, that the Indian Standards are widely implemented which will go a long way in improving the quality of the products and increasing the productivity of the manufacturing concerns. This will also help in the promotion of export trade and in earning valuable foreign exchange.

Standardisation of Raw Rubber

N. R. SRINIVASAN

THE RUBBER goods manufacturing industry in India produces a wide variety of rubber goods. They may be broadly classified into (a) rubber goods for automobile industry (b) cycle tyres and tubes and (c) miscellaneous rubber goods like footwear, power transmission belts, conveyer belts, hoses, foam products, sports goods, surgical goods, etc. The demand for raw rubber, the main raw material of this industry, is partly met from natural, synthetic and reclaimed rubber available within the country and the rest by imports.

The production and consumption of natural, synthetic and reclaimed rubber since 1952 is given below:

PRODUCTION AND CONSUMPTION OF RUBBER IN INDIA
(Figures in metric tonnes)

Year	PRODUCTION		CONSUMPTION			
	Natural Rubber	Reclaimed Rubber	Natural Rubber	Synthetic Rubber	Reclaimed Rubber	Total Consumption
1952	20,181	—	21,398	17	2,121	23,536
1955	22,841	—	27,984	107	2,542	30,633
1956	23,819	—	29,460	2,447	3,313	35,220
1957	24,147	—	32,273	3,080	3,896	39,351
1958	24,717	—	35,312	3,304	4,116	42,732
1959	23,772	—	39,282	4,410	4,526	48,218
1960	25,192	200	45,941	5,561	5,327	57,829
1961	26,992	475	48,319	9,600	5,927	63,846
1962	31,357	750	51,776	10,409	6,577	68,762
1963	37,200	1,150	60,209	11,624	7,676	79,509

India's consumption of raw rubber was approximately 69,000 tons in 1962. Only 45 per cent of this total demand has been met from the indigenous raw rubber. The rest had to be imported. Although, our target for 1965 is about 45,000 tons of natural rubber, it is doubtful whether even 80 per cent of this figure can be reached.

On the synthetic rubber side, the progress is encouraging. A synthetic rubber plant has been set up at Bareilly to produce SBR-Rubber. This plant is based on styrene butadiene copolymer system with alcohol as basic feedstock. It has presently the production capacity of 30,000 tons per year. With the development of petro-chemical industries in the country, there are hopes of production of synthetic rubber based on polybutadiene. It is estimated that between 1965 and 1975, the demand for raw rubber may go up by about 200,000 tons a year which has to be partly met from indigenous production of natural rubber.

Reclaimed rubber or re-worked rubber can very well be an example of the principles of 'conservation' applied to the rubber industry. Presently certain units have started production of reclaimed rubber indigenously also. The advantage of such reclaims is low cost, uniform cost with far less fluctuations than natural rubber, lower power consumption and faster mixing and good processing properties. The production of reclaimed rubber is also likely to go up in the near future.

The Rubber Sectional Committee (CDC 42) of the Indian Standards Institution, set up on the request of Indian Rubber Industries Association through the Rubber Board, has taken up the problem of laying down standards for grading and packing of indigenously produced rubber in the interest of trade for quality production. It is not easy to introduce a standard specification for Indian natural rubber particularly because of the multiplicity of producing units and the extensive sampling and testing facilities that will be needed. Nevertheless, a beginning has been made. The work of this Committee has to be aligned with the work of similar nature at the international level by the special task group appointed for drawing specifications on raw natural rubber under Working Group 'C' of the Technical Committee, ISO/TC 45 Rubber of the International Organization for Standardization. Incidentally, this special task group has been set up at the

ducts which bear the ISI Certification Mark. This will help to wipe off the menace of adulteration which is so prevalent in the country.

Standardisation of articles has another great advantage. It opens the door for export of these standardised items to foreign countries. It must not be forgotten that the goods we export, if of good quality, can be our best ambassadors. The national character, integrity and skill are best advertised to the world by the kind of goods we export. Unless these are of good, uniform quality or of the type that we declare them

to be, we may lose very valuable foreign markets and a good deal of money in international trade.

Unscrupulous practices by some members of the trade have already cost India dear, particularly in certain agricultural commodities like spices, fruits and meat. India is producing several items which foreign countries are interested in buying, but due to lack of proper standardization, these products do not find ready markets abroad. If properly standardized and controlled by the export authorities these products will earn valuable foreign exchange and also reputation for the country.

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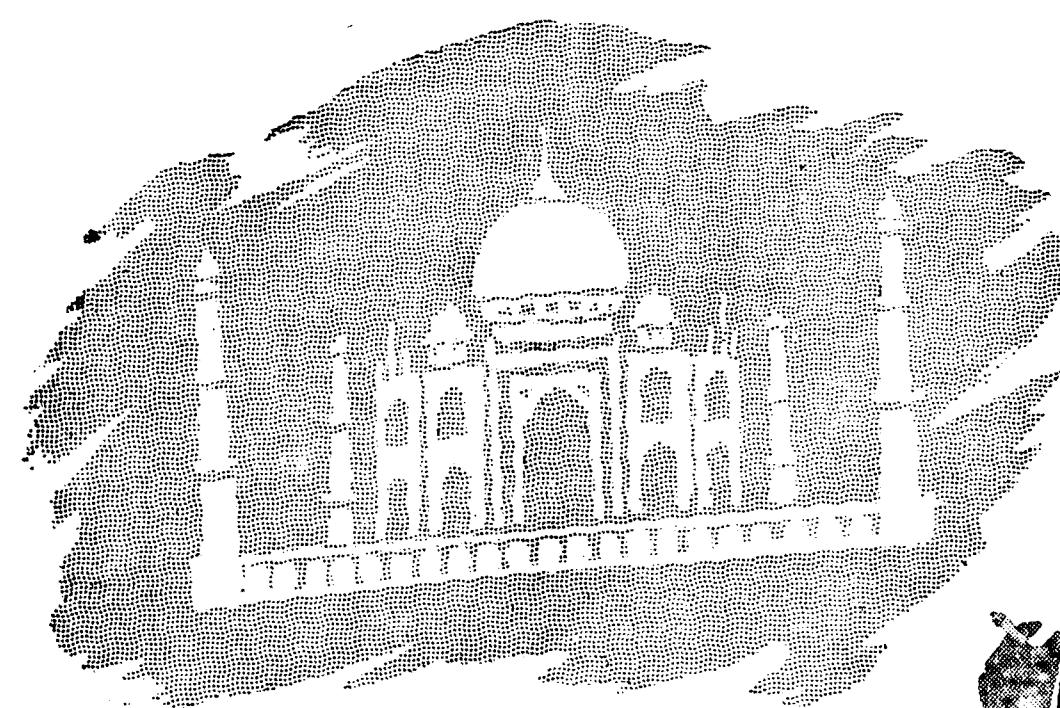
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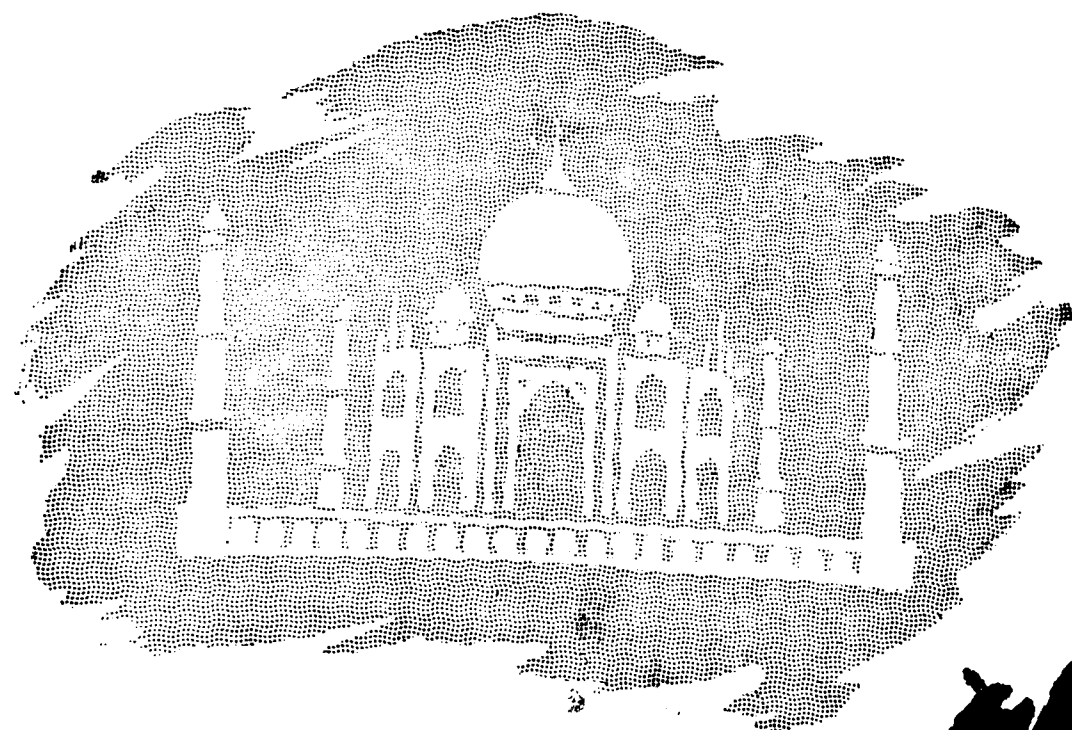
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